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Managerial Capabilities and Strategic Business Success in the Petroleum Industry in Uganda

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Abstract

This paper explores the relationship between managerial capabilities and strategic business success in the petroleum industry in Uganda. Managerial capabilities were measured using communication, conceptual, human and technical skills. The study premised on knowledge-based view of the firm theory. The population was 347 licensed petroleum companies in Uganda and a sample of 186 was used. The study used a survey research design. Regression and correlation were used to do analysis. The study used a self-administered questionnaire and semi-structure key informant interviews. Findings indicate that managerial capabilities have positive and significant relationship with strategic business success. Findings also indicate leadership partially mediated the relationship between managerial capabilities and strategic business success. It is recommended that the level of conceptual skills be internally assessed by each company since it was ranked lower than other dimensions. Leadership is a contributor to increased and sustainable relationship between managerial capabilities and strategic business success.

Keywords: *Managerial Capabilities, Knowledge-Based View, Strategic Business Success, Leadership.*

Introduction

Globally, organisations of different types and orientation (profit and non-profit making) succeed in the competitive marketplace due to the quality of their managers (Ogola, 2019). Such managers determine direction and provide quality in terms of timely decision making, resource allocation and staffing decisions. Managers have the responsibility to monitor the organisation's internal and external environments, build company resources and capabilities, track industry and competitive trends, spot emerging market opportunities, identify business threats, and develop a vision for the future that followers can believe in (Wheelen & Hunger, 2011; Ogola, 2019). Managers are hired to provide oversight and make decision for the good of their organisations (Ogola, 2019). Managers' competency in management skills is one of the factors aiding them to reach sustainable success (Jiang & li, 2008). Managers steer and drive the organisation towards coping with change by guiding the organisation to deal with change or by providing the management skill to cope with the ramifications of constant change (Pearce & Robinson, 2011). One would describe managers as change agents (Ogola, 2019). This is the essence of managerial capabilities.

The petroleum industry in Uganda has experienced tremendous change and activities occasioned in part by the interplay of managerial efforts, ability and general disposition to decipher what and when to do certain activities. Pearce and Robison (2009) describe managerial capabilities as to understand and manage the business, to determine the growth and survival of a company. Managerial capabilities are held by an individual or a small group of managers, such as leadership or teamwork skills. This places managerial capabilities at the core of organisational success because managers use managerial capabilities to build, integrate, and reconfigure organisational resources and competences (Adner & Helfat, 2003). Managers use these capabilities to create, extend or modify the ways the company operates the business, through an impact on factors both within and outside the company (Helfat & Martin, 2015). Managerial capability is socially created as accepted beliefs about what problems managers should tackle and can solve (Kearney, Harrington & Kelliher, 2017).

Managers in organisations should be able to conceive for their organisations what is required to grow and succeed. Similarly, managers should be able to manage people in the best optimal way that encourages active participation which unlocks productivity and increases level of staff engagement in organisations. Besides, managers must possess adequate level of technical ability to guide their organisations in order to fathom certain required actions and unleash individual creativity/innovation.

Managerial capabilities are categorised into conceptual skills, technical skills and human skills. Jones and George (2009) defined technical skills as job-specific knowledge and techniques. The authors contend that the specific kinds of technical skills depend upon the manager’s position in the organisation. To Nazari (2018), technical skill refers to the ability to apply knowledge, method, and technique of the means required to perform certain tasks through experience, education, and training. Jones and George (2009) defined human skills to include the ability to understand, alter, lead, and control the behaviour of people and groups. Human skill refers to the judgment required to work with people, along with the awareness of encouragement techniques and use of an effective management model (Nazari, 2018). To this extent, human skills refers to the ability to communicate, coordinate and motivate people constitute the principal difference between effective and ineffective managers.

Meanwhile, Jones and George (2009) defined conceptual skills to include the ability to analyse a situation and distinguish between cause and effect. Nazari (2018) says perceptual or conceptual skill refers to the ability to understand the general problems of the organisation and identify the section of the organisation in which a person is best fitted to work. Of all the levels in an organisation, senior level managers usually require high conceptual skills primarily because their primary responsibilities are planning and organising the long-term vision of the organisation.

Conceptual skills are therefore central to creating a vision and strategic plan for an organisation (Jones & George, 2009). Generally, conceptual skills include competencies in a specialised area, analytical ability and the ability to use appropriate tools and techniques. Human skill is knowledge about and ability to work with people, quite different from technical skill, which involves working with things. Human skill is being able to work with people, technical skill is knowledge in a given activity or subject, and conceptual skill is the ability to work with new ideas (Northouse, 2017). Ghalandari (2012) contends that human skills help a leader to assist group members in working together in a cooperative setting as a group to achieve common goals.

The petroleum industry in Uganda is fraught with uncertainty occasioned by turbulence and unpredictable changes in environment, political interference and market changes. As such, the industry requires managers of certain calibre to use their managerial capabilities to build, integrate, and reconfigure organisational resources and competences (Adner & Helfat, 2003). The interplay of environmental factors in the industry provides avenues that managers exploit to the benefit of their respective companies and these are anchored on capabilities with which managers create, extend, or modify the ways a firm makes a living, through an impact on factors both within and outside of the firm (Shalley, Hitt & Zhou, 2015).

Due to the level of competitiveness, sheer amount of capital investment, environmental concerns, strict regulatory and statutory control, and an industry where government receives and usually plan to receive high revenues, the petroleum industry in Uganda requires a high degree of managerial capabilities. This is because managerial capability provides an outgrowth theory of dynamic capability to explain the individual-level capability to respond to strategic action of the firm (Mostafiz et al. 2019a). This therefore means managers should act as entrepreneurs with ability to sense, seize and transform opportunities (Mostafiz et al. 2019a).

In this regard, managerial capabilities essentially describe the capacity of managers to create, extend or modify the way in which an organisation makes a living in for-profit firms, or fulfils its mission in non-profit organisations.

Dynamic managerial capabilities cut across all types of organisations whether profit making or non-profit. But in Uganda, it is unclear whether the petroleum industry is blessed with this category and class of managers adequately endowed with managerial capabilities.

Managers inherently determine both the internal attributes of an organisation as well as its external environment and thus shape the development and effective deployment of organisation-level dynamic capabilities or to alter existing organisational resources and capabilities. Importantly, both top and middle managers should possess requisite levels of managerial capabilities. These managers do the planning for their organisations although, in the petroleum industry, the basic supply and demand pressures determine the price of oil but, international politics play a large part as well (Falola & Genova, 2005).

Uganda is a net importer of petroleum products with 92% through the Kenya infrastructure while 8% is supplied through Dar es Salaam (MEMD, 2019). Due to the requirement to be competitive, the industry thus requires a portfolio of managers that guide companies compete and grow. Only companies that have reliably competent managers with adequate managerial capabilities can sustain market presence and only those companies that are more resilient both internally and externally would sustain market presence. To sustain a vibrant competitive landscape, requires a good blend of managerial capability within an organisation. But evidence shows that this is lacking (Kimbowa, 2014). A study by the Inter-University Council for East Africa (IUCEA) in Kenya, Tanzania, Uganda, Rwanda and Burundi of employers' views on the employability of graduates from its member universities revealed that between 51% to 63% of the graduates were found to be 'half-baked', 'unfit for jobs' and 'lacking job market skills'. The worst records were in Uganda (63%) and Tanzania (61%), Inter-University Council for East Africa & East African Business Council, 2014).

Whereas the GoU has provided an enabling environment for business and put in place an institutional body to manage petroleum supply in the country, and whereas the petroleum industry is liberalised with free market economy that determines entry and exit, there are some challenges facing the petroleum industry in the recent past. These challenges therefore, compel one to ask whether the issue in the petroleum industry is managerial capabilities to streamline and grow the industry to greater heights.

Conceptual framework

This study was guided by the conceptual framework in Figure 1. Independent variable was managerial capabilities with constructs that included conceptual skills, technical skills, human skills and communication with strategic business success as dependent variable. Mediator variable was leadership.

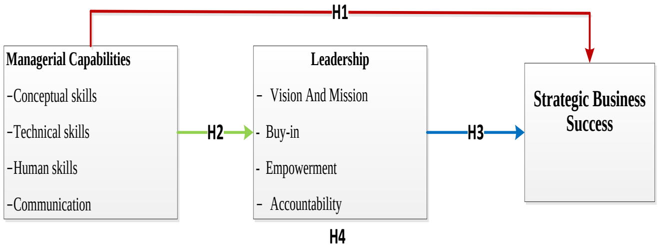

Figure 1. Conceptual Model

Source: Researcher, 2020.

From the conceptual framework, it is postulated that managerial capabilities have a positive and significant relationship with strategic business success. This is illustrated by line **H1** which is plotted directly from managerial capabilities to strategic business success. Similarly, leadership is postulated to mediate the relationship between managerial capabilities and strategic business success. Components of managerial capabilities are conceptual skills, technical skills, human skills and communication.

The remaining parts of this study are arranged as follows. Section two of the study presents literature review; section three presents the methodology whereas section four presents data and results as well as a discussion of the results. Section five presents conclusion and possible policy recommendations.

Theoretical review

Knowledge-Based View (KBV) of the Firm

This study was guided by knowledge-based theory which contends that firms use existing knowledge for product innovation and customer problem-solving processes (Shang, Yao & Liou, 2015; Shujahat et al., 2017b). The knowledge-based view of the firm theory posits that an organisation is the sum of knowledge resources which are pertinent for the competitive advantage (Shujahat et al. 2017a, b; Monteiro, Soares & Rua, 2017; Inkinen, 2016; Garrido-Moreno, Lockett & Garcia-Morales, 2015). The reason is that this resource is rare, valuable, and cannot be copied easily. Therefore, the comparative organisational performance of the firm that strives to create, share, and apply these knowledge resources would increase with sustainability as compared to its competitors who do not do so (Shujahat et al. 2017a, b; Costa & Monteiro, 2016).

A study by Chen and Lee (2017) on two Taiwanese travel agencies demonstrated that market knowledge consists of both know-what and know-how aspects. Besides to corresponding to the tacit knowledge concept of KBV, the study also discovered the tacit knowledge issues of the travel industry. Findings from this study showed that significant types of market knowledge can be operationalised as the market knowledge of travel agencies.

In the knowledge-based production, the role of organisational factors is critical. For instance, the competitiveness of the firm does not so much depend on its product–market positioning in relation to external competitors, as on its internal characteristics. To the knowledge-Based View, performance differences between organisations mainly arise due to differing levels of stocks of knowledge within these organisations plus their capabilities levels in using and developing knowledge. This is why the firm can be viewed as a social community specialising in speed and efficiency in the creation and transfer of knowledge (Kogut & Zander 1996, 503).

Literature Review

Managerial Capabilities

Managerial capabilities are also called Technical capabilities (Camisón-Haba, Clemente-Almendros & Gonzalez-Cruz, 2019). Jones and George (2009) defined technical skills as job-specific knowledge and techniques. They contend that the specific kinds of technical skills depend upon the manager’s position in the organisation. They defined human skills to include the ability to understand, alter, lead, and control the behaviour of people and groups. To Jones and George (2009), the ability to communicate, coordinate and motivate people constitute the principal difference between effective and ineffective managers. The authors also defined conceptual skills to include the ability to analyse a situation and distinguish between cause and effect. Of all the levels in an organisation, senior level managers usually require high conceptual skills primarily because their primary responsibilities are planning and organising the long-term vision of the organisation.

Managerial capabilities are categorised as conceptual skills, human skills and technical skills. For this study, communication was added. According to Nazari (2018) technical skill refers to the ability to apply knowledge, method, and technique of the means required to perform certain tasks through experience, education, and training. Human skill refers to the judgment required to work with people, along with the awareness of encouragement techniques and use of an effective management model (Nazari, 2018). Perceptual or conceptual skill refers to the ability to understand the general problems of the organisation and identify the section of the organisation in which a person is best fitted to work (Nazari, 2018). Conceptual skills are therefore central to creating a vision and strategic plan for an organisation (Jones & George, 2009). According to Ghalandari (2012), human skills help a leader to assist group members in working together in a cooperative setting as a group to achieve common goals.

The other construct under managerial capabilities is communication. In modern business, communication is central to business success because it enhances an organisation ability to have a shared position and vision; and is the most dominant and important activity in organisations (Harris & Nelson, 2008). Communication is a means to improve commitment and to stimulate employees to achieve organisational goals (Tsai, Chuang & Hsieh, 2009). Tsai et al., (2009) contend that it is the responsibility of managers to improve communication in the workplace, train employees in communication skills, and encourage informal communication.

Strategic business success

Strategic Business Success is the dependent variable (criterion variable) in this study. Components chosen include profitability, return on investment, company image (reputation), market share and customer satisfaction. Businesses are described as successful when they do make or possess skills and technical know-how to balance resource use and allocation. A successful business essentially comprises of financial and non-financial success performance indicators.

Financial performance (profitability, growth, return on assets and return on equity) indicate competitive advantage (Brito & Brito 2012; Mostafiz, Sambasivan & Goh, 2019). Non-financial performance includes new product and service introduction, time to market new product and service, number of successful new products and services and reputation (Mostafiz et al., 2019); organisational reputation (Dolphin, 2004; Carmeli & Tishler, 2005).

Profitability was measured by Return on Asset (ROA), Return on Equity (ROE), Net Interest Margin (NIM) and Return on Capital Employed (ROCE) variables (Fareed et al., 2016). Profitability ratios measured the firm's ability to generate profits and central investment to security analysis, shareholders, and investors, and profitability is the primary measure of the overall success of enterprise (Nimalathasan, 2009). Return on investment is important because it is an indicator for measuring the profitability of invested capital (Zamfir, Manea & Ionescu, 2016).

Empirical review

Managerial capabilities and strategic

Business success

Mostafiz, Sambasivan & Goh (2019a) studied the antecedents (managerial capability with managerial human capital, social capital and cognitions as dimensions) and the outcomes of foreign market knowledge accumulation in Bangladesh. The outcomes were financial and non-financial performances. The study showed that managerial social capital and managerial cognition of entrepreneurs play significant roles as antecedents and improve the performance of export manufacturing firms. Similarly, Mostafiz, Sambasivan and Goh (2019b) investigated the antecedents and outcomes of international opportunity identification (IOI) in export-manufacturing firms in Bangladesh. Findings indicated that dynamic managerial capabilities have direct and indirect impacts through IOI on financial and non-financial performance. It also revealed that IOI has a negative relationship with the financial performance of the firms.

A study by Anzengruber et al., (2017) provided insight into the relative importance of task, relations, and change capabilities of managers at low, middle, and top hierarchical levels. The study found that there were significant differences observed in the effectiveness of managers using task, relations, and change capabilities. At top management, change-oriented capabilities were 2 to 3 times higher than at the lowest level. Task-oriented capabilities became significantly less important at the top level. Relations-oriented capabilities are important at all levels.

Castellaneta (2016) studied whether firms that are rich in capabilities do perform if their managers do not have incentive to use those capabilities in pursuit of firm goals. He also assessed aligning the interests of managers and firms' influences how existing capabilities are leveraged and how new capabilities are developed. The findings revealed that creating alignment between managers and organisational goals can improve firm capabilities, thereby sustaining or growing a competitive advantage.

Secondly, it also showed that interest alignment builds capabilities that improve performance.

Garces-Galdeano, Garcia-Olaverri and Huerta (2016) studied plants in diverse manufacturing industries where 214 were family firms. It was to explore the possible causes of heterogeneous productivity observed while finding evidence of a link between managerial capability and higher productivity in family firms. The findings proposed a way to measure managerial capability, and also that innovative human resource policies are much more frequently found in companies with high levels of management capability. The authors showed that sustained competitive advantage is due to a combination of human capital elements. In addition, the study showed that there exists a clear association between high managerial capability and performance in family firms.

Oyedokun, Adegbile and Ogunkunle (2016) studied relationship between managerial capability and the innovative prowess of entrepreneurs among four firms in the Nigeria. The finding revealed that managerial tactics displayed by management encouraged the stimulation of innovation that drive the creativity. Individuals were not afraid to develop ideas and demonstrate such ideas since management promoted and rewarded successful ideas in a sustainable manner. As part of their job responsibilities, managers should routinely identify and actively promote capabilities that can stimulate entrepreneurial innovation and creating a healthy competition among employees in the industry.

From the foregoing analysis, managerial capabilities enhanced strategic business success to the extent that they support achievement of business objectives. The value and place of managerial capabilities in business enhancement cannot be overemphasised. As a result of the above analysis, the following hypothesis was suggested that:

H1: **There is a significant relationship between managerial capabilities and strategic business success.**

Mediating effects of leadership

This study hypothesised that managerial capabilities has a positive and significant relationship with strategic business success. However, it also argued that leadership has mediating effect on the relationship between managerial capabilities and strategic business success. For example, a study by Aldholay, Isaac, Abdullah and Ramayah (2018) into the role of Transformational Leadership as a mediating variable revealed that it has a positive impact on performance and significantly mediates the relationship between overall quality and actual usage.

Transformational leadership has been linked to organisational innovation and can be defined as the leadership style that emphasises the consciousness of collective interest among members of the organisation, helping them to achieve their collective goals (García-Morales, Jiménez-Barrionuevo & Gutiérrez-Gutiérrez, 2012). As elaborated by Qu, Janssen and Shi (2015), transformational leadership positively influences the creativity of followers by creating a relational identification with the leader. Transformational leaders motivate others to do more than initially thought, and often even more than they thought possible (Bass & Riggio, 2006).

Carreiro and Oliveira (2019) developed and empirically tested a model based on both the transformational leadership components and the stages of the diffusion of innovation theory, to study the adoption of a new technology. It is argued that components like vision, intellectual stimulation, supportive leadership, and personal recognition are significant for the intention to adopt, while supportive leadership is a driver for both adoption and routinisation. The results showed that leaders' vision, combined with the capacity to consider others' feelings and recognise others' personal needs, are strongly related with the adoption of an important Information Systems innovation. The study showed also that it is relevant to understand the influence of the leadership component separately on the diffusion of an innovation, rather than to keep them as just one all-encompassing construct.

Luu (2019) studied the role of authentic leadership in fostering customer-oriented organisational citizenship behaviour (OCB) and service recovery performance among sales employees. Respondents included employees and managers from sales departments of pharmaceutical companies in Vietnam. The findings revealed the positive relationships between authentic leadership and customer-oriented OCB as well as service recovery performance in a business to business (B2B) context. Job crafting served as a mediator for the links between authentic leadership and customer-oriented OCB as well as service recovery performance.

Zaman, Nawaz, Tariq and Humayoun (2019) investigated the interactional effects of project flexibility and project visibility on the relationship between transformational leadership and “multi-dimensions” of project success including meeting design goals; impact on customers and benefits to project-based organisation in Pakistan. The results indicated that project managers’ transformational leadership, project flexibility and project visibility are positively related with the multidimensional project success construct.

Madanchian and Taherdoost (2019) sought to understand the importance of leadership effectiveness on organisational performance. The study aimed to ensure that Small and Medium Enterprises (SMEs) must be in equilibrium with leadership effectievness. The findings showed that leadership effectiveness’s dimensions played an important role to measure leadership effectiveness which has impact on SME performance.

Tepper et al. (2018) studied the person-environment fit that examined on a daily basis follower affective, attitudinal, and behavioural responses to transformational leadership needed and received. The study revealed that the positive affect was higher on days when transformational leadership received fit follower needs and on days when absolute levels of fit was higher. It also indicated that positive affect mediated the within-person effects of transformational leadership needed and received on subordinates’ daily work attitudes and organisational citizenship behaviours.

Mkheimer (2018) analysed leadership styles that included transformational, transactional and charismatic through a review of literature. The study found that majority of companies have same or similar styles of leadership. But transactional leadership style has a significant positive impact on business success. In addition, transformational leadership style indicated a negative impact on business success. Significantly, the study indicated that for business success, tranformational leadership had least impact to develop or increase its objectives.

As a result of the above analysis, the following hypothesis was suggested that:

H2–Leadership positively mediates the relationship between managerial capabilities and Strategic business success.

Methodology

The study was carried out using survey research design, while descriptive analysis was employed plus inferential analysis using correlation and regression analysis. Descriptive approach was adopted to establish relationship between variables without seeking to establish causality. In this study, a structured self-administered questionnaire physically distributed to the respondents was used. In addition, semi-structure key informants’ questionnaires were distributed to purposively selected individuals considered to have rich data and provided the data that was necessary for this research.

Target respondents were 347 licensed petroleum supply companies represented by top, middle and lower managements. The sampling frame (list of licensed petroleum companies as at 31 December 2019) was obtained from the Ministry of Energy and Mineral Development (MEMD). The study used cluster sampling technique because the licensed petroleum companies were spread throughout Uganda and target population was homogenous but was spread in a wide geographical area (Alvi, 2016; Levy & Lemeshow, 2008).

In total, one hundred eighty-six (186) questionnaires were physically delivered and one hundred seventy-four (174) were returned, representing 93.55% response rate. This is considered a good response rate considering that response rates to surveys have been declining over the last 30 years (National Research Council, 2013). The drop-out rate of 6.45% shows the estimate of a number of subjects who can leave out the study due to some reason (Gupta, Attri, Singh, Kaur & Kaur, 2016).

Measurement

To measure responses, the study employed the 5-point Likert scale. Wu and Leung (2017) assert that for large studies with population of more than 100, it is better to use a 5-point Likert scale. This is because in a Likert-response, item with choices varying from “Strongly Disagree” to “Disagree to “Neutral”, to “Agree” to

"Strongly Agree", brings a balance in the mind of the research participant due to existence of equal distance between each of these choices. The response options appear "balanced" in that the items to the left of "Neutral" have an equal number of counterparts to the right of "Neutral". If the response choice is unbalanced to either side, the possibility of that item being an interval measurement seems greatly diminished (Bishop & Herron, 2015). In addition, qualitative data was analysed using themes and codes that captured opinions on various variables.

Techniques for data analysis

The data presented in this study were analysed using sets of techniques. The descriptive analysis was used to summarise the respondents' basic characteristics and profile. A correlation analysis and regression techniques were used to assist in checking interrelationship and strength of the relationship between variables and their direction of their relationship. This was aided by the use of SPSS software version 20. Qualitative data was analysed by identification of main themes and codes that supported interpretation and analysis of quantitative data.

Results

Descriptive statistics

Licensed activities

Of the sampled licenced petroleum companies who returned the questionnaires, the majority i.e. 55.2% were licenced for retail and wholesale. Other activities that prominently feature are importation and storage each with 17.2% respectively, transportation and logistics registered 10.3% as shown in Table 1.

Table 1. Licensed petroleum companies' activities

Licenced Activities	**Frequency**	**Percent**	**Cumulative Percent**
Importation	30	17.2	17.2
Retail	60	34.5	51.7
Wholesale	36	20.7	72.4
Transportation & Logistics	18	10.3	82.8
Depot & Storage)	30	17.2	100.0
Total	**174**	**100.0**	

Positions of staff interviewed

As in Table 2, the majority (72.4%) were middle management with lower management (17.2%) and top management (10.3%). In most companies, middle managers are the recipients and implementers of company strategies. Within top management were Managing Directors, Chief Executive Officers and Directors which indicated that the study gained acceptance and attention hence the result is of good quality and representative.

Table 2. Positions of staff interviewed

Position	**Frequency**	**Percent**	**Cumulative Percent**
Top management	18	10.3	10.3
Middle management	126	72.4	82.8
Lower management	30	17.2	100.0
Total	**174**	**100.0**	

Years of operation for companies

The majority (69%) of the petroleum companies have existed or operated in Uganda for between 6 to 15 years. About 6.8% have existed for between less than 2 to 5 years and the remaining have existed for more 16 years (24.1%). As in Table 3, the result shows the majority of the companies fall between 6 to 15 years demonstrating that the majority may probably have participated in the study, hence comprehensive and representative.

Table 1. Years of existence for sampled companies

Years of Existence	Frequency	Percent	Cumulative Percent
<2 years	6	3.4	3.4
3 to 5 years	6	3.4	6.9
6 to 10 years	72	41.4	48.3
11 to 15 years	48	27.6	75.9
16 to 20 years	12	6.9	82.8
>20 years	30	17.2	100.0
Total	174	100.0	

Classification of Companies

As in Table 4, companies are categorised as National Oil Company, NOC (0.6%), regional companies (6.9%) which represent companies with regional presence within the political East African Community (Uganda, Kenya, Tanzania, Rwanda, Burundi and South Sudan), and 6.9% Multinational companies that operate in transnational arrangement within or outside Africa. The majority of the companies were independent marketers (i.e. operate single pump or multiple stations without attachment to any known brand or franchise).

Table 4. Classification of Companies

Category	Frequency	Percent	Cumulative Percent
NOC	1	0.6	0.6
Regional	12	6.9	7.5
MNC	7	4	11.5
Independent	150	86.2	97.7
Others	4	2.3	100
Total	**174**	**100**	

NOC = National Oil Company
MNC= Multinational company

Estimated market share of companies

The petroleum industry market share is dominated by marketers who individually have less than 5% market share but collectively account for 92.3%. Companies with market between 6 to 10% account for 4.6% and those with market share above 11% account for 2.8%. Overall, there was no company with market share above 21% among the sampled companies that returned questionnaires. See Table 5:

Table 5. Estimated market share of companies

Market share	Frequency	Percent	Cumulative Percent
<5%	161	92.5	92.5
6 - 10%	8	4.6	97.1
11 - 15%	3	1.7	98.9
16 - 20%	2	1.1	100.0
21% >	-	-	-
Total	**174**	**100.0**	

Inferential Statistics

The study investigated the relationship between managerial capabilities and strategic business success as well as the mediating effect of leadership between managerial capabilities and strategic business strategic success. In the next section, detailed explanation of each predictor item is made.

Correlation analysis

Correlation analysis for the variables was conducted as illustrated in the correlation matrix Table 6. The results indicated a positive and significant relationship between managerial capabilities and strategic business success characterised by a highly strong correlation between the two variables (r=0.799, p=0.000). In terms of individual constructs, communication shows a highly strong positive and significant correlation (r=0.817, p=0.000), human skills indicates a fairly strong positive and significant correlation (r=0.663, p=0.000), conceptual skills meanwhile shows low positive and significant correlation (r=0.471, p=0.000) and technical skills indicates a moderately strong positive and a significant correlation (r=0.578, p=0.000).

Table 2. Correlation Matrix

		STR	MGR	COM	HUS	COS	TES
STR	R	1					
MGR	R	.799**	1				
COM	R	.817**	.869**	1			
HUS	R	.663**	.882**	.646**	1		
COS	R	.471**	.829**	.634**	.611**	1	
TES	R	.578**	.427**	.222**	.420**	.136	1

**. Correlation is significant at the 0.01 level (2-tailed).

R= Pearson Correlation

STR=strategic business success, MGRCAP=managerial capabilities, COM=communications, HUS=Human skills, COS=conceptual skills, TES=Technical skills

Regression Analysis

Table 7 shows the overall model fitness in explaining managerial capabilities, because it predicted changes in strategic business success as evidenced by a coefficient of determination (R square) of 0.639. This means that 63.9% of variance in strategic business success can be predicted by managerial capabilities. The R-Square is an overall measure of the strength of association, not extent to which a particular independent variable is associated with the dependent variable. It is an estimate for how well managerial capabilities predict the strategic business success.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.799[a]	.639	.637	3.25955

a. Predictors: (Constant), STRABIZSUCCESS

As illustrated in Table 8, the analysis of variance (ANOVA) results indicate that the overall model was statistically significant. The p-value (p=0.000) when compared to the alpha level (p=0.05) is smaller implying that managerial capabilities reliably predict strategic business success. This is supported by the F statistic for the ANOVA which is 304.043 implying that it meets the criterion for significant value.

Table 8. Analysis of Variance (ANOVA)*[a]*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3230.352	1	3230.352	304.043	.000[b]
	Residual	1827.441	172	10.625		
	Total	5057.793	173			

a. Dependent Variable: MGRCAP

b. Predictors: (Constant), STRABIZSUCCESS

Table 9 shows that managerial capabilities and strategic business success are positively and significantly related (r=0.776, p=000), where a unit change in managerial capabilities increases strategic business success by 0.776 units.

Table 9. Regression of Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.284	1.834		.155	.877
	STR	.776	.045	.799	17.437	.000

a. Dependent Variable: MGR

The direction of the relationship between managerial capabilities and strategic business success is determined from the standardised beta coefficient, which is ß=+0.799, indicating that higher scores on managerial capabilities predict higher ratings for strategic business success. In summary, a regression analysis showed that managerial capabilities scores significantly predicted ratings for strategic business success, ß=+0.799, $F(1,172)=304.043, p<0.000$ $(R^2=.639)$. In the final analysis, from the results and findings, it can be concluded that managerial capabilities have a positive and significant relationship with strategic business success (H1 is accepted).

Mediating effect of Leadership

Mediation analysis was carried out to examine the relationship between managerial capabilities and strategic business success by inclusion of leadership as explanatory mediator (Hair, Ringle & Sarstedt, 2013). Baron and Kenny (1986) outlined four steps for mediation. First, that X variable predicts Y where changes in X leads to changes in Y (*path c – total effect*). Secondly, that variable X predicts M (*path a – indirect effect*) – X predicts M because the path will be diverted through M. Next step includes 2 things together – X and M together predicting Y. In other words, M variable predicts Y – where the diverted path continues through M (*path b – indirect effect*), then X variable no longer predicting Y or is lessened predicting Y with M in the equation – *path c´ – direct effect*). The whole point of mediation is that path c and path c´ are different and that path c is greater than path c´ or closer to zero. Full mediation is obtained if the significant effect acquired from the first step becomes insignificant in the fourth step. However, if the significant effect acquired from the first step lessens, yet still significant then partial mediation is obtained.

Mediation analyses were conducted using the bootstrapping method with bias-corrected confidence estimates (Mackinon, Lockwood & Williams, 2004; Preacher & Hayes, 2004). The bootstrap results are shown in Table 10. Multiple regression analyses were conducted to assess each component of the hypothesis. First, it was found that managerial capabilities was positively associated with strategic business success, *path c, total effect*, (ß=0.823, t(172)=17.437, p=0.0000). It was also found that that managerial capabilities was positively related to positive leadership, *path a, indirect effect*, (ß=0.410, t(172)=9.925, p=0.0000). Lastly, results indicated that the mediator, leadership, was positively associated with strategic business success, *path b, indirect effect,* (ß=0.338, t(172)=4.042, p=0.0001). The direct effect is ß=0.685 as illustrated in Figure 2.

Table 10. Bootstrap approach on Mediation Analysis

	Path	**Effect size**	**Stand error**	**95% CI**	
Total effect	Managerial Capabilities→ Strategic Business Success	0.823	0.0472	0.729 9	0.916 3
Direct effect	Managerial Capabilities→Strategic Business Success	0.685	0.0567	0.572 7	0.796 7
Indirect effect	Managerial Capabilities→ Leadership→Strategic Business Success	0.138 4	0.036	0.073 5	0.214 1

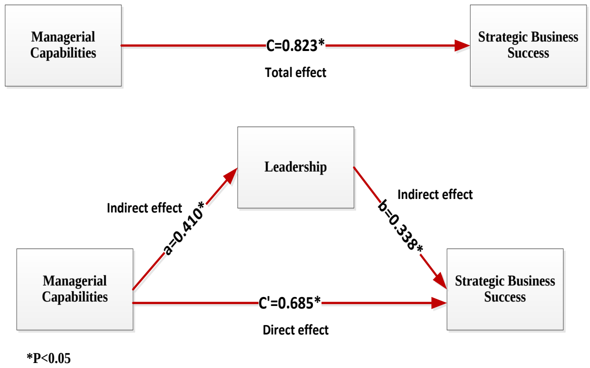

Figure 2. Standardised regression coefficients for the relationship between Managerial capabilities and strategic business success mediated by Leadership

Since both path a and path b were significant, the bootstrapping approach was found suitable for mediation analysis because it makes no assumption about the sampling distribution of the statistics and can be applied to small sample sizes (Hair et al., 2013). In this study, the 95% confidence interval of the indirect effects was obtained with 5,000 bootstrap resamples (Preacher & Hayes, 2008). Results of the analysis confirmed the mediating role of leadership in relation between managerial capabilities and strategic business success (ß=0.1384; CI=0.0735 to 0.2141). In addition, results indicated that the direct effect of managerial capabilities on strategic business success was still significant (ß=0.685, t(171)=17.071, p=0.0000) and the bias-corrected 95% CI did not include zero when controlling for leadership thus suggesting partial mediation.

Testing hypothesis was done using Baron and Kenny's (1986) approach with leadership as the mediator. As shown in Figure 2, Total effect was found to have a positive and significant on strategic business success. Testing for the direct effects, managerial capabilities was found to have a significant positive effect on strategic business success, (H2 is accepted).

Discussion

As hypothesised, it was found that there was a positive and significant relationship between managerial capabilities and strategic business success characterised by strong correlation between the two variables (r=0.823, p=0.000). This means that a unit change in managerial capabilities leads to a change in strategic business success by 0.823 units. The regression analysis also showed an overall model fitness because coefficient of determination (R-Square) of 0.639, implying that 63.9% of variance in strategic business success can be predicted from managerial capabilities.

One of the dimensions of managerial capabilities was communication, which provides a system where relevant information is shared vertically and horizontally in an organisation. The study found that communication is ingrained in the petroleum companies' management system because there is awareness in each of the companies. The finding is consistent with Javani, Abolhallaje, Jafari and Esmaeil Fazl Hashemi (2017) who found that communication skills is an important managerial skill and include negotiation skills, political skills, analytical skills, computer skills, interpersonal skills, functional skills, and organisational skills. This implies organisations need good and developed communication skills to sustain strategic business success through efforts that require interaction, relationship building, negotiation and networking primarily because as much as 85 percent of a leader's success is reflected in communication skills (Tracy, 2010).

However, the findings of the current study do not support the previous research by Ogola (2019) who found that leadership communication was not particularly useful in strategy implementation in Federation of Uganda Football Association as it was excluded from the overall model analysis. It is the opinion of the researcher that the finding in Ogola (2019) is possibly a reflection of organisations that disregard communication as they undermine the role communication plays in generating required level of performance. In other words, it is an authoritarian leadership where leaders are known by their intolerance to different opinion and unexpected challenges and are used to take independent decisions without engaging other members of the team (Schuh, Zhang & Tian, 2013).

The study found that 10.3% of top management were Managing Directors, Chief Executive Officers, owners and company Directors who actively participated in the exercise. This methodology view reaffirms the responses obtained which points to the quality, accuracy and usefulness of the information can be trusted in delivering the study objectives and results. The involvement of these key decision makers means that the study received favourable attention and thus provided a foundation and key reference material for the development of their company development and transformation agenda. This heterogeneity in respondents is a significant aspect that needs to be nurtured in order for the petroleum companies to grow and take advantage of emerging opportunities. Heterogeneity in human capital requires rare, valuable and inimitable experiences and training to confirm growth and survival (Schueffel, Amann & Herbolzheimer, 2011). Managerial competence literature emphasises the capability of owners/managers in acquiring, using and developing resources for value creation and enterprise growth (Mitchelmore and Rowley, 2010).

Seghers, Manigart and Vanacker (2012) showed that strong network facilitates international entrepreneurs to choose from a variety of alternative options to improve firm's performance. The petroleum industry in Uganda is a net importer that is dependent on the importation of petroleum products through Kenya and Tanzania which calls for a reliable international network and resources. Consequently, strong network is also a source of knowledge and learning that are shared between firms in the international market. This means and requires that transport and logistical services have to be identified and negotiated. Sometimes this call for negotiation on political lines as well as legal authorities and administrative officers who are the key sources of valuable information. The interplay of these factors means that such opportunities have to be rare to the stakeholders which enhances creation of significant economic value thus building a competitive advantage.

One of the aspects ranked by respondents was manager support through a positive supportive environment. A work environment where employees feel supported in their work and delivery of their targets shows high productivity and employee morale resulting in increased performance and attainment of strategic objective. The support extended to employees is a demonstration of good human skills. This finding is consistent with that of Namvaran, Rabavi and Avarsin (2013) who established significant relationships between human skills (listening skill, trusting, encouraging participation in decision-making, attention to the individual differences, providing a favourable work place) and effectiveness of managers. This means that the most important skill of a manager is the ability to adjust and negotiate in a proper manner, which is considered to be the most effective factor in the completion of organisation goals (Hamman, 2010; Brien & Smallman, 2011; Smith, 2010; Sambasivan et al., 2009).

A further finding by Kamasak (2015) revealed that all capabilities have positive and significant effects on firm performance. This means that the environment within which organisations operate is dynamic and continues to change in response to external pressures and societal changes. This dynamic environment manifests itself in an ever-increasing demand from stakeholders for improved performance in the operations of petroleum companies. Managers are therefore required to operate with a high level of conceptual as well as technical skills to manoeuvre in the dynamic and volatile environments. In these conditions, managers need a high level of communication skills and conceptual skills to be more creative, innovative and adaptive.

The study finding is slightly different from the work of Bititci et al. (2011) who found that managerial processes and their constituent managerial activities, influence performance of organisations as an interconnected managerial system rather than as individual processes and activities. The finding is significant to the petroleum industry because managerial capabilities work in cohesion with other systems in an organisation. This implies that for managerial capabilities to work effectively and efficiently, other systems and supporting structures must be work as desired.

Regarding mediation effect of leadership, the finding is consistent with the work of Al-Dubai, Gopalan and Mahmud (2019), who showed that leadership positively mediated the relationship between recruitment and selection and employee satisfaction. Other studies like Zhang, Cao and Wang (2018) showed that transformational and active-transactional leadership fully mediate the relationships of emotional intelligence, efficiency satisfaction (and other variables) and interest satisfactions. Similarly, Alagaraja, Cumberland and Choi (2015) showed full mediation of Leadership and People management practices on the relationship between Strategic Value and Organisational Performance.

Overall, the results show that managerial capabilities are important in strategic business success. The study conducted correlation analysis which indicated that there is a positive significant relationship between managerial capabilities and strategic business success. Regression analysis results indicated that managerial capabilities had a goodness of fit of 63.9% showing that managerial capabilities explained 63.9% of the variation in strategic business success in the petroleum industry in Uganda. Consequently, from the results and findings, it can be concluded that there was significant association between managerial capabilities and strategic business success.

Conclusion

There are a number of implications of the study. First, since respondents ranked conceptual skills as less developed than human and technical skills, each petroleum company should conduct an internal assessment to determine level of the conceptual skills then design a programme aimed at developing this skill. This finding suggests that managers should focus on conceptual skills as these are critical in business relationship and ties in the competitive petroleum industry in Uganda. The study findings also indicate a high-level requirement for strategic negotiation especially in securing transport and logistical opportunities. As such, the finding suggests that managers should have a well-developed and reliably interconnected business ties and service providers in the transport and logistics sector to enable them meet supply chain demands.

The study finding contribute to theoretical development by revealing that managerial capabilities play a significant role in strategic business success. The inclusion of leadership as a mediator between managerial capabilities and strategic business success helps illustrate a clear understanding of how leadership affects strategic business success.

Similarly, a deliberate strategy and effort should be geared towards improving and building conceptual skills within the petroleum industry as respondents ranked it as lowest of the constructs in the managerial skills variable. From a policy perspective, managerial capabilities are largely learnable attributes implying that educator’s interests especially in their desire to prepare students, business managers and entrepreneurs to become successful leaders within their respective industries. Lastly, since conceptual skills was ranked by respondents as less developed compared to others, each petroleum company should design a programme where incoming new joiner employees are assessed for this skill, and if found lacking, a deliberate a programme is instituted to build such capabilities within each petroleum company’s reservoir of skills through a structured programme.

Limitation of the study

This study acknowledges several limitations. Firstly, the study focused on only the licensed petroleum companies in Uganda. Consequently, generalising the findings to other petroleum supply companies in other countries will require further investigations.

This study focused on licensed petroleum companies (347) with about 1,100 corresponding retail outlets in Uganda. However, during literature review and data collection, it was revealed that there are over 2, 600 retail outlets in Uganda. As compared to the retail outlets for the licensed companies, it implies that there are over 1,500 retail outlets for unlicensed petroleum companies. It is therefore recommended that future research be undertaken to study the impact of the unlicensed petroleum companies (retail outlets) on the sustainable business success of the licensed companies. This is critical because over half of the retail outlets are unlicensed implying, they could be operating illegally yet affect the downstream petroleum industry.

The current study was completed using a cross-sectional survey design, a similar study should be planned within the same petroleum supply companies that uses a longitudinal design to determine if changes over time become perceptible.

Lastly, not all targeted petroleum companies were willing to participate in the study. Some declined after receipt of the questionnaire citing company policies. The researcher therefore managed this situation by replacing companies that declined with those with similar attributes/characteristics and willing to participate.

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