

Social capital and sustainable growth of full-service restaurants in the global south: testing the mediating role of dynamic capabilities

Mediating role
of dynamic
capabilities

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Abstract

Purpose – The purpose of this study is to establish whether dynamic capabilities mediates the association between social capital and sustainable growth of full-service restaurants in Kampala, Uganda.

Design/methodology/approach – This study is cross-sectional and correlational in nature. A self-administered questionnaire was used to gather data from 154 full-service restaurants in Kampala. Statistical Package for the Social Sciences (SPSS.25) and Medgraph – Excel Version were used to conduct correlation, hierarchical regression and mediation analysis on the data in order to establish the mediating role of dynamic capabilities.

Findings – Study findings revealed that first, social capital and dynamic capabilities significantly predict sustainable growth of full-service restaurants, second, social capital is significantly associated with dynamic capabilities and third, dynamic capabilities significantly mediate social capital and sustainable growth of full-service restaurants.

Originality/value – The study confirmed that dynamic capabilities significantly mediate social capital and sustainable growth of full-service restaurants unlike the previous studies that focused on the direct association between the study variables in explicating sustainable growth.

Keywords Social capital, Dynamic capabilities, Sustainable growth, Full-service restaurants, Kampala, Uganda

Paper type Research paper

1. Introduction

Globally, enterprises are developing strategies to stay competitive and achieve sustainable growth as the environment becomes more volatile, uncertain, complex and ambiguous.

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Yusoff *et al.* (2018) present sustainable growth as self-sufficiency growth through achieving financial objectives and catalyzing performance over an extended period within the firms' capabilities, while affirming and upholding future successes without threatening their long-term existence. In the context of this study, we focus on sustainable growth of full-service restaurants that are viewed as an eat-out place that offers a full dining experience with complete table service (Aldaihani and Ali, 2018). They are also food and beverage service sites offering table service, providing various options of foods and beverages at fair prices (Abd Rashid *et al.*, 2019). As such, full-service restaurants become sustainable when they offer unique, flexible and diverse menu items and services (Otengei *et al.*, 2017). This contributes to their increased volumes of sales, customer and stakeholder satisfaction as well as high market penetration (Arora *et al.*, 2018).

At the national level, restaurants play a vital role in the economic development of Uganda through job creation (Sabiiti and Katongole, 2016). They are also a source of foreign direct investments, and they form the core infrastructure of the tourism industry, a key driver of economic development (National Planning Authority, 2020). Notwithstanding their contribution to economic growth, several restaurants in Uganda are characterized by inadequate resources and inability to sense market changes as evidenced by their menu offerings, resulting in similar dishes, blunt food and mediocre service (Otengei *et al.*, 2017). This presents the need for the restaurants' operators to develop feasible strategies to uphold the contribution of full-service restaurants to Uganda's economy as postulated by the dynamic capability theory (DCT). This theory was adopted due to its potential to explicate how restaurants can survive in a turbulent business environment and attain sustainable growth.

DCT indicates that enterprises can sustainably grow as compared to their rivals through enhancing their dynamic capabilities that are vital in adapting and reconfiguring their resources and operations (Teece and Pisano, 1994; Heaton *et al.*, 2019). From a strategic view, dynamic capabilities of a firm refer to the actions, processes, systems and relationships that the company can carry out with its own resources (Teece, 2014). This contributes to the firm's awareness of strategic opportunities and/or threats and its ability to implement strategies that result in sustainable growth (Barney and Arkan, 2001).

Dynamic capabilities are further seen as the firms' capacities to sense and shape opportunities, seize opportunities, redeploy and reconfigure (create, extend and modify) their resource base (Teece, 2014). Sensing and shaping opportunities and threats involves scanning, search and exploration activities across markets and technologies (Teece, 2018). As such, sensing, learning and reconfiguring capabilities enable the full-service restaurants to effectively use their resources to attain sustainable growth (Ogunkoya *et al.*, 2014). These capabilities facilitate creation, extension and modification of full-service restaurant resources, a crucial prerequisite in today's dynamic business environment (Chukwuemeka and Onuoha, 2018; Kaur and Mehta, 2017). DCT also presents social capital as another strategy that can foster sustainable growth of full-service restaurants.

Social capital is that resource/benefit derived from social ties and networks that can help full-service restaurants outcompete their rivals and attain sustainable growth in today's disruptive business environment (Zhang *et al.*, 2021). Drawing on Ozer and Zhang (2022)'s arguments, social capital expedites knowledge sharing and value creation, promotes customer and brand loyalty, improves access to rare resources and closed markets and enhances the sensing, learning and reconfiguring abilities of the full-service restaurants. Salvato and Vassolo (2018) indicate that through their networks, restaurant operators develop shared norms and values, respect and trust that enable employees to share varying and valid ideas on how to reconfigure firm resources based on any threats and opportunities in the environment. Chowdhury and Quaddus (2017) further demonstrate that social capital enables firms to efficiently solve problems by applying the knowledge acquired through interactions among their employees to catalyze the sustainable growth of full-service restaurants in the global south.

Extant literature on sustainable growth has focused on innovative practices and regulation (Islam and Abd-Wahab, 2021); perceptions, readiness and usage of social media (Sendawula *et al.*, 2022); culture and innovative competitive advantage (Nimfa *et al.*, 2021a); firm and entrepreneur characteristics (Diabate *et al.*, 2019); experience and performance (Peng *et al.*, 2020) and digital financial inclusion (Yang and Zhang, 2020). However, less focus has been given to social capital (Gannon and Roberts, 2020) and dynamic capabilities (Teece, 2018) in explicating sustainable growth. In addition, the mediating role of dynamic capabilities has received less attention in extant literature. Moreover, there seems to be no study that has specifically focused on full-service restaurants whose characteristics may differ from those of the general small and medium enterprises (SMEs) as envisaged in Sendawula *et al.* (2022) investigation. Against that backdrop, this study bridges gaps in existing studies by testing the mediating role of dynamic capabilities in the association between social capital and sustainable growth using evidence of full-service restaurants from the global south.

The rest of this paper is structured as follows: the next section covers literature review. This is followed by the approach that was used in the study. The results, discussion, conclusion and implications follow.

2. Theoretical and literature review

2.1 Dynamic capability theory (DCT)

DCT builds on the resource-based view of the firm. DCT was first formulated by Teece and Pisano (1994) and further explored by Teece *et al.* (1997) and Eisenhardt and Martin (2000). This theory elucidates how enterprises sustainably grow as compared to their rivals through adapting and reconfiguring their resources and operations (Heaton *et al.*, 2019). DCT further looks at the ability of the restaurants to exploit opportunities, stop threats through advancement and reorganization of available resources (Bagheri *et al.*, 2019) and create new resources to fit the dynamic business environment (Fallon-Byrne and Harney, 2017).

In the context of this study, DCT indicates that full-service restaurants can attain sustainable growth in a dynamic environment through developing dynamic capabilities that enable them deliver a constant stream of hard to mimic, innovative, superior products and services to customers (Helfat and Peteraf, 2015). The theory also presents social capital as another channel through which full-service restaurants can attain sustainable growth. Salvato and Vassolo (2018) indicate that through their networks, restaurant operators develop shared norms and values, respect and trust that enable employees to share varying and valid ideas on how to reconfigure firm resources based on any threats and opportunities in the environment.

2.2 Sustainable growth

The concept of sustainable growth is conceptualized from different points of view that include financial considerations, long-term perspective and sustainable development. Specifically, Alayemi and Akintoye (2015) present sustainable growth as growth within the enterprise's financial constraints and capabilities without any distress related to its financial leverage. Stefanikova *et al.* (2015) view sustainable growth as long-term outlook of growth process. Again, Yusoff *et al.* (2018) present sustainable growth as self-sufficiency growth through achieving financial objectives and catalyzing performance over an extended period within the firms' capabilities while affirming and upholding future successes without threatening their long-term existence.

Mogos *et al.* (2021) further advanced that sustainable growth is the ability of a business to grow with fewer financial, structural and strategic challenges, while Nimfa *et al.* (2021b), on the other hand, conceptualized sustainable growth as the ability of the enterprise to realize

its set targets and shareholders' value by incorporating economic, environmental and social activities into its policies. This means that full-service restaurants need to maximize profiles while conserving the natural environment and the values of the society simultaneously. However, [Goswami and Ha-Brookshire \(2015\)](#) argued that the resource constraint nature of businesses like full-service restaurants makes them unable to balance their profits, planet and people concurrently.

Based on the foregoing discussion, we conceptualized sustainable growth as the ability of the full-service restaurants to realize long-term progress with limited hardships. This is because restaurants encounter a number of constraints that handicap their ability to prosper from one level to another ([Afunadula, 2018](#)). Full-service restaurants that have attained sustainable growth offer hard-to-mimic, flexible and varied menu items and services ([Otengei et al., 2017](#)). This will ultimately result in increased volumes of sales, high market penetration and profits, thus satisfying their customers and other stakeholders over time ([Arora et al., 2018](#)). The significance of sustainable growth justifies the need to investigate the contribution of social capital and dynamic capabilities as viable strategies that can be adopted by full-service restaurant managers in an effort to achieve long-term growth.

2.3 Social capital and sustainable growth

Social capital is viewed as the valuable resources that can be derived from the internal and external networks of the individuals or firms ([Dua and Bhandarker, 2017](#)). It is also regarded as the resources and knowledge that accumulate to an employee, organization or both as a result of the relationships within and between organizations, institutions and communities ([Allameh, 2018](#)). Social capital is categorized into cognitive, relational and structural dimensions ([Lee et al., 2019](#)).

Specifically, cognitive social capital provides shared representations, interpretations and systems of meaning among parties in terms of shared codes, language, vocabulary and shared narratives, and these form a basis for communication ([Steinmo and Rasmussen, 2018](#)). Relational social capital denotes the nature and quality of the relationships that exist ([Lefebvre et al., 2016](#)). It looks at the trust, norms, obligations and identifications developed by the individuals. Structural social capital on the other hand is considered as the density, connectivity and appropriate ability of the networks ([Ruiz-Ortega et al., 2022](#)). It looks at the size, density and strengths of the ties that the individual develops ([Claridge, 2018a, b](#)).

With all the knowledge that the individuals and full-service restaurants develop in the internal and external networks, diverse and unique menu items and services can be developed ([Steinmo and Rasmussen, 2018](#)). Similarly, with shared values, norms and values, visions and vocabulary, the full-service restaurants can have their employee disputes easily settled and eliminated with an aim of achieving the firm's core goals ([Chowdhury et al., 2020](#)). Further still, the trust, respect and common identification developed among the employees will enable the full-service restaurants have their employees work efficiently and effectively ([Mostafa, 2019](#)). This will ultimately translate into the sustainable growth of these restaurants. Based on the foregoing discussion, we hypothesize that

H1. There is a significant relationship between social capital and sustainable growth of full-service restaurants.

2.4 Dynamic capabilities and sustainable growth

Dynamic capabilities refer to the capacity of the full-service restaurants to utilize their resources to perform a task or an activity, against the opposition of circumstance ([Teece, 2018](#)). Dynamic capabilities can further be perceived as the routines in a restaurant that guide and facilitate the development of the firm's organizational capabilities by changing

its underlying resource base (Wohlgemuth and Wenzel, 2016). Dynamic capabilities were developed in order to provide a framework to understand how full-service restaurants achieve and sustain competitive advantage when faced with rapidly changing environmental conditions (Giniuniene and Jurksiene, 2015). As such, we present dynamic capabilities as the restaurant's ability to systematically solve problems with the capacity to sense opportunities and threats and be proactive about its internal factors in order to change its resource base and make timely market-oriented decisions. Specifically, we focus on sensing, learning and reconfiguring capabilities that can potentially enable restaurant operators to gather a lot of vital knowledge in order to exploit opportunities and thus contributing to sustainable growth.

In the dynamic markets of today, sustainable growth of restaurants rests on their ability to constantly develop and renew their resources as these determine the products and services offered (Jurksiene and Pundziene, 2016). In the same vein, Wang *et al.* (2015) demonstrated that dynamic capabilities enable a firm to exhibit its character of renewing, adapting, reconfiguring and recreating resources and core capabilities to respond to changing business environments with a goal of attaining sustainable growth.

It is also argued that new strategies emerge with the combination of those resources and capabilities (Arndt and Bach, 2015). These ultimately facilitate the creation of resources that are valuable, rare, inimitable and nonsubstitutable in competing with others (Wohlgemuth and Wenzel, 2016). Thus, the capacity of the full-service restaurant operators to renew, adapt and reconfigure their resources will thus enable them to attain sustainable growth as they will be able to develop valuable and rare products and services that fit the changing trends. This is further supported by Mousavi *et al.* (2018) who found a positive effect of sensing, seizing and reconfiguring capabilities on innovations for sustainability. However, analysis of extant literature demonstrates that less attention has been given to the contribution of dynamic capabilities to the sustainable growth of full-service restaurants. Based on the foregoing discussion, we hypothesize that

H2. There is a significant relationship between dynamic capabilities and sustainable growth of full-service restaurants.

2.5 The mediating role of dynamic capabilities

In this study, we also intend to explore the mediating role of dynamic capabilities in the association between social capital and sustainable growth of full-service restaurants. As such, dynamic capabilities are valued as an important tool that can be adopted to convert the firms' resources for improved performance (García-Villaverde *et al.*, 2018). Specifically, Raza *et al.* (2018) documented that dynamic capabilities mediate the relationship between entrepreneurial networks and small firm performance. Similarly, dynamic capabilities were reported by Abu-Rumman *et al.* (2021) and Abbas *et al.* (2019) to be a strong mediator between business networks and performance of SMEs.

It is important to note that extant studies that have investigated the mediating role of dynamic capabilities have focused on the firm's performance that is different from sustainable growth. In addition, their findings are based on SMEs in contexts in Jordan and Pakistan, with less focus on full-service restaurants in Uganda (see; Abu-Rumman *et al.*, 2021; Abbas *et al.*, 2019). Furthermore, scholars Rodrigo *et al.* (2018) based their arguments on a review of extant literature without empirical findings. On the basis of the foregoing discussion, the current study proposed dynamic capabilities as a missing link in the relationship between social capital and sustainable growth of full-service restaurants. We thus hypothesize that

H3. Dynamic capabilities significantly mediate the relationship between social capital and sustainable growth of full-service restaurants.

3. Methodology

3.1 Study context

The study was conducted in Kampala, the capital city of Uganda, a landlocked country located in East Africa, with a focus on the full-service restaurant subsector. The subsector is composed of both indigenous and international restaurants offering various styles and cuisines from different parts of the world. The products offered range from small restaurants providing one special item to customers to the large high-end restaurants with a variety of menu offerings (Otengei *et al.*, 2014). There is an increase in the number of full-service restaurants due to the busy lifestyles of customers, especially in Kampala. This makes the competition in the subsector stiff, resulting in restaurant operators employing several strategies to remain relevant and competitive and attain sustainable growth (TripAdvisor, 2023). As such, they are providing a variety of food items to increase customer choice in order to meet or exceed customer expectations. These restaurants are also offering promotional activities like discounts and giving out free items like Pizza. In terms of advertising, word of mouth is the commonest form where customers use their friends' recommendations to choose a restaurant. However, with the growth of social media, many of these full-service restaurants are using online platforms such as TikTok, YouTube and WhatsApp alongside the more traditional magazines and newspapers. These have enabled the full-service restaurants to improve their performance for sustainable growth.

As with other sectors, the full-service restaurants in Uganda were also highly affected by the outbreak of the pandemic and the lockdown measures implemented by the government of Uganda to minimize the spread of COVID-19. This accounts for the current decline in the performance of the subsector whose prices decreased by 0.1% in 2020 as compared to the previous increment of 1.8% in 2019 (Uganda Bureau of Statistics, 2022). In order to sustain their operations, restaurant operators have changed their business model to include online food and beverage delivery, which is convenient and affordable for customers (Uganda Food Index, 2020). As such, the waiters who were to be laid off assumed the new role of delivering meals to the customers using motorbikes. Currently, companies such as Jumia Food and Glovo are working with the local restaurants that have low financial muscles to handle online transactions, while other restaurants like Café Javas, KFC, the Food Hub, Just Pizza and Chicken Tonight are handling direct deliveries to their customers (Uganda Food Index, 2020).

3.2 Research design

The study adopted a cross-sectional, correlational and analytical research design using a quantitative approach with a population of 328 full-service restaurants operating in Kampala district. These restaurants were considered since they are ranked "very good" or better by international travelers (www.tripadvisor.com). From this, a sample of 175 full-service restaurants was drawn from Kampala district, which was determined using Krejcie and Morgan (1970)'s sampling. A response rate of 88% was obtained since 154 questionnaires were retained as usable out of the 175 distributed instruments to the restaurant owner-managers. Kampala district was selected since the region has the highest concentration of business activities in the country (Uganda Bureau of Statistics - UBOS, 2021).

3.3 Sample selection

In this study, we adopted a simple random sampling procedure, using a lottery approach to select the 175 restaurants to participate in the study. With this technique, the participants got an equal chance to take part in the study (Senaweera *et al.*, 2021). Specifically, numbers were assigned and written on small pieces of paper, each representing a particular restaurant. These pieces were placed in a box and picked at random one by one until the required 175 restaurants were achieved. The unit of analysis was the restaurants, and the unit of inquiry

was owner-managers since they had relevant knowledge on social capital, dynamic capabilities and sustainable growth of their businesses.

3.4 Data collection

To collect quantitative data for the study, a self-administered questionnaire was used (Creswell, 2014). The instrument addressed firm and respondent characteristics, social capital, dynamic capabilities and sustainable growth of full-service restaurants. The questionnaire used to collect data from business owners-managers was written in English.

3.5 Measurement and operationalization of the study variables

The dependent variable of this study is sustainable growth of full-service restaurants, and we operationalized it using five items (Chatterjee *et al.*, 2021). The independent variable of the study is social capital that was measured in terms of relational, cognitive and structural dimensions (Allameh, 2018). Dynamic capabilities as the mediating variable on the other hand were measured by sensing, learning and reconfiguration capabilities (Kareem and Alameer, 2019).

3.6 Sample characteristics

Study results presented in Table 1 indicate that most of the full-service restaurants investigated have been in operation for a period of 1–10 years at 34% and the least have been in operation for a period of 41 years and above at 8%. For the ownership of the interrogated

No	Item	Frequency	Percentage
1	Duration in business		
	1–10	52	34
	11–20	40	26
	21–30	35	23
	31–40	15	10
	41 and above	12	7
	Total	154	100
2	Ownership		
	Sole proprietorship	38	25
	Partnership	88	57
	limited liability	28	18
	Total	154	100
3	Number of employees		
	less than 5	46	30
	5–49	80	52
	50 and above	28	18
	Total	154	100
4	Number of branches		
	1–5	66	43
	6–10	64	42
	11 and above	24	15
	Total	154	100
5	Type of cuisine		
	Fast foods	28	18
	Continental	35	23
	Local foods	41	27
	Mixed	50	32
	Total	154	100

Source(s): Authors' own work

Table 1.
Firm characteristics

full-service restaurants, most of the surveyed restaurants are partnership businesses at 57%. This was followed by the sole proprietorship businesses at 25%, and the least are limited liability at 18%. Regarding the number of employees, most of the full-service restaurants investigated employ between 5 and 49 workers at 52% and the least employ 50 and above workers at 18%. Concerning the number of branches, the results show that most of the full-service restaurants surveyed have 1–5 branches. This was followed by those with 6–10 branches, and the least have 11 and more branches. Lastly, most of the full-service restaurants examined offer a mixed type of cuisine at 33%. This was followed by those offering local foods at 27%, and the least offer fast foods at 18%.

3.7 Data analysis

Analysis of the quantitative data gathered from 154 full-service restaurants in Kampala, Uganda, was done using Statistical Package for the Social Sciences (SPSS.25) and Medgraph – Excel Version to conduct correlation, hierarchical regression and mediation analysis on the data.

3.8 Ethical consideration

While conducting this study, ethical guidelines were strictly adhered to. Specifically, the study was approved and cleared to be conducted by Makerere University Business School as a requirement for the award of a master's degree in Hospitality and Tourism Management of Makerere University. In addition, we ensured the confidentiality of the respondents by not capturing their personal details, such as their names, contact information and organization name and address. Moreover, the respondents participated in the study after consenting.

4. Results

4.1 Correlation results

Correlation analysis was conducted to measure the strength of linear associations between the study variables and is denoted by Pearson correlation coefficient, r . This can take a range of values from +1 to -1 . A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, that is, as the value of one variable increases, so does the value of the other variable. A value less than 0 indicates a negative association, that is, as the value of one variable increases, the value of the other variable decreases. The study variables were measured on a continuous scale, and thus, Pearson correlation was found to be the most appropriate method to test the relationships between the variables as presented in Table 2.

Study results in Table 3 show that there is a significant positive relationship between social capital and sustainable growth ($r = 0.302^{**}$, $p \leq 0.01$). This means that a change in social capital is associated with a positive change in the sustainable growth of full-service restaurants. In addition, all the dimensions of social capital that include relational, cognitive and structural capital have a significant positive relationship with sustainable growth, and thus, H1 is preliminarily supported. Study results also demonstrate that there is a significant positive association between social capital and dynamic capabilities ($r = 0.463^{**}$, $p \leq 0.01$). This suggests that a change in social capital is associated with a positive change in dynamic capabilities. Furthermore, our results also indicate that there is a significant positive relationship between dynamic capabilities and sustainable growth ($r = 0.384^{**}$, $p \leq 0.01$). This demonstrates that a change in dynamic capabilities is associated with a positive change in the sustainable growth of full-service restaurants. Additionally, all the dimensions of dynamic capabilities that include sensing, learning and reconfiguration capabilities have a significant positive relationship with sustainable growth, and therefore, H2 is tentatively supported.

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Duration in business (1)	1													
Business ownership (2)	0.401**	1												
Number of employees (3)	0.463**	0.421**	1											
Number of branches (4)	0.360**	0.395**	0.387**	1										
Type of menu (5)	0.172*	0.224**	0.055	0.132	1									
Social capital (6)	0.113	0.119	0.226**	0.116	-0.026	1								
Relational capital (7)	0.128	0.020	0.191*	-0.070	-0.027	0.694**	1							
Cognitive capital (8)	0.180*	0.155	0.153	0.128	-0.068	0.714**	0.294**	1						
Structural capital (9)	0.279**	0.105	0.163*	0.189*	0.016	0.821**	0.274**	0.447**	1					
Dynamic capability (10)	0.279**	0.197*	0.319**	0.173*	0.038	0.463**	0.343**	0.373**	0.335**	1				
Learning capability (11)	0.163*	0.066	0.271**	0.056	0.027	0.420**	0.309**	0.341**	0.306**	0.789**	1			
Sensing capability (12)	0.153	0.199*	0.292**	0.178*	0.135	0.314**	0.285**	0.226**	0.202*	0.704**	0.394**	1		
Reconfiguration capability (13)	0.084	0.166*	0.125	0.146	-0.076	0.257**	0.144	0.232**	0.210**	0.658**	0.274**	0.149	1	
Sustainable growth (14)		0.120	0.159*	0.136	-0.104	0.302**	0.177*	0.257**	0.249**	0.384**	0.296**	0.144	0.384**	1

Note(s): **, Correlation is significant at the 0.01 level (2-tailed);
*, Correlation is significant at the 0.05 level (2-tailed)
Source(s): Authors' own work

Table 2.
Correlation results

Type of mediation	Significant	
Sobel z-value	3.205969	$p = 0.001346$
95% symmetrical confidence interval		
Lower		0.07854
Higher		0.32566
Unstandardized indirect effect		
a*b		0.2021
SE		0.06304
Effective size measures		R^2 measures
<i>Standardized coefficients</i>		
Total		0.302
Direct		0.159
Indirect		0.143
Indirect-to-total ratio		0.476
Source(s): Authors' own work		

Table 3.
Mediation results

4.2 Regression results

The regression analysis model was used to establish the explanatory power of social capital and dynamic capabilities on the sustainable growth of full-service restaurants. Therefore, regression analysis was performed to test the effect of the independent variables on the dependent variable. This was done to determine the extent to which the independent variables (social capital and dynamic capabilities) impact the dependent variable (sustainable growth), that is, the percentage change in the dependent variable accounted for by the changes in the independent variable. Regression findings are presented in [Table 4](#).

Item	Model I	Model III	Model IV	Collinearity statistics	
				Tolerance	VIF
Constant	3.782	1.735	1.072		
Control variables					
Duration in business	0.000	-0.046	-0.071	0.691	1.447
Business ownership	0.074	0.037	0.038	0.693	1.444
Number of employees	0.103	0.024	-0.009	0.652	1.535
Number of branches	0.086	0.091	0.086	0.761	1.314
Type of cuisine	-0.137	-0.114	-0.119	0.929	1.077
Independent variables					
Social capital		0.254**	0.188**	0.678	1.474
Dynamic capabilities			0.262**	0.679	1.473
Model summary					
R	0.226	0.41	0.464		
R square	0.051	0.168	0.215		
Adjusted R square	0.019	0.129	0.172		
R square change	0.005	0.047	0.056		
Model F	1.595	4.224	4.966		
Durbin Watson			2.045		

Table 4.
Hierarchical
regression model

Note(s): Dependent variable: sustainable growth
Source(s): Authors' own work

Multicollinearity was analyzed to ensure that collinearity does not pose a problem for multiple regression to test the hypotheses. As such, results in Table 4 indicate that the variance inflation factor (VIF) and tolerance, respectively, for social capital are 1.474 and 0.678 and those for dynamic capabilities are 1.473 and 0.679. Additionally, the average VIF for all the variables is 1.462 which is not significantly more than 1, implying that there is no cause for concern on collinearity; the variables are therefore not strongly correlated. In Model I, the control variables were regressed against sustainable growth. Results in Table 4 show that duration in business, business ownership, the number of employees, the number of branches and type of menu ($[\beta = 0.000, p \leq 0.05]$, $[\beta = 0.074, p \leq 0.05]$, $[\beta = 0.103, p \leq 0.05]$, $[\beta = 0.086, p \leq 0.05]$ and $[\beta = -0.137, p \leq 0.05]$, respectively) have an insignificant contribution in predicting sustainable growth of full-service restaurants. The model accounts for 0.5% of the change in sustainable growth of full-service restaurants in Uganda.

Concerning H1 – There is a significant relationship between social capital and sustainable growth of full-service restaurants – our results in model II indicate that social capital contributes 4.7% change in sustainable growth of full-time restaurants (see Table 4). Thus, for a unit change in social capital, sustainable growth would improve by 0.254 units. The results show that social capital is a significant predictor of sustainable growth of the full-service restaurants ($\beta = 0.254, p \leq 0.01$), thus confirming H1. Regarding H2 – There is a significant relationship between dynamic capabilities and sustainable growth of full-service restaurants – study results in model III show that dynamic capabilities account for 5.6% variance in sustainable growth of full-service restaurants (see Table 4). Hence, for a unit change in dynamic capabilities, sustainable growth would improve by 0.262 units. The results show that dynamic capabilities are a significant predictor of sustainable growth of the full-service restaurants ($\beta = 0.262, p \leq 0.01$), hence validating H2 of the study. Finally, the variables entered in the regression model explain an overall 17.2% (R Square = 0.215) of the variations in the sustainable growth of the full-service restaurants. This means that 82.8% is explained by other variables not considered in this study. In addition, comparing the two independent variables entered in the model, the results indicated that dynamic capabilities contribute more to the sustainable growth of full-service restaurants than social capital though by a small margin of 0.9%.

4.3 Mediation tests

In testing for the mediating role of dynamic capabilities in the association between social capital and sustainable growth, Baron and Kenny (1986)'s conditions for testing mediation were considered and were met. Specifically, alterations in the independent variable significantly account for changes in the supposed mediator; alterations in the mediator significantly account for changes in the outcome variable; alterations in the independent variable significantly account for changes in the outcome variable and the effect of the independent variable on the outcome variable significantly diminishes when the mediator is introduced into the equation.

Lastly, regarding H3 – Dynamic capabilities partially mediate the relationship between social capital and sustainable growth of full-service restaurants – this was tested using Baron's criteria for establishing mediation, and the conditions were satisfied and confirmed in that dynamic capabilities play a mediating role. Specifically, social capital accounts for a significant proportion of change in sustainable growth ($\beta = 0.302, p < 0.01$). In addition, social capital accounts for a significant proportion of change in dynamic capabilities ($\beta = 0.463, p < 0.01$). Furthermore, dynamic capabilities account for a significant proportion of change in sustainable growth ($\beta = 0.311, p < 0.01$). Finally, the absolute effect of social capital on sustainable growth reduced in the third model ($\beta = 0.159$) from that in model I ($\beta = 0.302$). Thus, all conditions have been satisfied, thereby demonstrating dynamic capabilities as a true mediator in the association between social capital and sustainable growth of full-service restaurants.

After satisfying Baron and Kenny's (1986) condition, further analysis was conducted to test the significance of the mediation effect. This was achieved through generating a Sobel z -value using a Medgraph. Study results in Figure 1 (Medgraph) show a large and significant Sobel z -value of 3.21 ($p < 0.05$). The figure indicates that when dynamic capabilities are introduced, the standardized beta (β) for the association between social capital and sustainable growth decreases from 0.302 to 0.159. This confirms that dynamic capabilities mediate the association between social capital and sustainable growth, and thus, H3 is supported. Further still, since the correlation between the social capital and sustainable growth of full-service restaurants has not been dropped to zero on adding dynamic capabilities, it suggests that a partial mediation exists. A ratio index (i.e. indirect effect/total effect) of 47.4% given by $(0.143/0.302*100)$ was calculated. This shows that 47.4% of the effect of social capital on sustainable growth goes through dynamic capabilities, while the 52.6% is a direct effect.

5. Discussion

In line with the study results, social capital and dynamic capabilities are significant predictors of sustainable growth of full-service restaurants. In addition, we note that dynamic capabilities mediate the relationship between social capital and the sustainable growth of full-service restaurants. Specifically, if employees of full-service restaurants respect each other's competencies, show integrity, are truthful, are friendly and trust each other, they are likely to work together in order to enhance the sustainable growth of the restaurant over the years. In the same vein, if restaurant operators explain work-related ideas or thoughts using the same kind of vocabulary, communicate easily with each other at work, interpret the restaurant's events and experiences similarly, perceive the motives of other officers similarly and are guided by the restaurant's vision, they will have greater potential to take actions and decisions as a team for the long-term growth of the restaurant.

Moreover, social capital enables full-service restaurant employees to develop large, strong and relevant ties that can facilitate opportunities and threats' identification both in and out of the entity. This facilitates the development of strategies to respond to the environmental threats while exploiting the opportunities that are vital in catalyzing the sustainable growth of full-service restaurants in Uganda. Relatedly, for workers in restaurants who have chance to talk informally and visit with each other, socialize outside of the workplace, often talk to coworkers about work-related issues and exchange job-related experience, their structural capital is strengthened, resulting in the attainment of competitive advantage as they have better ideas, develop flexible and unique menus and offer better service compared to their rivals.

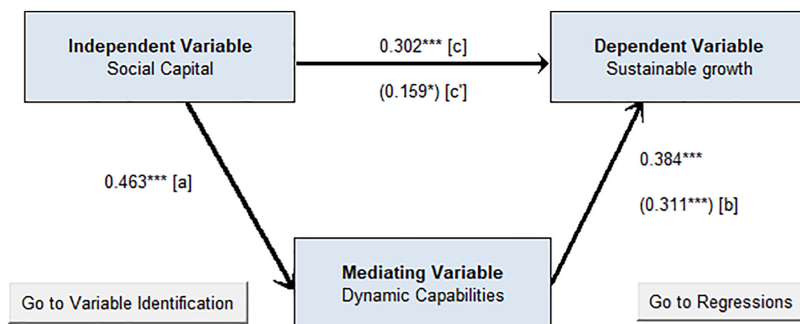


Figure 1. A Medgraph showing the mediation effect of dynamic capabilities in the relationship between social capital and sustainable growth

Source(s): Authors' own work

Our findings concur with those of [Steinmo and Rasmussen \(2018\)](#) who found that by using the information workers pick up from their network connections, they can develop diverse and unique menu items as well as services that are critical in attaining sustainable growth. This is also supported by [Mostafa \(2019\)](#) who revealed that organizational social capital facilitates customer-oriented behaviors. This means that social capital unlocks the employees' potential to establish a good relationship with the customers, respond to their complaints in a timely manner, provide necessary guidance to customers and advise them while making orders that is core in satisfying customer needs and ultimately fostering the sustainable growth of full-service restaurants.

Study results also revealed that dynamic capabilities positively and significantly predict the sustainable growth of full-service restaurants. This means that a change in dynamic capabilities is associated with a positive change in sustainable growth. In more specific terms, when full-service restaurants are quick to detect any major change in the industry (whether it is in the form of competition, technology or regulations), frequently review the potential impact of changes in the operating environment on customers, quickly understand new opportunities and embrace technological changes, they are able to offer unique and high-quality menu items and services to their clients, fostering the achievement of sustainable growth. This indicates that dynamic capabilities enable restaurants to have outstanding recipes and very flexible and up-to-date menus so that customers find what they enjoy, indicating the competitiveness of the restaurant. This is true because the employees can detect major changes, technologies and opportunities in the industry and get novel combinations that are critical in unlocking the sustainable growth potential of full-service restaurants.

The study findings are supported by [Wang *et al.* \(2015\)](#), who demonstrated that dynamic capabilities enable firms to exhibit their character of renewing, adapting, reconfiguring and recreating resources and core capabilities to respond to changing business environments. This implies that full-service restaurants that use their capabilities to respond to the environmental threats and opportunities can seize the threats and exploit opportunities to come up with trending dishes that can result in sustainable growth. Similarly, [Dangelico *et al.* \(2017\)](#) found a positive relationship between sustainable dynamic capabilities, eco-design capabilities and green innovation capabilities. This suggests that full-service restaurants with sensing, seizing and reconfiguring capabilities can develop new or improved products and services in order to attain sustainable growth.

In line with the mediation effects, the study revealed that dynamic capabilities mediate the relationship between social capital and sustainable growth of full-service restaurants. This implies that the whole impact goes through not only the independent variable (social capital) but also dynamic capabilities. Therefore, a particular pathway through which a relationship between social capital and sustainable business growth of full-service restaurants is direct, though dynamic capabilities takes away part of the contribution. This implies that full-service restaurants with structural, relational and cognitive social capital can sense and exploit opportunities and seize threats in the business environment through reconfiguring their resource bases and thus attain sustainable growth.

In regard to this, it should be noted that the dynamic capabilities which manifest in the form of sensing, learning and reconfiguration capabilities can be attained in an organization if there is adequate social capital. This finding rhymes well with the DCT which postulates that full-service restaurants can enhance their capabilities using their social capital adjusted to swiftly to changing situations in order to attain competitive advantage ([Teece and Pisano, 1994](#)) and eventually achieve sustainable growth. However, we noted that extant literature interrogating the mediating role of dynamic capabilities has mainly focused on business performance (*see*, [Raza *et al.*, 2018](#); [Abu-Rumman *et al.*, 2021](#); [Abbas *et al.*, 2019](#)), with less focus on sustainable growth. As such, this study makes a maiden contribution to the existing

literature by reporting that dynamic capabilities mediate the association between social capital and sustainable growth of full-service restaurants in Uganda.

Despite the contribution of the current study to the existing body of knowledge on full-service restaurants, we note that the outbreak of the pandemic had far-reaching effects on the hospitality industry in general and restaurants in particular. Specifically, restaurant operators had no business and eventually laid off their workers. This is evident in [Sardar et al.'s \(2022\)](#) findings, which revealed that the outbreak of the pandemic increased the operating costs of the restaurant businesses, and their operations gradually reduced significantly since only online customers could place orders. This suggests that restaurant owners should think of onlinizing operations of their businesses as a strategic pathway for attaining sustainable growth. In the same vein, [Song et al. \(2021\)](#) revealed that restaurants that were large in size had enough cash flow, and those that had internationalized their operations were more resilient than small restaurants. This implies that restaurants should think of internationalizing their operations as a strategy for enhancing their sustainable growth. However, this effort calls for government intervention to support small restaurants that are financially constrained. This rhymes well with the recommendation of [Sendawula et al. \(2022\)](#) in their study of the sustainable growth of micro and small enterprises using evidence from Uganda.

6. Summary and conclusion

This study aimed at establishing whether dynamic capabilities mediate the association between social capital and sustainable growth of full-service restaurants in Kampala, Uganda. This was achieved through a questionnaire survey of 154 full-service restaurants where the owner-managers were engaged as the unit of inquiry. From this study, we note that social capital and dynamic capabilities are significant predictors of sustainable growth of full-service restaurants. It is also evident from this study that dynamic capabilities partially mediate the association between social capital and sustainable growth of full-service restaurants.

Based on the findings and discussions, this study makes several contributions to the academic, policy and the business fraternity. As such, this study makes a unique contribution to extant literature since most studies that have interrogated the mediating role of dynamic capabilities have mainly focused on business performance. In addition, the study revealed that social capital and dynamic capabilities positively and significantly catalyze sustainable growth. Thus, restaurant owner-managers should promote social capital by allowing their employees to interact and network within and outside the restaurant. In addition, they should develop trust, integrity, friendship and respect among the employees in order to strengthen their social capital for improved sustainable growth of the restaurant. Furthermore, restaurants should develop sensing, learning and reconfiguration capabilities with a goal of exploiting opportunities and seizing threats in order to sustainably grow in the volatile, uncertain, complex and ambiguous (VUCA) business environment. For policymakers, they should support restaurant operators to acquire competencies through upskilling with a view of enabling the full-service restaurants to respond to changes in the VUCA environment. In addition, policymakers like the ministry of tourism, wildlife and antiquities should institutionalize a fund that can enable small restaurant operators to get financial support, with the goal of enhancing and nourishing their operations for sustainable growth.

This study has some limitations that can be explored in future research with similar or differing themes. Specifically, the study was cross-sectional and this limited it to a particular time of measurement. This necessitates a longitudinal study since perceptions concerning the study phenomenon are bound to change over time. Likewise, the study was

purely quantitative and this presents the need to adopt either a mixed-methods or qualitative approach in order to get a deeper understanding of sustainable growth of full-service restaurants. The study explicated 17.2% of the variance in sustainable growth, implying that future studies could explore other likely antecedents of sustainable growth of full-service restaurants. Finally, our results are based on a sample of 175 full-service restaurants drawn from Kampala, Uganda. This presents a need for more studies to be conducted in contexts that are outside Uganda in order to validate the current results for generalizability purposes.

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