Contractor's Competencies, Business Strategy and Business Performance: A Structural Model

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Abstract

Many construction firms in developing countries have encompassed Competencies and business strategies that are thought to represent two harmonizing paradigm dimensions of any organization in need to grow and or develop within a multidisciplinary business sector. This study aimed to examine the correlation between the two dimensions toward business performance improvement. Using a structured questionnaire survey instrument, a sample from a high-ranked class construction firms listed by Contractors Registration Board were used to test the raised hypothesis. Ninety-three (93) equal to (67.9%) response rate of the well-administered questionnaires were returned from more than ten years of experienced respondents purposively sampled. Data analysis was performed using Statistical Packages for Social Science (SPSS-24) to produce descriptive and inferential information. SPSS-AMOS software was also used to develop the structural model for the study. The findings of the study have shown the presence of a positive significant correlation between firm capabilities, business strategies, and performance improvement. The relationship between the dimensions has predicted the empirical evidence for the presence of benefits between construct to facilitate the future construction business performance improvement. The study has presented the model suggesting potential dimensions to construction industry practitioners and stakeholders to improve business performance.

Keywords: Business Strategy; Performance; Organizational Competence; Dynamic capabilities; Competitive advantage.

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1. Introduction

The construction industry (CI) is a sector of the economy that facilitates promoting income distribution, and poverty reduction, and supports large-scale enterprise [1]. Moreover, it provides a broader eco-system of enterprises for social-economic stability and well-being. Generally, it contributes significantly to both Gross Domestic Product (GDP) and Gross Fixed Capital Formation (GFCF) of all nations [2]. The industry enhances productivity, and quality, and acts as a mechanism for creating employment. It generates income, increases domestic resource consumption, and acts as a determinant for social-economic development that stimulates the growth and development of other linked sectors, which enhance national economic growth [3]. Despite the acknowledged significance of CI represented by various firms, contractors have been confronted by increasingly numerous constraints including the lack and adoption of general and inappropriate strategies for firm development [4]. Also, low Productivity and predictability, Lack of skilled, competent, and use of inexperienced labor, low technology adoption and use, use of inappropriate performance (construction) process, and poor historical performance. Moreover, it includes; competition pressure in the market, technical weaknesses, and economic constraints [5]. Furthermore, lack of resources such as finance, skilled human resource, and local quality materials [6], late payments to contractors, and improper and ineffective existing procurement systems lead to the selection of incompetent contractors to mention a few. Fundamentally, the challenges have resulted in the general performance of many contractors reflected in minimal involvement in local construction projects [5], the slow and challenging growth trajectory of a construction business, low productivity, low market share, the firm's inadequate capacity [7], and insufficient performance atmosphere to local contractors [5] measured in terms of weak deliveries. Thus, the overall effects of the challenges and constraints have raised the need for the firm's performance competitive strategy to be a definite concern of many construction firms.Various led-initiatives have been undertaken to foster contractors to attain adequate performance improvement in various developing countries unsuccessfully. These include the establishment of agencies and boards, the formation of the national construction council (NCC), the establishment of Public Procurement Acts (PPA), and the establishment of the Construction Industry Policy (CIP) of 2003. The CIP aimed to provide mechanisms for improving local contractors' and consultants' capacity and performance, improving quality and productivity, promoting technological development, promoting sustainable construction practices, mobilizing adequate financial resources, and enhancing construction equipment availability. Besides, other strategy includes the adoption of various strategic management techniques such as Total Quality Management (TQM), Business Process Reengineering (BPR), Lean, and Just time (JIT), and others. Contrariwise, innumerable adopted techniques have kept various contractors' organizational dynamic capabilities (ODC) as an alternative strategy unexplored. Additionally, the existing wide range of research findings on performance improvement strategies in the construction sector in Tanzania has found to hold a shortage of a systematic and comprehensive studies adopting BPR management technique. Thus, this study sought to develop a structural model to conclude whether the ODC plays an essential and competitive role in BPR towards local firms' performance improvements.

1.1. Business strategy (BS)

A business strategy can be defined as the business backbone that combines all decisions taken and actions

performed by the business organization to secure a competitive advantage by attaining the set business goals within the business market. Continuously, the BS has acted as a roadmap, which leads to the desired goals (effective competitiveness and adequate performance). However, in the crowd of overwhelming competitors, a failure roadmap always dictated the business failure. In the current exceedingly global competitive market environment, BS has been regarded as an interesting topic of research focus and a major alarm of any organization's business existence, survival, and growth [8]. The business strategy concept has been grounded on several theoretical disciplines knowledge including classical economics, game theory, finance, psychology, and leadership or organizational culture [9]. Currently, organizations are in fierce competition while considering production factors, resources availability and use, customer needs and satisfaction, as well as revenue essential, to guarantee continued effective operations. To ascertain this uncertainty, organization owners must ensure the availability of business strategic choices such as the effective selection and appropriate application of resources and performance products. Besides, the organizational structure, layout, and position in the market, the level of diversification as well as the leadership profile as potential elements contributing to a decisively strategic advantage successful and or failure of an organization [8].

Numerous authors have offered an extensive list of likely fundamental business strategic elements to enable conquering an organization's business competitive advantages and hence improve performance. The elements include an organization's resources and capabilities [10]. Barney (1991:2001) in his study mentioned resources encompassing all assets, capabilities, organizational processes, attributes, information, and knowledge possessed & controlled by an organization as potential business strategic variables required for effective competition and successful business performance [11]. Moreover, Rasheed and his colleagues (2020) in their study explained the need for any organization to have unique attributes for effective performance. Different business strategies were mentioned including innovative product technology, superior customer services, reliability, accessibility, and quick delivery of products [12]. Their findings also mentioned the best Porter's business strategies encompassing low cost or reduction and leadership, business superior product differentiation, and a brand image quality focusing. The researcher stresses further that an organization will always attain a competitive advantage when it implements a unique value business strategy, which cannot be easily duplicated and implemented by its potential competitor. The resulting advantage will be sustainable when other firms cannot duplicate the strategy's benefits. Thus, the literature above dictates the grounding of the hypothesis (H1) which states that; any organization needs to possess the fundamental business strategy for its improved performance.

1.2. Performance

The present global competitive construction occupied by a continuously changing environment has made almost all construction firms comprehend and monitor its performance [13]. The atmosphere has resulted in many firms' struggles to attain an improved and or competitive performance. However, only those who attempt to plan, remove unnecessary, and innovate the remaining value processes can achieve sustainable performance. The Preceding literature has acknowledged performance as a hard concept to define, describe analytically, and measure. However, considering its long-time conflicting perception, researchers have adopted interchangeably terms including efficiency, effectiveness, improvement, growth, and success [14]. Conversely, despite the multidimensional performance concept, [15] contended that, over various definitions she had reviewed on

performance from different literature, all had shown a common characteristic related to efficiency and effectiveness. The performance was characterized by [16] as the ability of a firm or organization to achieve its goals, that is, attaining expectations influenced by the corresponding goal set. In addition, [17] defined performance as the degree of achieving objectives regarding an organization's essential characteristics for the relevant stakeholders. Traditionally, the successful performance of construction firms (CF) was evaluated based on adherence to construction time, cost, quality, safety, environmental sustainability, and client satisfaction [18]. However, various visions that have emerged from the operational environment have recently claimed a widely varied definition of successful performance with multiple dimensions to measure performance [19]. The emerged vision claimed that client satisfaction should be considered among the remarkable feature in analyzing performance in construction. Subsequently, this led to multiple variables to measure the performance [20], recognizing other practitioners' or stakeholders' satisfaction, including clients as the owner, employees, suppliers, and or distributors [21].

Various scholars have noted inadequate or underperformance of CF in different literature while mentioning the associated obstacles that resulted in a huge effect on CFs' success and growth. A study conducted in South Africa by Sitharam, S. and Hoque, M. (2016) mentioned the internal performance factors characterized by management competency and skills, access to finance, technological capabilities, and external factors encompassing competition from external enterprises, government bureaucracy, and tax compliance laws. Other obstacle factors include regulatory factors, macroeconomic factors, globalization, poor infrastructure, and corruption [22]. A study conducted in Indonesia revealed the low performance of national private construction industry players involving the consulting firms and contractors and argued for their struggle to improve their performance in terms of service, and competition and thus, gain their competitive advantage. The study findings proposed applying the strategic management concept as an alternative solution to resolve the challenges. The proposed strategic management alternatives comprised of conserving clients' trust, human resource capacitating through training, organizational behavior of the firm, building teamwork, implementing efficient construction methods to minimize waste, improving the control system, and adopting a sustainable construction [23]. A study conducted in Russia by Anna. and his colleagues (2019) noted that CFs had been whelmed by a lack of constant training, quality management, and management culture [24]. Similarly, a study conducted by Gamage, S. and his colleagues (2020) recognized various factors and or challenges including the global market competition, global financial and economic crises, customer needs and preferences changes, ICT challenges, and trade wars, to mention a few. The study appealed to the immediate necessity to find and adopt survival strategies and methods to confront CF's various global challenges [25]. Additionally, the study's findings revealed various mentioned CF's survival strategies that include expanding dynamic capabilities, technology innovation, new partnerships, credit grant scheme, and the use of e-commerce, etc. However, some of the proposed strategies mentioned earlier have been seemingly difficult to be attained in low-income countries with low income and low GDP.

Furthermore, a study conducted in Malaysia, Asia, and the Pacific region identified almost the same challenges facing CFs from other developing countries [26]. Generally, Table 1 below provides summarized factors or challenges that affect the performance of local contractors.

Table 1: Challenges affecting local contractor's performance

S/N	Firm Attribute Variable (FAV)	Factors	Author
1	Resources	Financial constraints & cash flow problem Inaccessible to Loan	(Laryea, 2010)
		High-interest rate imposed High Inflation Rate	(Kulemeka, J. and his colleagues 2015)
		Multiple Taxation Shortage of human resources	Mba, A.and Cletus E. (2014)
		No access to plant and equipment Limited skills in information & Technology	(Segokgo, M.and his colleagues 2000) (Chilipunde, 2010)
2	Management, Training, and Operation	Lack of financial management skills Lack of human resource training Lack of general management knowledge Lack of experience and exposure Poor strategic planning	(Ugochukwu, 2014) (Abdullahi, M. and his colleagues 2015) Thwala, W.and Mvubu. M. (2008) (Bala, K. and his colleagues 2009) Mba, A.and Cletus E., (2014)
3	Professionalism (Ethics & Conduct)	Changes in design Poor estimation Lack of accountability and Transparency Prevalence of unethical conduct (Corruption)	(Fugar, F. and his colleagues 2010)
			(Kiggundu, 2002)
4	Government Policy	Project suspension by the previous government Political instability and Interference	(Odonkor, 2011)
		Weak & Unrealistic government policy Fragmented/incapacitated Institution	Mba, A.and Cletus E., (2014) Ofori, G. (2001)
5	Environmental and Cultural factors	Lack of infrastructures Harsh & Topography of the construction site Weather Condition Changes Historical Poor Performance	(Scott, A. and his colleagues 2014) (Yassaims, F. and his colleagues 2002) (Fugar, F. and his colleagues 2010) URT (2003)

Researchers have condemned the impact of capabilities on performance. The organization's improved performance has been identified to be not only affected by its heterogeneity resources and capabilities owned but also by its sustainable competitive advantage have depends entirely on the organization's ability to capture, incorporate, configure and reconfigure its resources to respond to the ever-increasing customer's market demands and needs [27]. Thus, it is vital from above literature to raise the hypothesis (H2) that, any organization's improved performance depends entirely on owned capabilities as a competitive advantage.

1.3. Organizational dynamic capabilities (ODC)

The organizational dynamic capabilities can be described as knowledge and skills, disciplines, processes, procedures, organizational structures, and decision rules that can be utilized by an organization to create changes and capture value *[28]*. It can further be stated as the organizational routines and managerial skills that brought an organization's ability to integrate, shape and build, and reconfigure its internal competencies *[29]*. Moreover, the DC was introduced to facilitate attaining the strategic change, align, address and convey an organization's

resources to fit the environment. Furthermore, the DC was introduced to support building the capability of the firms and hence adjusting the firm's operations to enhance cost reduction, to improve the efficiency and effectiveness of an organization towards decision making while responding to environmental turbulence that finally strengthens its performance *[30]*.

Equally, the dynamic capabilities are broadly recognized to integrate the organizational processes to attain a sustainable performance over time. A study conducted by [31] recognized an organization's DC to affect process change, leading to performance consequences. It, therefore, confers a competitive advantage to a firm since it is rooted in the resource-based view (RBV). Other researchers stressed that dynamic capabilities encompass both an organizational process [32] and the capacity to create purposefully, extend, and modify its resource base' [33]. Besides, Einsenhardt and Martine (2000) defined a dynamic capability as the organizational/firm's strategic routine or process, which utilizes resources to integrate, reconfigure, gain and release resources to create a market change [34]. The 'resource base' includes the 'tangible, intangible, and human assets (or resources) as well as capabilities which the organization owns, controls, or has access to on a preferential basis [33]. Moreover, Deitz, D. and his colleagues (2010) noted the effects of dynamic capabilities on business strategy to improve performance measured in terms of profitability, performance cost, and time reduction as well as providing quality services or products [35], to satisfy the customer. This ground the formation of the hypothesis (H3) that, a firm's capabilities always support the business strategy towards attaining the organization's improved performance. The hypothesized relationship (Figure 1) below needs to be studied to determine the findings about Tanzania's construction industry.
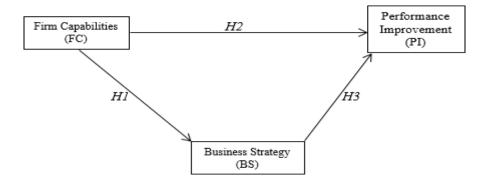

Figure 1: A theoretical model hypothesized between (FC), (BS) & (PI)

Various studies have been undertaken and models developed to describe the ODC and or competencies. In contrast, Keen (1992, 115) considers competence as the "ability to handle a situation (even unforeseen)". While [36] produced a definition of competence encompassing imperative elements such as skills, attitudes and knowledge required by employees [37] recognized that, capabilities "embraces factual knowledge, skill, experience, value judgments, and social networks". The definition of Gibb (1990, 21) was extended to include motivation as states that, capabilities is "an ability to perform certain tasks for which knowledge, skills, attitudes and motivations are necessary". Despite the variation in the definitions of the term, it can be perceived that capabilities is a broad concept that contains important characteristics comprising knowledge, skills, attitudes and motivations as a competitive advantage needed by an organization to attain an improved performance.

Additionally, [38] in their study on intellectual capital mentioned both tangible and intangible resources as necessary resource capabilities for an organization to gain a competitive advantage. However, Isik, Z. and his colleagues (2010) affirmed her conclusion that, resources such as tangible assets including financial resources, machinery, equipment, and property or intangible assets which are invisible in nature encompassing employee technical capabilities and competencies, organization experience, processes, information deeply rooted in people's actions and customer relationships. In addition, leadership characteristics, research and development, innovation and creativity capabilities, and strategic decisions owned by an organization are unavoidably and are fundamental elements having a direct impact on the company's performance [39]. Furthermore, [40] categorized intangible resources capabilities as assets into human capital comprising knowledge, skills, and experiences of an organization's members; social capital including "features of social organizations, such as networks, human relationships, culture, operating philosophy and trust that facilitate action and cooperation for the organization's benefit" as well as structural capital encompassing organizational structure, production technology, information systems, and processes. Generally, the aforementioned resources are believed to facilitate and produce competitive advantage by reducing the production cost, speeding up cooperation among employees, increasing working flexibility, producing better learning and working environment, and ensuring the information flow. Furthermore, in their study to examine the effects of DC on profitability, the findings categorized capabilities into organizational, marketing, and technical, capabilities [8].

Various models of dynamic capabilities have been developed which integrate sensing, seizing, and reconfiguring or recombining capabilities to attain firm performance as a competitive advantage. The model involves the firm's business capacity to shape and reshape, configure and reconfigure its asset or resources to respond to the change in technology and the markets. Generally, a dynamic capability can analytically be described into various elements namely; a capacity that describes sensing and shaping opportunities and threats; seizing opportunities that maintain competitiveness through enhancing combining, protecting, and, when necessary, reconfiguring the organization's business assets as vital elements towards attaining improved performance. Moreover, the dynamic capabilities model developed by Teece (2007) involves the organization's business capabilities such as (internal and external forces, processes and assets) as a competitive advantage. The capabilities aims to shape and reshape or configure and reconfigure resources to respond to the change in technology and the markets This model indicates three essential dimensions that can be used by an organization to avoid zero profit and hence attain an improved performance [41].

Table 2: Challenges affecting local contractor's performance

Construct Variable	Capabilities Indicators	Remarks
Organizational Capabilities (OC)	Enhance R&D for innovation	OC1
	Financial capabilities to train employees	OC2
	Management & decision-making abilities	OC3
	Effective organizational structure	OC4
Technical capabilities (TC)	Monitoring, evaluation and control	TC1
	Ability to attain quality standard & specification	TC2
	Availability of technical experts & Skilled operator	TC3
Technological capabilities (TEC)	Use modern equipment	TEC1
	Automation of processes	TEC2
	Ability to develop new or unique products	TEC3
	Technological knowledge, innovation & transfer	TEC4
Social-Cultural Capabilities (SC)	Knowledge Sharing &integration	SC1
	Corporate culture, attitude &values	SC2
	Enhancing effective communication	SC3
	Motivational &incentive implementation	SC4
Business Strategies (BS)	Superior customer services	BS1
	Innovative product technology	BS2
	Timely and quick product delivery	BS3
	Product reliability and accessibility	BS4
	Focusing on high brand image quality	BS5
Performance Improvement (PI)	Reduced construction time and cost	PI1
	Productivity value added or quality value-added	PI2
	Increase of assets and financial in performance	PI3
	Increase of return on investment and earnings shares	PI4

2. Materials and Methods

2.1. Study population

The population of the study comprised 23 class one and two local contractor firms located in five regions within five zones with 209 employees. Taro Yamane's formula was applied to compute the study's minimum sample size, resulting (in 137) respondents [59, 60]. However, the respondents as employees comprised more than ten years of experience as engineers, architects, and QS. Surveyors, planning officers, procurement and human resources officers who were directors, project managers, departmental managers, and, site supervisors were purposively contacted for an interview.

$$(\boldsymbol{Sample\ Size\ (n)} = \frac{N}{(1+Ne^2} = \boldsymbol{137}$$

Whereby "n" is the minimum number of respondents needed (minimum sample size), "N" is the study population size, and "e" represents a level of precision, or an acceptable margin of error assumed at a 95% confidence level for this study [42]. Additionally, the online priori-sample size calculator through https://www.danielsoper.com/statcalc/calculator.aspx?id=89) was used in this study to check if the minimum sample size computed support the structural equation modelling (SEM) . However, considering the (Cohen's d) as the effect size being 0.3, the desired statistical power level (Cohen's r) is 0.8, the number of latent variables

of the study was 4, and the number of observed variables was 20 at the probability level of 0.05. It was found that 100 is the minimum recommended sample size for SEM. Thus, this designates that the above-computed sample size was appropriate for SEM generation.

2.2. Instrument

The study employed a structured questionnaire to collect the data. A tool in a 5-Likert likely scale (1= Not Influential/Not effective, to 5= very influential/ Very effective) was adopted to indicate the numerical ranks only. Neither absolute quantities nor equality interval between them was intended. A continuous average rating with proposed ordinal values (1 to ≤ 1.8 represented strongly not effective); (1.81 to ≤2.6 represented not effective; [2.61 to ≤3.4 described moderate; (3.41 to ≤4.2 represented effective) and (4.21≤5 expressed strongly effective) assisted to translate the respondent's opinion. The formula: (Highest Point minus Lowest Point in the Likert scale) Divide by the number of the levels was adopted to compute the level of each item [43]. However, ending of data collection process indicated ninety-three (93) returned and well-responded questionnaire conquering 67.9%.

2.3. Analysis

SPSS-24 software was used for data editing, descriptive and inferential data analysis and checking for construct validity and reliability analysis. While Construct validity aimed to measure the extent to which all items on a scale measure the same construct, data reliability intended to test the internal reliability of the 5-point Likert scale to check if the used questionnaire tool provided an equivalent results at different sets of tests. Thus, the reliability estimate associated with the composite scores for the observed variables was computed using the standardized Cronbach's formula.

Standardized Cronbach's formula $\quad (a) = \dfrac{kr}{(1+(k-1)\,r)}$

Where: a= Reliability Estimate, k= Number of Items (18), and r= Average Correlation (0.652).

$$a = \frac{18(0.652)}{(1 + (18 - 1)0.652)}$$

$$a = \frac{11.736}{12.084} = 0.97$$

Thus, the computed reliability estimate yielded the reliability value of 0.97; that signifies that a 97% of the variance in the composite score related to item variables is reliable variance. In addition, SPSS software facilitated the confirmatory factor analysis (CFA) whose result facilitated to test a convergent and discriminant validity. Besides, AMOS part assisted to produce the model relationships among the hypothesis using the structural equation modeling (SEM).

3. Findings and discussion

The statistics findings including descriptive and inferential data (means, standard deviations, regression, correlations, factor analysis, T-test, estimated reliabilities (Cronbach's α) and SEM of the variables used in this study are presented to justify the study findings of the hypothesized relationships shown in (figure 1). The Principle Component Analysis (PCA) was tested for Kaiser-Meyer-Olkin (KMO) to measure the Sampling adequacy for intended capabilities. The result recognized the Bartlett's Test of Sphericity of approximate chi-square (1839.713) and KMO (0.761) at a (0.000) significant level. The findings suggested the availability of a non-identity correlation matrix. Thus, the computed value of KMO has predicted the sample's suitability for the factor analysis process [44].

3.1. Measurement model

To establish the measurement model, the statistics method of maximum likelihood estimation (MLE) was used to estimate the parameters of the probability distribution of the collected data. The statistical technique bootstrapping was used to estimate the quantity of a population by average estimates of multiple data sampled to determine the confidence intervals of a given dataset. Thus, bootstrapping technique aimed to correct any deviation from the conditions of multivariate normality. Later, After Cronbach alpha test, the correlation between the related variables within scale used followed. The convergent validity analysis showed that the factor loadings of all indicator variables were significant at ($p < .001$). Additionally, the scale reliability analysis was performed using composite reliability (CR) and average variance extracted (AVE). The findings (Table 3) recognized the value within the minimum recommended threshold values of .7 and .5 respectively. The findings implied that all constructs obeyed AVE and CR values that justified that the constructs are measuring a particular consult.

Moreover, the discriminant validity was tested by comparing the squared correlations with AVE scores for the paired constructs to confirm the scale's reliability [45]. AVEs occupied the higher values than the squared correlations (r2). SPSS-AMOS was used to develop the confirmatory factor analysis (CFA) model, and the correlation between the construct (Table 4) with capability categories represented as one group of firm capabilities. All constructs were found to have a significant discriminant validity values that provides a strength to allocate each item on the specified latent construct. However, the constructs were considered valid for further analysis.

3.2. Structural model

The theoretical model indicating the correlational links among the latent variables (figure 1) was tested to check for the model fit estimates. The findings of the study have documented an acceptable threshold values It is documented that, any created model can be urged to model fit as all factor loadings in between the constructs are greater than 0.5 [46]. Thus, based on study findings, the model fit indices based on maximum likelihood of collected data was acceptable as of (Table 5 below).

Table 3: Constructs convergent validity test

Construct Variable	Indicators Remark	Standardized Weight	CR	AVE
Organizational Capabilities (OC)	OC1	0.784***		
	OC2	0.828***	.837	.691
	OC3	0.793***		
	OC4	0.936***		
Technical capabilities (TC)	TC1	0.693***		
	TC2	0.572***	.739	.711
	TC3	0.871***		
Technological capabilities (TEC)	TEC1	0.745***		
	TEC2	0.603***		
	TEC3	0.853***	.891	.738
	TEC4	0.739***		
Social-Cultural Capabilities (SC)	SC1	0.838***		
	SC2	0.739***		
	SC3	0.917***	.847	.677
	SC4	0.781***		
Business Strategies (BS)	BS1	0.811***		
	BS2	0.748***		
	BS3	0.891***	.937	.798
	BS4	0.792***		
	BS5	0.699***		
Performance Improvement (PI)	PI1	0.948***		
	PI2	0.834***	.852	.691
	PI3	0.733***		
	PI4	0.835***		

Note: ***$p < .001$

Table 4: Discriminant validity test result

Paired Construct	Contrust Correlation	Squared Correlation (r^2)	AVE should be $> r^2$	Remarks
FC<-->BS	0.597	0.356	0.771	Recognized
FC<-->PI	0.718	0.516	0.714	Recognized
BS<-->PI	0.616	0.379	0.811	Recognized

Table 5: A model fit indices

Fit Indices	Threshold value	Attained Model Fit Values	Remarks
CFI	A value should be ≥ 0.90 for an acceptable fit	0.917	Good
GFI	A value Should exceed 0.9	0.928	Good
AGFI	A values of ≥ 0.90 designate a good fit	0.932	Good
TLI	A value of ≥ 0.90 signify a good fit	0.921	Good
NFI	A values of ≥ 0.90 indicate a good fit	0.933	Good
CMIN	A value should not exceeds 2 or 3	1.317	Good
RMSEA	A value close to 1 represent a good fit	0.086	Good

Figure 2 indicates the structural model path correlation between the three construct (firm capabilities, business strategy and performance improvements. It is confirmed from the structural model that, the path between firm capabilities and business strategy occupied (β=0.59 at p < .001). The firm capabilities and business performance improvement occupied (β=0.71 at p < .001) and business strategy and business performance improvement performance occupied (β=0.61 at p < .001) which have attained a significant and thus support the presence of a positive significant correlation between the three raised hypothesis H1, H2 and H3.
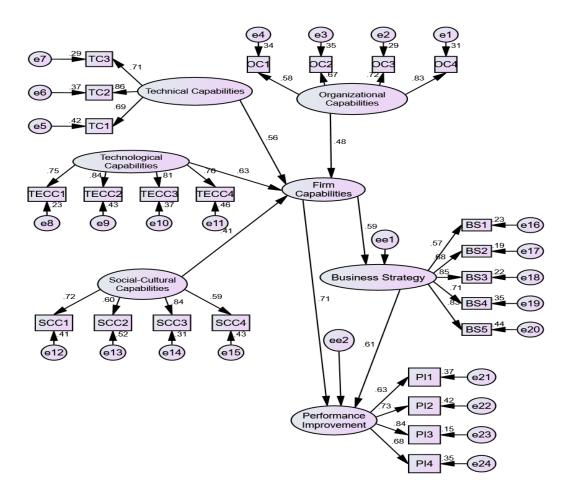

Figure 2: A structural model diagram

3.3. Discussion

This study intended to analysis the presence of relationship between the raised hypothesis towards performance

improvement of small and medium local contractors. As the findings of the study, all hypothesis were held true implying the presence of the positive relationship between the constructs. The study assessed kinds of firm capabilities needed to intermingle the business strategy to raise the firm performance. Referred to (figure 2), the study concluded that construction firm needs to attain adequate capabilities compared to other competitors to improve the performance. In view of the result, the relationship between firm capabilities (technical, technological, organizational and social-cultural) and business strategy have indicated a significant relationship, which support the hypothesis raised (H1). The findings of the study have concurred the result in line with previous studies by [47]. Thus, firm competencies based on knowledge, skills, and processes are most essential and distinctive resources a firm possesses and that are difficult for competitors to copy or copy and paste. Thus, the findings suggest that the construction firms that capitalize to develop their capabilities ultimately build an improved performance as compared to other competitors that do not. Generally, any firms driven to maintain a high level of improved performance, it is imperative to improve and maintain their strategic competencies, organizational culture and technological innovation within flexible working environment.

Secondly, the findings of the study have indicated a high correlation between the two constructs; a firm's capabilities and performance improvement. The great relationship of the find was supported by [48, 49] who noted that the constant growth and development trajectory of the firm's capabilities is essential to ensure a continued firm's competitive advantage that led to an improved performance. Moreover, in his report, Taatila, (2004) enlightened numerous firm competences and or capabilities that should be taken into account for the firm's business performance improvement and growth. These includes firm's internal attributes, assets, competence of the individuals and structural competence, firm's working environment and many more [50]. Thus, the empirical findings have shown that there is a straight relationship between competences and firm performance that conforms to the hypothesis (H2) established in this study.

Lastly, the correlation between business strategy and firm's performance improvement was also analyzed. The findings of the study have shown to be substantial and hence presenting a positive effect of business strategy on performance improvement that support the raised hypothesis (H3). The finding of the study was consistence with Ramadan (2018) who explained that any firms anticipated improving performance to outperform other competitors, it needs to establish and assume several business strategies including business focus strategy, low cost leadership and or product differentiation [51]. Moreover, other strategies including superior customer services delivery, innovation technology to help getting more quality products, ensure availability, timely and quick product delivery to potential customer as well as focusing and concentrating on high brand image of the firm in conjunction with firm's capabilities should be considered of paramount important to accelerate the firm performance.

In view of these results, it is worth to note that, to strengthen local contractor's, they need to focus and uphold a unique and rare capabilities encompassing technical, technological, organizational and social-cultural as they ensure the business performance improvement. Potential capabilities will always acts as values drive for the entire firm's operations. Thus, contractors should invest and compete to not only attain product quality and possess high market share, but also concentrate on quality of their capabilities to speed up their future business performance improvement and hence development.

4. Conclusion

Due to the presence business competitive market, uncertainty and vibrant construction business environments affected by globalization and the rise of technology, firms needs rapidly to adapt to changes to strengthen their operation. However, adjustments of business strategies and construction of compulsory capabilities becomes unavoidable. Firm capabilities and business strategy have been observed to be the two fundamental and significant factor to improve and strengthen the future business performance. The two can create competitive advantages thereby realizing improved performance to guarantee sustainable construction business survival, continuity and growth. Thus, this study intended to explore the correlation between business strategy, firm capabilities and performance improvement. The findings have recognized the supportive correlation in between of the raised construct in the triable. Moreover, supported by the available empirical literature, the two constructs were recognized as competitive advantages for the future contractor's business performance improvement in Tanzania. Thus, this study contributes to the body of knowledge by establishing a structural model to enhance the performance improvement of contractor firms. The model suggests a meaningful and valuable capabilities and business strategies as the performance improvement's elements to construction industry practitioners and stakeholder.

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