

**STRATEGIC ASSETS AND PERFORMANCE OF MOTOR  
VEHICLE ASSEMBLERS IN NAIROBI CITY COUNTY, KENYA**

**BY  
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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF  
BUSINESS IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER  
OF BUSINESS ADMINISTRATION IN STRATEGIC  
MANAGEMENT OF KENYATTA UNIVERSITY**

**JUNE, 2019**

### DECLARATION

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## **DEDICATION**

I dedicate this research work to my family for the unfailing support during the low and high moments that have characterised different stages of the MBA program. Their profound understanding has been a source of confidence and inspiration to me.

## **ACKNOWLEDGEMENT**

I would wish to acknowledge my supervisor Dr. Kinyua G. M. for his commitment and guidance in relation to the work of developing the research study. I would also wish to thank the members of academic staff in the School of Business for providing much needed scholarly guidance. I am also greatly indebted to the members of staff in Kenyatta University Library for their highly valued support that has in a big way contributed to the successful and satisfactory completion of the study.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ANOVA</b>	Analysis of Variance
<b>CIMA</b>	Chartered Institute of Management Accountant
<b>GDP</b>	Gross Domestic Products
<b>IT</b>	Information Technology
<b>KAM</b>	Kenya Association of Manufactures
<b>KIPPRA</b>	Kenya Institute for Public Policy Research and Analysis
<b>KMIA</b>	Kenya Motor Industry Association
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>MGI</b>	Mckinsey Global Institute
<b>NACOSTI</b>	National Commission for Science, Technology and Innovation
<b>RBV</b>	Resource Based View
<b>SPSS</b>	Statistical Package for Social Sciences
<b>UK</b>	United Kingdom

## **OPERATIONAL DEFINITION OF TERMS**

<b>Corporate Culture</b>	The shared values and unique ways of doing things that involves collaboration, openness to ideas and suggestions, trust, warmth that support execution of operational tasks and activities
<b>Corporate Reputation</b>	The overall estimation in which an organization is held by its internal and external stakeholders based on its past actions touching on social responsiveness, ethical behavior, concern for welfare and workplace environment
<b>Human Capital</b>	The education, capabilities, knowledge, skills and experience and competences of the company's employees that is imperative and relevant for effective performance of firm's operational tasks and activities
<b>Information Technology</b>	The improvements in a variety of human and organizational problem-solving endeavours through the design, development, and use of technologically based systems and processes that enhance the efficiency and effectiveness of information in a variety of strategic, tactical and operational situations
<b>Organizational Performance:</b>	Ability of a firm to respond timely to customers' needs, reduce turn-around time, minimize lead time, continually come up new products, new processes and product improvement so as to achieve a set of pre-determined targets that are unique to the objectives
<b>Strategic Assets</b>	Stock of intangible resources including culture, reputation, human capital and information

technology which are invaluable and difficult to imitate and a source of competitive advantage and superior performance

## ABSTRACT

The manufacturing sector accounts for approximately sixteen percent of Gross Domestic Product and fourteen percent of employment globally, but its relative size in an economy varies with the stage of development. In Kenya, a strong manufacturing base for any economy is considered the foundation upon which long-lasting economic frameworks are made. The automotive industry is one of the most competitive industries in the manufacturing sector in Kenya today with significant contribution to the Gross Domestic Product. However, data from the Kenya Motor Industry Association has shown that performance of motor vehicles assemblers is on a decline as indicated by the fall in volume of sales reported annually. This study seeks to investigate the effect of strategic assets on performance of motor vehicle assemblers in Nairobi City County, Kenya. The specific focus of the study is to determine the effect of corporate culture, corporate reputation, human capital and information technology on performance of motor vehicle assemblers in Nairobi City County. The research variables in this study are underpinned on the resource-based view, Schein's structural model of organizational culture and human capital theory. The investigation was guided by descriptive research design. The study targets a population comprising of employees of motor vehicle assemblers and seeks to make field observations on a sample of management employees that was randomly selected using proportionate stratified sampling. The primary data for the investigation was collected using a structured questionnaire whereas secondary that was crucial for validating primary data was obtained through document review. Validity of the questionnaire was assessed and confirmed using opinion from experts and review of relevant literature. A pilot study was carried out using fifteen employees to support the test of reliability of the questionnaire. Descriptive statistics was analyzed using frequencies, percentages, mean, standard deviation and coefficient of variation. Similarly, inferential statistics was analyzed using bivariate correlation and multiple regression analysis in so as to confirm if there is a relationship between the research variables. The results of analysis were presented in form of figures and tables. The found out that corporate culture, corporate reputation, human capital and information technology had a direct linear correlation with performance. The four dimensions of strategic assets were also found to have a statistically significant effect on performance. The board of directors should also ensure that stakeholders' suggestions are embraced and there is an environment of trust to provide the basis for bundling up of strategic resource for improved performance. Practices that promote fairness, equality, diversity and dignity in the workplace should be strengthened at all level of the firms in order to project a good image in the market place. The manager in charge of information technology should ensure existence of clear mechanism for sharing new information. Practices on customer data and relationship management should also be enhanced to promote deployment, sharing and utilization of firm resources in creation of value.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Globally, there has been an appreciation and realization that competitive manufacturing is the lifeline of economies as a result of the crucial role it plays in a country's long-term prosperity. A report by Mckinsey Global Institute (MGI) considered performance of the manufacturing sector as a critical component in the economies of both advanced and developing countries (MGI, 2012). In the former, the manufacturing sector provides a pathway from subsistence agriculture to rising incomes and living standards. In the latter, it serve as a vital source of creativity, innovation and competitiveness, making substantial contribution to research and development, exports as well as growth. The Chartered Institute of Management Accountant (CIMA) associates the manufacturing sector creation of skilled jobs and generation of revenues for national treasuries in form of earning from exports and investment (CIMA, 2010). The sector also has a strong beneficial role in terms of its contribution to development of physical infrastructure of a nation that has spill-over effects to other areas such as science, construction and logistics.

The manufacturing sector has a contribution of approximately sixteen percent to the global Gross Domestic Product (GDP) and fourteen percent of employment, but its relative size with respect to other sectors in an economy varies with the stage of development (MGI, 2012). For instance, in the United Kingdom (UK), the manufacturing sector is diverse in activities and has been found to be characterized by a wide range firms 'sizes , with a disproportionate share of activities attributed to a small number of large, often foreign owned multinational corporations. However, in recent years, the relative share of manufacturing sector in the UK economy has declined more rapidly as compared to other developed countries while the service sector has grown at a faster rate. The notable growth of the service sector is consistent with growth in other developed economies including France, Germany and the United States of America (USA). CIMA (2010) further noted that the manufacturing sector at the global scene is shifting away from basic manufacturing towards technology based

and value added production encouraging manufacturers to reconsider how they operate and what they offer customers.

According to Cilliers (2018), Africa is significantly under-industrialized as compared to the other economies of the world. Generally, it is becoming increasingly difficult to industrialize as the level of peak manufacturing employment has been observed to decline with each wave of industrialization from around thirty percent of employment with the first wave of smokestack industries three centuries ago to roughly half that today (Bhorat *et al.*, 2017). Cilliers noted that for different income groups in a country, the contribution of manufacturing to GDP in Africa has stagnated or contracted since the mid-1980s. In addition, the size of the manufacturing sector in Africa has been observed to range from five percent in South Sudan to and forty percent in Swaziland. Notwithstanding the recent trough in the commodity cycle, growth rates amongst African countries since 2000 have been impressive and in some cases, very spectacular. It is, however, a striking fact that the growth of manufacturing sector has not kept pace. The level of industrialization in the African continent has remained low and the contribution of manufacturing sector to growth of GDP has declined (Black, Makundi & McLennan, 2017)

In Kenya, a strong manufacturing base is considered the foundation upon which long-lasting economic framework can be initiated and sustained. In its report on manufacturing priority agenda for 2018, the Kenya Association of Manufacturers (KAM) pointed out that the industrial growth in Kenya has stagnated with a GDP contribution of ten percent over the last ten years, and a further reported decline to approximately nine percent in 2016 (KAM, 2017). Empirical literature is replete with evidence that demonstrates that the manufacturing sector has the largest employment multiplier effect relative to other sectors of the economy. For instance, empirical analysis by Bivens (2003) indicated that 100 jobs in the manufacturing sector supported 291 jobs in other sectors of the economy. It is the goal of the Kenyan Government to increase the contribution of the manufacturing sector to gross domestic product from the current nine percent to fifteen percent by the year 2022 (KAM, 2017).

According to Kenya National Bureau of Statistics (KNBS), the manufacturing sector in Kenya grew from 3.2% to 3.5% in 2014 and 2015 respectively, contributing 10.3% to gross domestic product (KNBS, 2016). However, the manufacturing sector has on average been shown to grow at a slower rate than the economy, which expanded by 5.6% in 2015. This implied that the share of manufacturing in Gross Domestic product (GDP) has been decreasing over time. In addition, KNBS notes that the manufacturing sector recorded an employment growth rate of 13.7% in 2016 up from 11.9% in 2015. Munywoki (2016) viewed the automotive industry as one of the most competitive industries in the manufacturing sector in Kenya today accounting for 6% of the gross contribution of the manufacturing sector to Gross Domestic Product (GDP). Indeed, the contribution of the automotive industry in Kenya is ranked fifth in Africa in vehicle market, after South Africa, Algeria, Egypt and Morocco (KNBS, 2013).

### **1.1.1 Organization Performance**

According to Jones, George and Hill (2000), the ability to achieve as well as maintain high firm productivity and performance is a key challenge facing management of organizations today. Covey (2004) argues that in an ever-changing business environment and globalized economy, the concept of performance is associated with development of firms' resources such as skills, knowledge, ability and experience. Stafford and Miles (2013) views organizational performance as the ability of a business enterprise to fulfill its mission through sound management, strong governance and a persistent dedication to achieving specific goals over a given period of time. According to Denison, Haaland, Goelzer and Yilmaz (2008), performance of a firm comprises achievement of financial and non-financial outcomes that confers an organization the ability to remain viable and sustainable in both the short and long run. Kaplan and Norton (2004) view organizational performance as its capacity to effectively accomplish its goals and efficiently make use available physical and human resources.

Different researchers have used different measures of performance in their empirical studies. Fauzul, Hirobumi, and Tanaka (2010) made use return on assets, return on



investment, market share, customer satisfaction, employees' satisfaction, competitive position and success rate in launching new product as indicators of firm performance. Lithaa (2014) utilized profitability and sales turn-over to assess organizational performance in the case of second-hand motor vehicles firms. Mbaraka (2013) analyzed performance of automotive industry on the basis of productivity and quality. Ogolla (2013) used profitability, customer service, efficiency, market share, and employee satisfaction to assess how performance of motor vehicle assemblers is affected by operation strategy. This assortment of measures confirms that both traditional and conventional measures can be used to measure performance of a firm in a given industry.

Kaplan and Norton (2007) provide a theoretical prescription of performance in terms of four perspectives that broadly embraces a more balanced orientation encompassing both financial and non-financial measures of organization performance. The category of performance measure emphasized by the balanced scorecard includes financial, customer, internal business processes, and learning and growth. However, Kaplan and Norton in an effort to provide a rationale for the inclusion of non-financial measures of performance argue that financial measures by themselves do not provide incentives for success but merely focus on historical data that may not have any relevance to the current and future performance especially in respect to creation of value. This view is echoed by Zhang and Li (2009), who aver that in cases where financial measures are used, present and future operating conditions of a firm are ignored. Therefore, non-financial measures comprising of customer retention, turn-around time, lead time, defect rate, employee retention was used to analyze performance of motor vehicle assemblers in this study.

### **1.1.2 Strategic Assets**

The resource-based view (RBV) takes an 'inside-out' view or firm-specific perspective on why some firms succeed whereas others fail in the market place (Dicksen, 1996). The RBV draws upon the resources and capabilities that are resident within a firm and are thus useful in developing sustainable competitive advantages and attaining enhanced corporate performance (Madhani, 2010).

However, RBV also stresses that not all the resources of firm may be considered strategic particularly if they do not serve as sources of competitive advantage. It has been observed that the firm's resources that have such characteristics as being valuable, rare, inimitable and non-substitutable (Barney, 1991) make it possible for business enterprises to build and maintain competitive advantage, and consequently attain superior performance in the market place (Wernerfelt, 1984; Collis & Montgomery, 1995; Grant, 1996).

The strategic assets' characteristics imply that sources of sustainable competitive advantage are often related to intangible resources. Intangible resources include knowledge, invisible assets, absorptive capabilities (Foss & Knudsen, 2001), core competencies, core capabilities (Galbreath, 2004), intellectual property rights, trademarks, information technology such as databases, networks and skills such as capabilities and competencies (Lopez, 2002), organizational memory (Nieto & Perez, 2002) reputation, brand name, employee know-how, customer loyalty, social relationship, culture, employees' expertise, commitment, loyalty, technology among others. Leitner (2011) observes that technology, accumulated consumer information, brand name, reputation and corporate culture are intangible assets which are substantially contribute to the firm's competitive power, and are a source of competitive edge that can be sustained over time.

The ability to develop and sustain a firm culture that can support performance is not only necessary but an important attribute of a firm in a given context. Organizational culture may be viewed as attitudes, beliefs, way of doing things (Burnes, 2004). It can also be considered as a set and system of shared values, beliefs and assumptions that determines the interaction of a firm with both the internal and external environments (Stafford & Miles, 2013). Organizational culture influences behavior and interaction amongst stakeholders in a given business environment. Hofstede and Hofstede (2010) suggested that different firms have unique organizational culture that is a result of achievement, fairness, collaboration, teamwork, competitiveness and rules among others. Middlemist and Hitt (2000) identified co-operation, leadership support, trustworthiness,

friendliness, professionalism and job challenge as dimensions of culture that have ability to influence corporate performance. Lorraine, Dorai and Zubair (2011) used adaptive, communal, network, and mercenary as measures of organization culture.

As noted by Hall and Lee (2014), corporate reputation is a valuable strategic asset that may require the attention of organizational management when making strategic decisions. Resource Based View (RBV) perspective views corporate reputation as an irreplaceable resource with potential to originate and sustain competitive advantage (Flanagan & O'Shaughnessy, 2005). Corporate reputation can be favorably applied in explaining how and why stakeholders may view a company's strategic choices as signals sent to form impressions (Basdeo, Smith, Grimm, Rindova & Derfus, 2006). Indeed, corporate reputation is the overall estimation in which an organization is held by both its internal and external stakeholders based on its past actions and probability of future behavior. Fombrum (1996) asserts that many organizations mistakenly put the importance of a good reputation at the back of their minds at the expense of more hard-edged, day-to-day issues. Fombrum argues that corporate reputation represents the accumulated impression that stakeholders form, resulting from their interactions with, and any communications they receive concerning that organization.

Human capital refers to the knowledge, expertise, and skill one acquires and accumulates through education and training (Severine & Lila, 2009; Armstrong, 2014). Human capital in particular represents the individual stock of knowledge embedded in the firm's collective capability to identify and extract optimal solutions from its members. It is the sum total of the workers' skills, tacit knowledge, experience, and capabilities. According to Dess and Picken (2000), human capital generally consists of individual employees' capabilities, knowledge, skills and experience, as they are relevant to the tasks at hand, as well as the capacity to add to the reservoir of knowledge, skills, and experience through individual learning'. Rastogi (2000) stated that human capital is an important input for organizations that is desirable for employees' continuous improvement mainly on knowledge, skills, and abilities.

The productivity paradox of information technology (IT) has been at the heart of a heated debate amongst economists and management scholars for the last couple of decades. The IT productivity paradox contends that information technology does not necessarily result in increased productivity and performance; instead, it's viewed as a commodity which can easily be copied and replicated by competitors (Carr, 2003), and hence diminishing the prospects of being useful in creation of a firm's sustainable competitive advantage. Information technology is concerned with improvements in a variety of human and organizational problem-solving endeavours attained through the design, development, and use of technologically based systems and processes that enhance the efficiency and effectiveness of information in a variety of firm's strategic, tactical and operational situations (Capgemini, 2008).

Empirical literature on organizational resources provides considerable evidence on the possible existence of a link between information technology and corporate performance (Bartel, *et al.*, 2007; Sircar & Choi, 2009). Information technology leads to distinctive boundary-spanning or breaking effect. It has been argued that information technology plays a key role in effective management of inter-organizational relationships, most importantly among supply chain members across borders (Wang, *et al.*, 2006). According to Pavlou and Sawy (2006), IT improves business performance through enhanced specific business structures processes and capabilities that support (Gallivan & Depledge, 2003; Malhotra *et al.*, 2005; Kim *et al.*, 2006; Sanders, 2008) responsiveness, information exchange, coordination, organizational control, collaboration and absorptive capacity.

### **1.1.3 Motor Vehicle Assemblers in Nairobi City County**

The automotive industry is considered as one of the most vibrant and competitive industries in the manufacturing sector in Kenya today (Munywoki, 2016) accounting for six percent of total contribution of the sector to GDP. Indeed, the contribution of the automotive industry in Kenya is ranked fifth in Africa in the vehicle market, after South Africa, Algeria, Egypt and Morocco (KNBS, 2013). A report by Kenya Institute for Public Policy Research and Analysis (KIPPRA) showed that Kenya's motorization rate was 28 vehicles per 1,000 inhabitants as at 2015, well translating to

an estimated 2.5 million vehicles on Kenyan roads (KIPPRA, 2016). This compares unfavorably with a motorization rate of 7 in Tanzania, and 13 in Uganda. South Africa, on the other hand ranks much higher with a motorization rate of 176 per 1,000 inhabitants. The report further noted that the annual growth rate of eleven percent vehicles recorded in Kenya is most likely going to translate to a motorization rate of 56 vehicles by 2030. As a dominant economy in the East African region, Kenya's sizeable middle class, progressive business environment, regional market access and history of automotive assembly has potential to position the country well as a regional automotive hub (Davies & Schiller, 2016).

According to KNBS (2013), the volume of imported vehicles between 2003 and 2012 grew to over 300% from 33 000 units to 110 474 units. Davies and Schiller (2016) identified availability of attractive credit from financial institutions and the rise of the middle class as the reason behind the increase in volume of imported cars and motorcycles. Davies and Schiller further noted that Kenya is still highly dependent on imports to meet domestic demand, with imports making up 94% of bilateral automotive trade and second-hand vehicles accounting for over 80% of those imports. The Kenya Motor Industry Association (KMIA) indicates that the automotive industry comprises in Nairobi City County has thirteen firms that include seven minor controlling 20 percent of the market share and six major assemblers associated with the remaining 80 percent (KMIA, 2016). Growth in the automotive industry in Kenya like the rest of Africa is negatively affected by the rapidly increasing imports of used cars from developed economies of the world (Black, Makundi & McLennan, 2017).

The opening of Kenya's markets to products from other countries has had a major impact on many industries such as textiles, footwear, and motor vehicle assembly (Porte, 2005). Indeed, the influx of second hand reconditioned cars has resulted in scaling down production in the automotive industry had due to imports. According to Nyaema (2017), the established assemblers in the automotive industry face intense competition from imported second-hand vehicles, mainly from Japan and United Arab Emirates, and Chinese dealers who have struck deals to supply government agencies with vehicles. It has been observed that despite Kenya being comparatively

the biggest market for new vehicles in the east African region, the sales of new motor vehicles has dropped by more than 40 per cent in the past three years.

Data from the Kenya Motor Industry Association shows that the industry has experienced a drop in volume of sales from a high of 19,966 vehicles in 2015 to 13,869 units in 2016 (KMIA, 2017). This gloom scenario has been blamed on among other things economic activity brought about by tighter credit markets, political uncertainty in general elections, and the growing appetite for imported second-hand vehicles. Baskin (2018), in a report on Africa second hand vehicles captures experts view that developed countries are merely exporting pollution by trading second-hand vehicles to poorer nations. The report notes that in some countries such as Kenya, used vehicles over five years old pay a graduated penalty according to year of manufacture and capacity. It's further noted that six African countries account for 81.1% of Japanese used vehicle trade with major market cited as Kenya, South Africa, Tanzania, Uganda, Zambia and Mozambique. For instance, the volume of import of passenger second-hand vehicles to Kenya increased from 56, 934 to 65,469 in 2014 and 2015 respectively.

## **1.2 Statement of the Problem**

The manufacturing sector accounts for approximately 16 percent of global GDP and 14 percent of employment, but its relative size across economies varies with its stage of development (MGI, 2012). In Kenya, a strong manufacturing base for any economy is considered the foundation upon which long-lasting economic frameworks are made. In its report on manufacturing priority agenda 2018, the Kenya Association of Manufacturers (KAM) pointed out that the industrial growth in Kenya has stagnated with a GDP contribution of 10 % over the last 10 years, and a further reported decline to 9.2 % in 2016 (KAM, 2017). As observed by Munywoki (2016), the automotive industry is one of the most competitive industries in the manufacturing sector in Kenya today with a contribution of 6% to the Gross Domestic Product. Data from the Kenya Motor Industry Association shows that the volume of sales of locally assembled vehicles fell from a high of 19,966 vehicles in to 13,869 units in the years 2015 and 2016 respectively (KMIA, 2017). This gloom

scenario has been blamed on among other things economic activity brought about by tighter credit markets, political uncertainty in general elections, and the growing appetite for imported second-hand vehicles.

Theoretical and empirical literature is emphatic on the crucial role played by the set of strategic resources possessed and controlled in the creation and sustenance of competitive advantage resulting in enhanced performance (Barney, 1991; Hamel & Prahalad, 1996; Campbell & Luchs, 1997; Otunga, 2010; Leitner, 2011; Kamaamia, 2017). Momot and Litvinenko (2012) studied the relationship between corporate culture and organizational effectiveness. The findings of the study showed that there is a relationship between corporate culture and organizational effectiveness with the mission trait as the most prominent of the four traits in terms of fostering overall company performance, sales growth, market share growth and return on asset. Li, Chen and Ma (2016) conducted a study on corporate reputation and performance. The results of this investigation showed that corporate reputation has significant positive relationship with enterprise growth. There are however contextual differences that make the findings and conclusion of the investigation not applicable for the current study.

Odhon'g and Omolo (2015) examined the effect of human capital investment on performance of Pharmaceutical Companies in Kenya. The study showed that human capital investment has a statistically significant relationship with performance. Wilson, Iravo, Tirimba and Ombui (2015) carried out an empirical assessment of the effect of information technology on performance of logistic firms in Nairobi County. The conclusion reported in this study showed that information technology positively contributed to performance. Nevertheless, the results of ANOVA table were not consistent with the response that was reported in the study and the sample size of 28 respondents was too small for performing quantitative data analysis. On the basis of the literature reviewed, this study thus sought to investigate the effect of strategic assets on performance among motor vehicle assemblers in Nairobi City County, Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective of the Study**

The general objective of this study was to investigate the effect of strategic assets on performance motor vehicle assemblers in Nairobi City County, Kenya.

#### **1.3.2 Specific Objectives of the Study**

The study was guided by the following specific objectives;

- i. To establish the effect of corporate culture on performance of motor vehicle assemblers in Nairobi City County, Kenya.
- ii. To determine the effect of corporate reputation on performance of motor vehicle assemblers in Nairobi City County, Kenya.
- iii. To examine effect of human capital on performance of motor vehicle assemblers in Nairobi City County, Kenya.
- iv. To analyze the effect of information technology on performance of motor vehicle assemblers in Nairobi City County, Kenya.

### **1.4 Research Questions of the Study**

The research questions of this study were;

- i. What is the effect of corporate culture on performance of motor vehicle assemblers in Nairobi City County, Kenya?
- ii. How does corporate reputation affect performance of motor vehicle assemblers in Nairobi City County, Kenya?
- iii. To what extent does human capital affect performance of motor vehicle assemblers in Nairobi City County, Kenya?
- iv. What is the effect of information technology on performance of motor vehicle assemblers in Nairobi City County, Kenya?

### **1.5 Significance of the Study**

The study is of great value to management of motor vehicle assemblers in Nairobi City County as it provides information on the relationship between strategic assets and performance. The specific findings on the effect of each dimension of the strategic asset on performance serve as a source of valuable information that can be



an input in prescribing practical solutions that can be used to address the problem of performance facing motor vehicle assemblers. The conclusion helps management to formulate relevant policies around the four dimensions of strategic assets that ultimately inform practice and specific action points that ought to be implemented in order to compete favorably and enhance performance.

Policy makers of motor vehicle assemblers in other counties in Kenya also find the recommendation of this study beneficial to their operations. The inferences made from this study provide crucial information that informs decision making and policy development. On the basis of the decision made, execution would be streamlined to bestow these assemblers with a competitive edge and ability to realize strategic objectives in key performance areas.

The academic community also find the results of this study beneficial to the extent that the inferences made contributes to the existing body of research literature. The conclusion of this study adds to the existing body of knowledge in the field of strategic assets and performance. In this respect, the study serves as spring board for future research on the basis of the conceptualization and the variation in performance not attributed to the independent variable in this study.

### **1.6 Scope of the Study**

The study was confined to motor vehicle assemblers in Nairobi City County in Kenya. The study focused on strategic assets as the independent variable and performance as the dependent variable. The theories that informed the variables in this study included resource based view, human capital theory and Schein's theory of organizational culture. The study made use of descriptive research design. Research data was collected from management employees in motor vehicle assemblers. Data was collected in the month of June, 2019.

### **1.7 Limitation of the Study**

The researcher faced a couple of challenges in the process of carrying out this proposed study. The choice of a questionnaire for a research instrument had the potential to trigger a low response rate. This problem however was mitigated through undertaking follow up with the target respondents. The problem of information that is not objective that characterizes self-administered questionnaires was mitigated through the use of secondary data as means for validating the primary data provided by the respondents. The respondents who may have had intention of withholding of the information of interest to the researcher for fear of eroding the competitive position of their respective firms were encourage to participate through debriefing and use of the research permit form National Council of Science, Technology and Innovation (NACOSTI) which confirmed that the purpose of the investigation was purely academic reasons.

### **1.8 Organization of the Study**

This research project comprises of frontal section and three chapters. The frontal part encompasses of the title page, declaration, dedication, acknowledgement, table of contents, list of tables, list of figures, abbreviations and acronyms, and definition of terms, and abstract. Chapter one constitutes of the background of the study, statement of the problem, objectives, significance, scope, limitations and organization of the study. Chapter two comprises of theoretical literature review, empirical literature review, summary of literature review and research gaps, and conceptual framework. Chapter three consists of the research design, target population, sampling procedure, data collection instrument, data collection procedure, data analysis and ethical consideration. The fourth chapter basically provides information on results of descriptive and inferential analysis. These results are discussed and compared with the literature that had been reviewed in chapter two. Finally, chapter five consists of summary of the study, conclusion drawn from the findings, recommendations made for policy and practice, and suggestions for future studies.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents an extensive review of literature. In particular, the chapter comprises of theoretical literature review, empirical literature review, summary of research gaps and conceptual framework.

#### **2.2 Theoretical Literature Review**

##### **2.2.1 Resource-Based View**

Penrose (1959) is considered as the theorist behind the development of the resource-based view of the firm (RBV), which was however later articulated by Wernerfelt (1984) and Barney (1991). Resource-based view takes an ‘inside-out’ view or firm-specific perspective on why some organizations succeed whereas others fail in the market place (Dicksen, 1996). According to RBV, firm’s abilities aid in creation and addition of value in the customer value chain, developing new innovative products or expanding in new marketplace. The RBV draws upon the resources and capabilities that reside within a given firm so as to build and develop sustainable competitive advantage (Madhani, 2010). However, not all the resources of firm are strategic so as to be a source of competitive advantage. The focus of RBV is firm’s characteristics and attributes as opposed to the position taken by the industrial organization (IO) model that strategy drives acquisition and control of resources and that the external environment is the primary determinant of strategy.

It has been observed that resources of an organization that are valuable, rare, inimitable and non-substitutable (Barney, 1991) enable business enterprises to build and maintain competitive advantage, and consequently realize superior performance in the market place (Wernerfelt, 1984; Grant, 1991; Collis & Montgomery, 1995). The RBV holds the proposition that different firms in an industry possess and control a distinct bundle of strategic asset and emphasizes the importance of building a valuable set of resources and combining such resources in unique and dynamic ways to attain corporate success. Barney pointed out that resources are valuable when they

aid a firm in the conception of or implementation strategies that increase its efficiency and effectiveness.

RBV of the firm considers the attributes that are related to past firm's experiences, culture and competences as crucial for the enhanced performance and success (Hamel & Prahalad, 1996; Campbell & Luchs, 1997). According to Jones and Hill (2009), a firm is a stock of tangible and intangible resources such as physical, financial, social or human, technological, brand names, reputation of the company, employees' knowledge, and intellectual property that facilitate creation of value for customers. Intangible resources developed are path dependent with a socially complex dimension, making them difficult to imitate and as such are a source sustainable competitive advantage.

Competitive advantage is an imperative for enhance corporate performance relative to the competition and is gained through identification, acquisition and control of a stock of key resources (Barney, 1991; Jones & Hill, 2009). Intangible resources such as culture, human capital, corporate reputation and information technology are viewed as strategic resources because they are valuable, rare, inimitable and non-substitutable and hence can confer an organization with ability to build and sustain competitive advantage. Even in the case where physical resources such as land, plant, buildings, inventory, equipment and money may be viewed as the genesis of above average returns, the value of such resources has been found to depreciate over time and players in a given industry can easily be acquire them in the factor market ultimately eroding competitive advantage. The RBV is therefore used to provide the theoretical underpinning to the independent and dependent variables in the this study.

### **2.2.1 Schein's Structural Model of Organizational Culture**

The theory of organizational culture was propounded by Schein (1985) and proposes that culture exists at three successive levels. The most visible amongst the three levels of culture is artifacts and creations comprising of the constructed social and physical environment. At the second level, there are the values that determine and drive behaviors. The third level entails basic or underlying assumptions which evolve as

solution to organizational problem. According to James and Jones (2005) cultural domains encompass espoused values, basic underlying assumptions, and artifacts. Artifacts are at the surface level of an organizational culture which is tangible, easily seen and felt or manifested in the physical environment, products, language, myths and stories, clothing, technology, published values, rituals and ceremonies.

Organization culture is a pattern of shared underlying assumptions that are developed, discovered or invented by a given group as it learns to cope with its problems of internal integration and external adaptation, and has been found to have worked well enough to be considered valid (Schein, 1985; Schultz, 1994; Schein, 1996; Schein, 2004). As such, culture is therefore taught to new members as the correct way to, think, perceive and feel in relation to existing and emerging problem situations. Culture is multi-faceted, dynamic and contextual and is embedded in the routines, processes, individuals and groups behavior. Although leadership may have a role in creating and managing organizational culture, evolution of culture through group learning process is considered an imperative. In addition, Schein (2004), argues that culture can also be developed through a not so structured interaction within leaderless groups which potentially opens up a dialogue on development of culture within non-hierarchical organization models.

Schein (2004) make use of the metaphor of 'cultural DNA' to signify the set of deeply embedded basic assumptions and proposes that the auto-immune system has to be neutralized to support sustainability of new growth in the form of cultural change. Moreover, processes that challenge basic assumptions are a source of distress and anxiety amongst group members within the firm (Bartunek, 1984; Schein, 2004). Insights and understanding are required if a firm is to be capable of new learning that can aid in dealing with complex situations. The manner in which an organization realizes its vision, mission, strategy, goals and objectives is also shaped by a set of values and assumptions. Culture is indeed a dynamic phenomenon that is constantly enacted and shaped by social interactions, leadership behaviour, routines, structures, rules, and norms that guide and constrain corporate behaviour.

Martins and Terblanche (2003) aver that organizational culture is responsible for establishing a feeling of identity amongst members and also creates a competitive edge through enabling new members to understand acceptable behavior and ingredients of stability in the social system. Campbell and Stonehouse (1999) emphasized that organizational culture plays a domineering influence on motivation, morale and goodwill of employee, and thus enhances productivity and efficiency, quality of work, attitude in the work place as well as stimulating innovation and creativity. In this study, organization is viewed as a purposeful social system and therefore the structural model of culture proposed by Schein (1985) was adopted to anchor corporate culture as an independent variable.

### **2.2.2 Human Capital Theory**

Human Capital theory was first postulated by Schultz (1961) and later substantially developed by Becker (1964). The former theorist analyzed educational expenditure as a form of investment whereas the latter developed the theory of human capital formation with emphasis on analysis of the rate of return to investment in education and training. The theory contends that education and training enhances workers' productivity through imparting relevant knowledge and skills, hence raising the future income of workers by increasing their lifetime earnings (Becker, 1994). It further notes that expenditure on training and education is rather costly, and should therefore be considered an investment since it is undertaken with a view to improve personal incomes.

Human capital consists in competences, skills, aptitudes, and experiences of internal members of the organizations (Bontis, 1999). According to Leana (2009), human capital is the cumulative abilities, knowledge and skills of individuals attained through formal and informal education and experience. Skills can be acquired through education and training as well as in the course of executing activities at the place of work. Rosen (1986) is of the view that most specific job skills are acquired or learned by performance of the work related activities. Whereas Becker (1994) asserts that education and training raise the productivity of workers by imparting useful

knowledge and skills, others theorist offer different explanations for how education is related to worker productivity and hence organizational performance.

Human capital corresponds to any stock of knowledge or attributes such as knowledge, skills and experiences possessed that has potential to enhance performance (Goldin, 2014). The basic premise behind human capital theory is that the individuals' learning capacities are of comparable value and contribution to other resources involved in the production of goods and services in a business enterprise (Lucas, 1990). It has been observed that human capital losses such as turnover rates among others, has a negative impact on firm's performance; however, the workforce performance relationship takes the form of an attenuated negative relationship in the case where investment in human capital is high (Shaw *et al.*, 2013). Investment in human capital supports the building of firm-specific resources whose accumulations is likely to diminish through workforce turnover and associated path dependencies, routines and social complexities.

Human capital is an imperative for exposing an organization to technological boundaries that increases its ability and capacity to absorb as well as exploit knowledge assets (Hill & Rothaermel, 2003). It is the collective value of the knowledge, capabilities, skills, motivation of workforce, life experiences, and abilities residing within and utilized by individuals in the organization (Schultz, 1961; Kaplan & Norton, 2004). As an intangible resource, human capital has the capacity to serve as an ingredient and origin of competitive advantage, and consequently conferring an organization with improved performance in the market place. The theory of human capital was used in this study to provide a theoretical underpinning for human capital as an independent variable.

## **2.3 Empirical Literature Review**

### **2.3.1 Corporate Culture and Performance**

Kamaamia (2017) examined the effect of organizational culture on performance of Kenya School of Monetary studies. The study made use a descriptive research design and adopted a stratified sampling technique to select 80 subjects from a population of

110 employees in six departments. Descriptive statistics were analysed using percentages and frequencies, while inferential statistics were analysed using correlations, and regressions. The findings of the study showed that there exist a statistically significant relationship between organizational culture and performance. The study concluded that all constituent components of organizational culture comprising of goal oriented measures, work oriented measures, employee oriented measures, open culture system, and professional work culture enhance organizational performance.

Critical review of the results of inferential statistics showed that there were inconsistencies in the output of bivariate correlation and regression analysis. Correlation analysis showed that organization culture and performance had a moderate linear positive correlation at 0.658. However, regression analysis reported a negative beta coefficient for organizational culture at -0.267 suggesting an inverse relationship with performance. The use of frequencies and percentages as the measures of descriptive statistics was not consistent with the choice of scale of measurement adopted for the study. The current study made use of sample mean and standard deviation to summarise the sample data set. In addition, the study sought to resolve the inconsistencies in respect of inferential statistics.

Momot and Litvinenko (2012) studied the relationship between corporate culture and effectiveness of an organization. In the study, organizational culture was considered to comprise of such organizational culture traits as involvement, consistency, adaptability and mission. Denison model of organizational culture was used. Data was collected from six machine-building enterprises in Ukraine. Momot and Litvinenko made use of bivariate correlation to perform inferential analysis. The findings of the study showed that there is a relationship between corporate culture and organizational effectiveness with the mission trait is the most prominent of the four traits in terms of fostering overall company performance, sales growth, market share growth and return on asset. There are contextual differences that make the findings and conclusion of the investigation not applicable for the current study.



Another study carried out by Maina (2016) focused on the influence of organizational culture on performance of commercial banks in Kenya. The study was based on descriptive survey design and involved 120 employees selected from all the commercial banks through stratified random sampling techniques. The sample size was determined using Nassiuma's (2000) formula for estimating a sample size from a known population and stratification was done on the basis of the level of management. The study concluded that organizational culture had a positive effect on performance. Commercial banks were guided by values of consistency, adaptability and effective communication system; employees had a sense of identity which increased their commitment to work. In this study, there were inconsistencies in the values of R and R square at 0.327 and 0.107 respectively. Therefore, the variance of performance attributed to organizational culture was questionable and thus not conclusive.

### **2.3.2. Corporate Reputation and Performance**

Hall and Lee (2014) assessed the impact of firm reputation on performance using financial indicators. Sample mean and standard deviations were used to generate summary measures of the data observed from both the United State of America and Japan. Inferential statistics involved the use of regression and bivariate correlation analysis. Corporate reputation was found to be positively correlated with both accounting and market-based measures of performance. Hall and Lee determined that favorable reputation is associated with enhanced levels of profitability and performance. The use of traditional financial measures of performance that reflect on past performance of the firms involved inherently weakens the study and particularly given that current and future performance is best informed through non-financial indicators of performance. There is also a contextual difference that makes it impossible to apply the findings of the study under review in the problem identified in the current investigation.

Li, Chen and Ma (2016) conducted a study on corporate reputation and performance. Data was gathered from 191 private and stated owned enterprises in 16 provinces in China using the questionnaire method. Corporate reputation was measured through

brand image, social responsibility, innovation capacity and staff quality. Inferential statistics were analyzed using Spearman correlation coefficients. The results of this research showed that corporate reputation has significant positive relationship with enterprise growth. This positive relationship was confirmed through all pathways tested implying that brand image, social responsibility, innovation capability and staff quality are all important for enterprise growth. The current study is being carried out in Kenya and involves firms in the manufacturing sector.

Locally, Otunga (2010) investigated effect of corporate reputation and financial performance of companies listed in the Nairobi Stock Exchange. The researcher made use of a relational research design with an object of explaining whether there was a relationship among the various research variables. The researcher made use of agreeableness, enterprise, competence and ruthlessness as measures of corporate reputation. Descriptive statistics such as mean scores and standard deviations were used to provide summary measures of the sample. Corporate reputation was found to positively influence performance. Representativeness of the sample is not guaranteed by the technique used in selecting the sample.

### **2.3.3 Human Capital and Performance**

Odhon'g and Omolo (2015) investigated the effect of human capital investment on organizational performance of Pharmaceutical Companies in Kenya. The researchers used training, education, knowledge management and skill development to measure human capital investment whereas profitability, productivity and favorable work environment as indicators of performance. The study adopted descriptive research design as a basis for executing the research strategy. The study adopted purposive and simple random sampling technique. The sample size was determined using a formula on the basis of sample proportion even though the distribution involved was not binomial in nature. Mean, variance and standard deviation were used for descriptive statistics while correlation and regression analysis for inferential statistics. The study showed that human capital investment has a statistically significant relationship with organizational performance.

Marimuthu, Arokiasamy and Ismail (2009) carried out a theoretical review the link between human capital development and its impact on firm performance. The paper explored the current literature on human capital and its impact on firm performance. The paper identified training, education, knowledge and skills as an appropriate set of indicators for measuring human capital. The literature reviews show that there are reasonably strong evidences to show that the infusion of ‘human capital enhancement’ in organizations promotes innovativeness and greater firm performance. The study was devoid of any empirical data to support statistical testing the relationship between human capital and firm performance. The current study gathered data from the field in order to provide for an empirical examination of the effect of human capital on performance and thus enable making of recommendations for policy and practice.

Munjuri, K’Ombonyo and Ogutu (2015) assessed the influence of human capital on performance of Commercial Banks and Insurance Firms in Kenya. The study made use of a descriptive cross-sectional survey design involving a census survey of all the 43 licensed commercial banks and 45 insurance firms in Kenya. In this study, human capital was measured using education, tenure and job-related skills; however, performance was measure using both financial and non-financial indicators. The statistical tests were performed using simple regression analysis at 5% level of significance. The findings showed that there was a statistically significant influence of human capital on non-financial measures of firm performance. The contextual differences between the study under review and the current investigation does not provide for generalizing the findings and conclusions.

#### **2.3.4 Information Technology and Performance**

Empirical literature has demonstrated that a firm’s information technology has the potential to enhance firm-level performance (Hitt, 2013). For instance, Romdhane (2013) investigated the impact of information technology on the performance of Tunisian Banks using panel data covering a period of ten years. The empirical findings reported in this study showed that the information technology has a positive impact on performance of Tunisian banks. Empirical and conceptual literature

regarding organizational resources provides considerable evidence on the link between information technology and corporate performance (Bartel, *et al.*, 2007; Sircar & Choi, 2009).

Jean, Sinkovics and Kim (2008) undertook a review of integrated conceptual framework for information technology and organizational performance within international business to business relationships. The review identified electronic integration, human information technology resource and complementary resources as imperative IT capabilities that would support business-to-business processes. Human IT resources comprise of technical skills and managerial skills have been regarded as important IT capabilities in prior studies (Bharadwaj, 2000). The study did not gather any empirical data to facilitate statistical testing of the conceptualized relationship. The current study made field observations with an object of performing an empirical examination of the effect of information technology on performance.

Wilson, Iravo, Tirimba and Ombui (2015) carried out an empirical investigation on the effect of information technology on performance of logistic firms in Nairobi County. In this study, level of IT usage, security and tracking, customer service delivery, and integration of IT services were jointly used as measures of information technology. The study made use of descriptive survey method as a plan for guiding the entire research work. Primary data was collected through interviewing firm's managers, senior procurement and transport managers in the target firms. Descriptive statistic were generated using frequencies and percentages, however, regression analysis was performed for inferential statistics. The conclusion reported in the study showed that information technology positively contributed to performance. Nevertheless, the researcher did not present the output table for regression coefficient as a basis for drawing conclusion. Similarly, the results of ANOVA table were not consistent with the response that was reported in the study and the sample size of 28 respondents was too small for performing quantitative data analysis.

## **2.4 Summary of Literature Review and Research Gaps**

The research has reviewed a couple of studies that are relevant to the current investigation. For instance, Kamaamia (2017) undertook a study on the effect of organizational culture on performance of Kenya School of Monetary studies. The findings of the study showed that there exist a statistically significant relationship between organizational culture and performance. The study concluded that all constituent components of organizational culture comprising of goal oriented measures, work oriented measures, employee oriented measures, open culture system, and professional work culture enhance organizational performance. This study was however found to have weaknesses in that it made use of frequencies and percentages for the measuring of descriptive statistics which were not consistent with the choice of scale of measurement adopted in the research instrument. The current study made use of sample mean and standard deviation to summarise the sample data set.

Momot and Litvinenko (2012) studied the relationship between corporate culture and effectiveness of an organization. The findings of the study showed that there is a relationship between corporate culture and organizational effectiveness with the mission trait is the most prominent of the four traits in terms of fostering overall company performance, sales growth, market share growth and return on asset. Li, Chen and Ma (2016) conducted a study on corporate reputation and performance. The results of this research showed that corporate reputation has significant positive relationship with enterprise growth. There are contextual differences that make the findings and conclusion of the investigation not applicable for the current study.

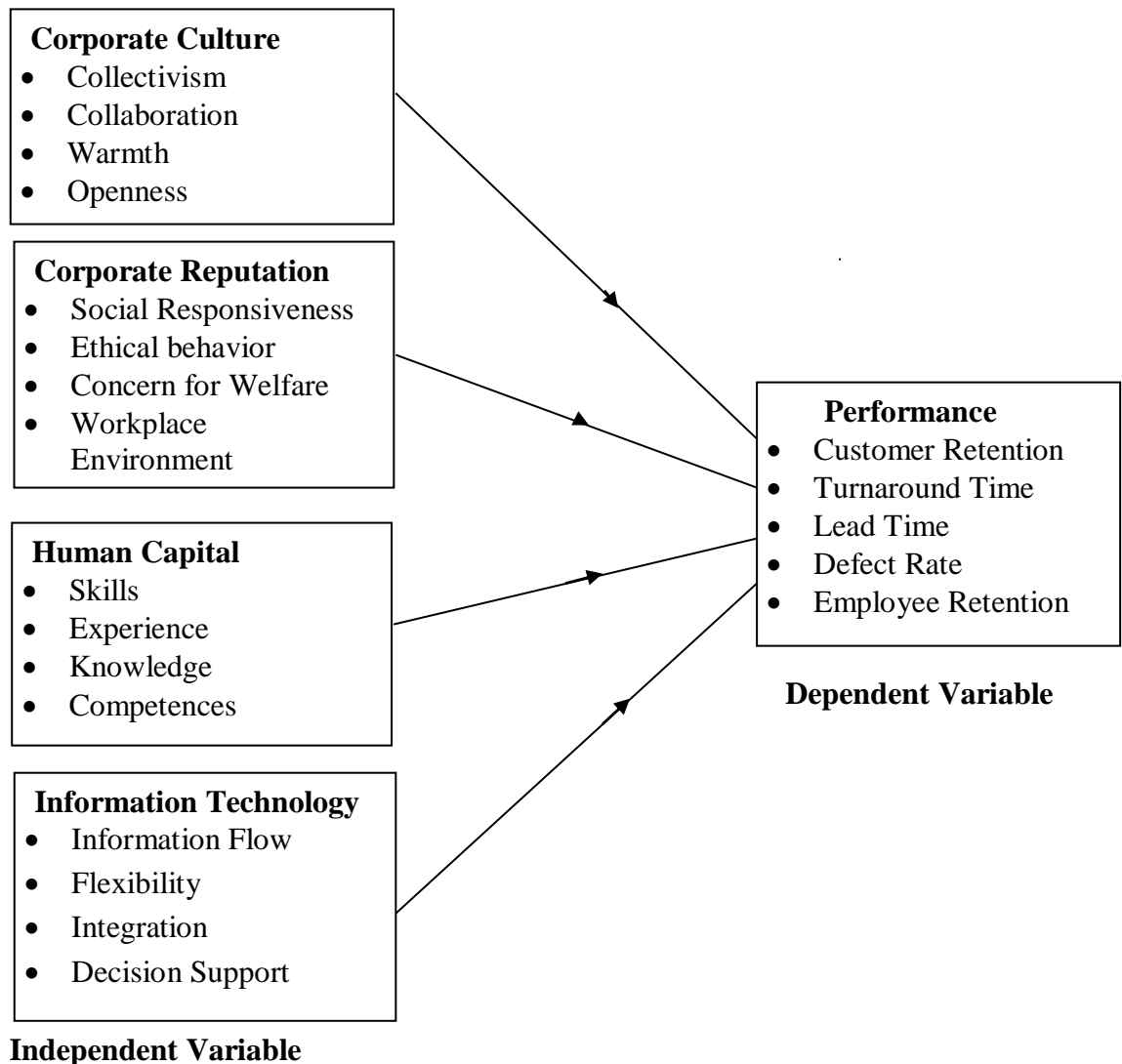
Otunga (2010) investigated effect of corporate reputation and financial performance of companies listed in the Nairobi Stock Exchange. In this study, corporate reputation was found to positively influence performance. Representativeness of the sample is not guaranteed by the technique used in selecting the sample. Odhon'g and Omolo (2015) investigated the effect of human capital investment on organizational performance of Pharmaceutical Companies in Kenya. The study showed that human capital investment has a statistically significant relationship with organizational performance. Romdhane (2013) investigated the impact of information technology on

the performance of Tunisian Banks using panel data covering a period of ten years. The empirical findings reported in this study showed that the information technology has a positive impact on performance of Tunisian banks.

Wilson, Iravo, Tirimba and Ombui (2015) carried out an empirical investigation on the effect of information technology on performance of logistic firms in Nairobi County. The conclusion reported in this study showed that information technology positively contributed to performance. Nevertheless, the results of ANOVA table were not consistent with the response that was reported in the study and the sample size of 28 respondents was too small for performing quantitative data analysis. Jean, Sinkovics and Kim (2008) undertook a review of integrated conceptual framework for information technology and organizational performance within international business to business relationships. The review identified electronic integration, human information technology resource and complementary resources as imperative IT capabilities that would support business-to-business processes. The study did not gather any empirical data to facilitate statistical testing of the conceptualized relationship. The current study made field observations with an object of performing an empirical examination of the effect of information technology on performance.

## 2.5 Conceptual Framework

On the basis of the preceding theoretical and empirical literature review, the conceptual framework in Figure 2.1 provides a diagrammatic illustration of the hypothesized relationship between the independent and dependent variables in this study.



**Figure 2.1: Conceptual Framework**

**Source: Researcher (2018)**

In Figure 2.1, strategic assets and performance constitutes the independent and dependent variables. The researcher has analyzed corporate culture, corporate reputation, human capital and information technology as measures of strategic assets

that are intangible in nature. Similarly, non-financial measures such as customer retention, turn-around time, lead time, defect rate, and employee retention were used to analyze the performance of motor vehicle assemblers. The researcher hypothesizes that there is a relationship that exists between strategic assets and performance.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Chapter three presents the research design, study population, sample size and sampling procedure, research instrument, test of validity, test of reliability, procedure for data collection, data analysis and presentation and ethical issues that were observed in the research.

#### **3.2 Research Design**

Research design can be viewed as a methodical plan that is adopted by researchers to answer the research questions accurately, objectively, and economically (Burn, 1994; Zikmund, 2000; Creswell, 2008; Kumar, 2010). In an elementary sense, a research design is merely a logical sequence that links the empirical data, research questions, conclusion and recommendations (Yin, 2002). The purpose of a research design is to avail a framework for carrying out an investigation and support claims for generalizing the findings to the population (O'Dwyer & Bernauer, 2014). The researcher utilized cross-sectional descriptive research design in executing the research strategy. It has been argued that descriptive research design is appropriate for surveys as it helps to deepen the understanding of the present state of an entity with respect to the research variables of interest (Kothari, 2004; Orodho, 2005).

On one hand, descriptive research design is concerned with practices, conditions, structures, relationships or differences that exist, opinions held and processes that are going on or trends that are evident. On the other hand, cross-sectional approach for data collection is important for measuring the relationship of variables at a specified point in time with an object of optimizing variations in conditions (Kothari, 2004). This study is intended to investigate the effect of strategic assets on performance of motor vehicle assemblers in Nairobi City County, Kenya. The research design chosen is appropriate as the study is quantitative in nature and observation was carried out at only point in time in order to enhance uniformity of the environmental context of the research.

### 3.3 Target Population

A population encompasses cases or elements in a field of inquiry possessing the information that is relevant and of interest to the researcher and from which a sample is chosen for the purpose of making observation (Mugenda & Mugenda, 2003; Kothari, 2004). The target population of this study constituted of management employees from the eight motor vehicle assemblers in Nairobi City County. These firms include Associated Vehicle Assemblers Ltd., Kenya Vehicle Manufacturers, Toyota East Africa, General Motors East Africa, DT Dobie, General Motors East Africa, Cooper Motors Corporation and Simba Colt Motors (KMIA, 2016).

**Table 3.1: Distribution of Target Population**

<b>Strata</b>	<b>Target Population</b>	<b>Percentage</b>
Senior Level Management	48	15
Middle Level Management	104	32
Functional Level Management	176	53
<b>Total</b>	<b>328</b>	<b>100</b>

**Source: Human Resource Departments (2017)**

The total population involved 328 management employees distributed non-uniformly in the three layers of management. These employees were selected for the purpose of this study given that they are directly involved in the practices that relates to the four dimensions of strategic assets at the core of this investigation. The results in Table 3.1 reveal that top management in the eight companies comprises the smallest proportion of the population at 15 %. However, functional level managers have the greatest contribution to the population of the study at 53 %.

### 3.4 Sample Size and Sampling Design

According to Orodho and Kombo (2002), sampling is the process of selecting a number of elements from a population so that the chosen group contains a few cases that are representative of the entire population. The researcher used proportionate stratified sampling to randomly select a representative sample from the target population. Proportionate stratified random sampling is suitable in situations where the population of interest is heterogeneous on the basis of size as opposed to other attributes (Kothari, 2004; Oleary, 2004; Creswell, 2009; Kumar, 2010).

The sample size was determined and attained using Yamane formula (Yamane, 1967) as presented in model (i).

$$n = N\{1 + N(e)^2\}^{-1} \dots\dots\dots\text{Model (i)}$$

Where n is the sample size, N is the population size, and e is the level of precision. At 95% level of confidence, the level of precision e = 0.05, therefore n is determined thus;

$$\begin{aligned} n &= 328\{1 + 328(0.05)^2\}^{-1} \\ &= 328\{1 + 0.82\}^{-1} \\ &= 328\{1.82\}^{-1} \\ &= 180 \end{aligned}$$

The sampling proportion that determined the distribution of the sample in the three strata was determined thus;

$$P = n/N = 180/328 = 0.55$$

**Table 3.2: Distribution of Sample**

<b>Strata</b>	<b>N<sub>i</sub></b>	<b>p</b>	<b>n<sub>i</sub>=P*N<sub>i</sub></b>	<b>Percentage</b>
Senior Level Management	48	0.55	27	15
Middle Level Management	104	0.55	57	32
Functional Level Management	176	0.55	96	53
<b>Total</b>	<b>328</b>		<b>180</b>	<b>100</b>

**Source: Researcher (2018)**

The results presented in Table 3.2 show that a sample of 180 respondents was selected from the three strata of management layers. The most dominant contribution to the sample was drawn from the functional level of management where 96 employees making 53% of the total was observed. Conversely, top management cadre had the least contribution to the sample at 15 %.

### **3.5 Data Collection Instrument**

Amongst the various research instruments, questionnaire is considered as an appropriate instrument for collecting information for empirical investigations that are extensive in scope (Kothari, 2004). In this study, primary and secondary data was collected for the purpose analysis. Primary data was obtained using a structured

questionnaire whereas a review of publishes documents from the government, manufacturing sector and motor vehicle industry was used to gather secondary data. Secondary data was crucial for validating primary data obtained from employees of motor vehicle assemblers.

The researcher used a 5 point Likert Scale that made available five alternative responses for each item in the questionnaire. The use of closed-ended questions allowed the researcher to collect structured responses that supported the use of quantitative data analysis and making sound generalizations. The questionnaire had sections for both general and specific information. General information sought to generate insights into the biographical characteristics of respondents. However, the section of specific information sought to gathering relevant data on the specific objectives of the study. The section of specific information was organized into five sub-sections as guided by the research variables and therefore included questions on corporate culture, corporate reputation, human capital, information technology and performance.

### **3.5.1 Test of Validity of the Research Instrument**

Validity of a research instrument is the degree to which it objectively and accurately measures what it is supposed to be measured (Mugenda & Mugenda, 2003; Kothari, 2004; Orodho, 2005). Kothari views validity as the extent to which variations found with a measuring instrument reflect actual differences amongst those being tested. Face, content and construct validity represent critical criterion that assesses and indicates the degree to which a test measures what it actually ought to measure. The researcher solicited opinion and advises of the experts comprising of the faculty in the Department of Business Administration and School of Business in order to ensure that the data collection instrument has face validity. Relevant theoretical and empirical literature was reviewed so as to adequately confirm that the questionnaire has both content and construct validity. The feedback from expert consultation and insights from review of literature formed a good basis for the revision and enhancement of the research instrument.

### 3.5.2 Reliability of the Research Instrument

A pilot study was carried out on fifteen employees of the motor vehicle assemblers with a view to test the reliability of the questionnaire. This was considered necessary for determining internal consistency of the research instrument (Shanghverzy, 2003) and therefore aid in assessing the extent to which different set of items in the questionnaire were indeed able to measure the various research construct. As noted by Treiman (2009), reliability of a questionnaire is indicated when the set of measures for the same concept or the same measurements repeated over time produce the same results. The analytical results of the test of reliability are presented in Table 3.3.

**Table 3.3: Analysis of Test of Reliability**

<b>Research Variable</b>	<b>Cronbach's Alpha Index</b>	<b>Number of Items</b>	<b>Decision</b>
Corporate Culture	0.827	5	Reliable
Corporate Reputation	0.739	6	Reliable
Human Capital	0.781	5	Reliable
Information Technology	0.724	5	Reliable
Firm Performance	0.783	5	Reliable
<b>Aggregate Reliability Score</b>	<b>0.769</b>	<b>26</b>	<b>Reliable</b>

**Source: Survey Data (2018)**

The researcher used Cronbach's Alpha index to assess the internal consistency and determines if the set of items within the scale actually measures the same construct. Analysis of the results in Table 3.3 showed that values of Cronbach's Alpha index varied between a low of 0.724 for information technology and a high of 0.827 for corporate culture. Consequently, the aggregate score of the test of reliability for the five research variables was 0.769 which was well within recommended minimum value of 0.7 for indicating of acceptable level of internal consistency for a questionnaire (Rousson, Gasser & Seifer, 2002; Field, 2009).

### 3.6 Data Collection Procedure

The researcher used the letter of research authorization from Kenyatta University to process the permit for conducting the research from National Council of Science, Technology and Innovation (NACOSTI). The research permit was consequently used in seeking consent from management and target respondents, and placing

appointments in the respective motor vehicle assembling firms. The transmission of the self-administered questionnaire was executed through the method of drop-and-pick later. The researcher established contact persons in the different firms involved in the study to facilitate successful follow-up and thus enhance the response rate. The duly completed questionnaires were later picked from the respondents at the time that had been agreed upon. The researcher developed and maintained a register of questionnaire to help in tracking the movement of the data collection tool.

### **3.7 Data Analysis and Presentation**

Research data collected from the field was edited to remove errors and identify any problems in the responses provided. The responses filled in were checked for completeness and consistency. Each questionnaire was assigned a distinct code to minimize errors during data entry and processing, as well as ensure confidentiality. Consequently, data was carefully keyed in to the computer as guided by the assigned codes and a final check was undertaken to confirm accuracy, consistency and completeness. The quantitative data that had been keyed in was analyzed using descriptive and inferential statistics. The researcher used percentages, frequencies, mean, standard deviation and coefficient of variation for analysis of the characteristics of the observed cases.

Correlation and multiple linear regression analysis were used for the purpose of inferential statistics. Spearman’s product moment correlation coefficient was determined to assess bivariate correlation between the dependent variable and the different dimensions of the independent variable. Similarly, multiple linear regression analysis was used to establish the effect of each dimension of the strategic asset on performance as illustrated in Model (i).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots\dots\dots \text{Model (ii)}$$

Where:            **Y** =Performance  
                       **X<sub>1</sub>**= Corporate Culture  
                       **X<sub>2</sub>**= Corporate Reputation

$X_3$ = Human Capital

$X_2$ = Information Technology

$B_0, \beta_1, \beta_2, \beta_3$  = Beta coefficients

$\epsilon$  = error term

Correlation and multiple regression analysis were performed using the Statistical Package for Social Sciences (SPSS). The results of analysis of inferential statistics were tested for statistical significance using 95% confidence level as the threshold. Consequently, any resultant p value that was greater than 0.05 confirmed that there was no relationship between the research variables at 95% level of confidence. Results of descriptive and inferential analysis were displayed in form of tables and figures.

### **3.9 Ethical Consideration**

In this study the researcher sought a research permit to undertake the investigation from the National Commission for Science, Technology and Innovation (NACOSTI). Consent and appointment was sought through the human resource departments of the respective firms. The researcher undertook debriefing by providing adequate information on the aims of the research, the procedure that would be followed, the credibility of the researcher and the way in which the results were to be used. Similarly, informed consent was sought with all the target participants. Respectful language was used and confidentiality observed in the course of carrying out the investigation. The researcher avoided the use of any questions that would have been deemed embarrassing and irrelevant in the context of the study.

## CHAPTER FOUR

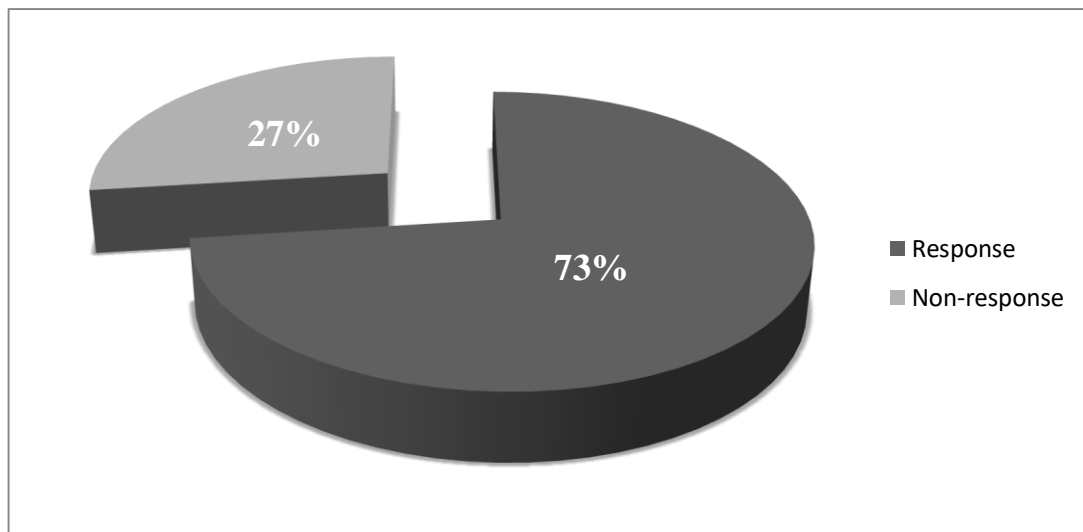
### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

Chapter four presents the results of analysis of comprising of response rate, characteristics of the observed sample and inferences made in respect of the population. Similarly, the chapter presents an interpretation and discussion of these analyses and a comparison of the findings with the literature that had been reviewed in chapter two.

#### 4.2 Response Rate

The researcher administered 180 questionnaires to the sample that had been selected to represent the population of the study. In this case, 132 questionnaires that had been duly filled in were received back from the field. The results of response and non-response are presented in Figure 4.1.



**Figure 4.1: Response and Non-response Rate**

**Source: Research Data (2019)**

Figure 4.1 shows that the proportion of completed questionnaires for the purpose of the analysis was seventy three percent. Conversely, twenty seven percent of the questionnaires were not collected from the respondents. This proportion of response



rate is acceptable for facilitating generalization of results to the population as it exceed the fifty percent threshold proposed by Mugenda and Mugenda (2003).

#### 4.2 Biographical Characteristics of the Respondents

The researcher sought to provide insights into the characteristics pertaining to gender, length of service and management position held of the respondents. The analyses of these characteristics are provided in Table 4.1.

**Table 4.1 Analysis of Respondents' Bio Data**

<b>Category</b>	<b>Sub-Category</b>	<b>Frequency</b>	<b>Percent</b>
Gender	Male	78	59
	Female	54	41
	<b>Total</b>	<b>132</b>	<b>100.0</b>
Tenure of Service	At most 10 Years	28	21.2
	10- 20Years	63	47.7
	20– 30 Years	30	22.7
	At least 30 Years	11	8.4
	<b>Total</b>	<b>132</b>	<b>100.0</b>
Level of Management	Senior Management	21	15.9
	Middle Management	48	36.4
	Functional Management	63	47.7
	<b>Total</b>	<b>132</b>	<b>100.0</b>

**Source: Research Data (2019)**

The analyses presented in Table 4.1 depicts that the dominant gender in this study was male with contribution of at 59% of the observed sample. The rest of the sample proportion comprising 41% was of the female gender. The distribution of the gender involved in the research strongly signifies that there was a fair representation of both male and female respondents and thus the data collected was fairly balanced.

Similarly, it can be noted that the category of respondents that had worked for a span of ten to twenty years had the largest representation in the sampled case comprising of 47.7%. However, the group of respondent that had worked for a period of not less than thirty years constituted the smallest proportion of 8.4% of the 132 respondents that participated in this study. Other categories of respondents with contribution 21.2% and 22.7% were found to have worked with the assembling firms for at least ten years as well as between twenty and thirty years respectively. Generally, the

duration of service of participants was adequate to support collection of relevant information.

The analysis also demonstrated that amongst the management strata observed, functional management cadre had the highest contribution of participants at 47.7%. The other two strata consisting of middle and senior management had a contribution of 36.4% and 15.9% respectively to the observed sample. The distribution of respondent amongst the strata of management was considered fair and reflective of the true spread of respondents in the assembling firms involved in this study.

#### 4.4 Descriptive Statistics

The research made use of mean, standard deviation and coefficient of variation as the summary measures meant to enhance insights into the characteristics of the sample. Sample characteristics were analyzed using responses that had been collected from the respondents as guided by the five research variables. The results of descriptive analysis formed sound basis for performing further statistical analysis that aided making of inferences regarding the population.

##### 4.4.1 Corporate Culture

The responses to the five items on corporate culture by the 132 employees were analyzed with an object of generating sample mean, sample standard deviation and coefficient of variation. The results of the analysis are presented in Table 4.2.

**Table 4.2: Descriptive Statistics on Corporate Culture**

<b>Statements on Corporate Culture</b>	<b>n</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Coefficient of Variation</b>
Adaptation to changes is warmly embraced	132	3.86	.83	22
stakeholders ideas and suggestions are respected	132	3.65	.76	21
There is mutual trust amongst members of the firm	132	3.94	1.09	28
Stakeholders are provided with an opportunity to communicate freely	132	3.92	.88	22
Stakeholders are involved in decision making	132	3.76	.63	17
<b>Aggregate Score</b>		<b>3.83</b>	<b>0.84</b>	22

**Source: Field Data (2019)**

Table 4.2 shows that the variability of responses observed from statements on corporate culture ranged between 17% and 28%. These levels of coefficient of variation are considerably low and thus indicating that responses on all the items on culture were clustered around the mean values of responses. On the other hand, the sample means of the responses varied between 3.65 and 3.94. In this case, all the values of sample mean are approximately equivalent to 4 translating to agreement on the rating scale adopted.

These typical responses on the different items of corporate culture are supported by the aggregate score of 3.83. It can therefore be noted that the respondents expressed agreement with activities and practices that had been identified for the purpose of measuring corporate culture. The low variability is a good indication that the sample mean could be taken as a stable estimator of the population mean supporting the case for further statistical analysis. The respondents demonstrated agreement that practices and activities for corporate are indeed crucial in the operations of motor vehicle assemblers.

#### 4.4.2 Corporate Reputation

The researcher performed the analysis on the responses of each of the 132 respondents to the six items that had been adopted for measuring corporate reputation. This analysis yielded sample mean, sample standard deviation and coefficient of variation in respect of corporate reputation. The results of descriptive analysis are displayed in Table 4.3.

**Table 4.3: Descriptive Statistics for Corporate Reputation**

<b>Statements on Corporate Reputation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Coefficient of Variation</b>
Concern for stakeholders' welfare	132	4.00	.68	17
Stakeholders concerns are prioritized	132	4.22	.85	20
Market needs inform the objectives and operations	132	3.94	.70	18
Respect for moral principles	132	4.15	.90	22
There are concerns for stakeholders safety	132	3.78	.93	25
The work environment is friendly	132	4.32	.68	16
<b>Aggregate Score</b>		<b>4.07</b>	<b>0.79</b>	<b>19</b>

**Source: Research Data (2019)**

Table 4.3 reveals that the variability of responses observed from statements on corporate reputation varied between 16% and 25%. Notably, the values of coefficient of variation signify narrow variability demonstrating that individual responses to the different aspects of corporate reputation measured in the motor vehicle assembling firms were clustered around the sample mean of responses. This level of variability is crucial in underscoring the stability of reported sample mean and signifying the possibility of making reliable estimation of population characteristics.

As has been observed from the results, the sample means of the responses ranged between a low of 3.78 and a high of 4.32. This set of sample mean for different items approximates to a value of 4 on the rating scale used in the investigation. The implication of these values is that there was agreement amongst respondent that there was significant level of practice of activities used to measure corporate reputation in motor vehicle assembling firms. These typical responses is further validated by the aggregate values of sample mean, sample standard deviation and sample coefficient of variation of 4.07, 0.79 and 19%. It can therefore be noted that the respondents were in agreement that activities signifying corporate reputation are not practiced but are indeed crucial in the operations of motor vehicle assemblers.

#### 4.4.3 Human Capital

The researcher carried out the analysis on the responses of all the responses deriving five items that had been used for measuring the level of activities and practice relating to human capital. The results of this descriptive analysis are displayed in Table 4.4.

**Table 4.4: Descriptive Statistics for Human Capital**

<b>Statements on Human Capital</b>	<b>n</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Coefficient of Variation</b>
Resources are commitment	132	3.88	.62	16
Value of technical skills	132	3.84	.73	19
Technical skills is a key placement criterion	132	3.94	.81	21
Continuous training of employees	132	4.13	.93	23
Employees experience	132	4.04	.80	20
<b>Aggregate Score</b>		<b>3.97</b>	<b>0.78</b>	<b>20</b>

**Source: Research Data (2019)**

The analysis displayed in Table 4.4 demonstrates that sample mean for the choice of responses associated with the 132 participants regarding activities associated with human capital ranged between 3.84 and 4.13. This pattern of typical responses tends to a value of 4 on the rating scale adopted by the researcher. On the other hand, the set values of standard deviations are also not high as may be observed from the range of values of coefficient of variation whose highest level for all the responses is 23%.

This kind of results are generally indicates that there was agreement amongst respondents that the set of activities used to measure human capital were essentially practiced in motor vehicle assembling firms. Equally, the aggregate scores for sample mean, sample standard deviation and sample coefficient of variation for responses relating items on human capital were 3.97, 0.78 and 20% respectively. These aggregate scores illustrates that the activities that were adopted for measuring human capital as a strategic asset were considered crucial for performance motor vehicle assemblers.

#### 4.4.4. Information Technology

The responses to the five items relating to information technology by the 132 employees were analyzed with a sole intention of determining the sample mean, sample standard deviation as well as sample coefficient of variation. The results of the analysis are presented in Table 4.5.

**Table 4.5: Descriptive Statistics for Information Technology**

<b>Statements on Information Technology</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Coefficient of Variation</b>
Mechanism for sharing new information	132	3.95	.53	13
Mechanism for continuous capturing of information	132	4.14	.87	21
Open-channels of information flow in the firm	132	4.00	.84	21
System for management of customers data	132	3.82	.76	20
System for management of customer relationship	132	3.98	.62	16
<b>Aggregate Score</b>		<b>3.97</b>	<b>0.72</b>	<b>18</b>

**Source: Researcher Data (2018)**

Table 4.5 demonstrates that the variability of responses observed from statements on information technology varied between 13% and 21%. Notably, these levels of coefficient of variation are fairly low and as a good pointer that the responses to items regarding activities on information technology were generally close together around the mean responses. Similarly, the sample means of the responses ranged between 3.82 and 4.14 approximating to a value of 4 on rating scale used by the researcher. This therefore has the implication that there was agreement amongst respondents that the set of activities indicating information technology in the study were in essence practiced and thus were important for operations and performance of motor vehicle assembling firms. Further still, the resulting values of aggregate score of sample mean, sample standard deviation and sample coefficient of variation for responses relating items on information technology of 3.97, 0.72 and 18% respectively lend support to the case further statistical analysis necessary for making inferences.

#### 4.4.5 Performance of Motor Vehicle Assemblers

Descriptive analysis of the data on responses to the statements on outcomes associated with strategic assets in motor vehicle assembling firms was conducted. The purpose of this analysis generate the sample mean, sample standard deviation and sample coefficient of variation to aid in providing insights concerning performance as a study variable. The results of this descriptive analysis are presented in Table 4.6.

**Table 4.6: Analysis of Performance Motor Vehicle Assemblers**

<b>Statements on Performance</b>	<b>n</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Coefficient of Variation</b>
Period between order placement and delivery	132	3.97	.86	22
Speed of response to customers issues	132	3.92	.67	17
Reduction of the time taken to offer services	132	3.76	.68	18
Repeat purchases	132	4.08	.76	19
Realization of non-defective output	132	3.84	.61	16
<b>Aggregate Score</b>		<b>3.91</b>	<b>0.71</b>	<b>18</b>

**Source: Research Data (2019)**

The results in Table 4.6 show the analysis of responses to statement regarding performance of motor vehicle assembling firms. The sample mean for the five items that comprised the indicators for performance varied between a low of 3.84 to a high

of 4.08. On the other hand, the variability of these responses is generally narrow as demonstrated the sample coefficient of variability values ranging between 16% and 22%.

The implication of the resulting values of sample mean and variability is that there was agreement amongst respondents that strategic assets of motor vehicle assemblers were well capable of producing outcomes indicated by the items that were used to measure performance in this study. The aggregate scores of sample mean, sample standard deviation and sample coefficient of variation for outcomes of motor vehicle assemblers represented by 3.91, 0.71 and 18% respectively provide the necessary basis for carrying out further statistical analysis necessary for making conclusion on the link between strategic assets and performance in line with the objective of this study

#### 4.5 Inferential Statistics

Inferential statistics involved the use of Pearson product-moment correlation and multiple linear regression analysis in order to investigate the relationship between strategic assets and performance of motor vehicle assemblers operating in Nairobi City County, Kenya. The two analyses were performed using Statistical Package for Social Sciences (SPSS).

##### 4.5.1 Correlation Analysis

Bivariate correlation analysis was conducted to measure the degree of linear correlation between each of the four dimensions construed strategic assets and performance. The results of bivariate correlation analysis are displayed in Table 4.7.

**Table 4.7: Product-Moment Correlation Coefficient**

		Corporate Culture	Corporate Reputation	Human Capital	Information Technology
Performance	Pearson Correlation	.072**	.585**	.435**	.437**
	Sig. (2-tailed)	.004	.008	.002	.001
	N	132	132	132	132

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

**Source: Research Data (2019)**

Table 4.7 shows that the Pearson product-moment correlation coefficient for the various pairs of study variable as per the specific objectives. In the table, it can be noted that all the correlation coefficients are statistically significant at 0.01 level of significance for two-tailed test. Therefore, given that the values of correlation coefficient are all non-negative, it's clear that there is positive linear correlation between the pairs of variables. The correlation coefficient for corporate culture and performance was found to be 0.72 indicating that there is strong positive linear relationship between corporate culture and performance.

The correlation coefficient for corporate reputation and performance was 0.585 demonstrating that there is a moderate positive linear relationship between corporate reputation and performance. Similarly, the correlation coefficient for human capital and performance was 0.435 confirming that there was a moderate positive linear relationship between human capital and performance. Ultimately, the correlation coefficient for information technology and performance was found to be 0.437 indicating that there is a moderate positive linear relationship between information technology and performance. These statistical findings have the implications that an increase in any of the four studied aspects of strategic assets would have the associated effect of increasing performance of motor vehicle assemblers.

These findings of this study validates the propositions of resource based view of the firm that intangible resources such as corporate culture, social or human, technological, brand names, reputation of the company, employees' knowledge, and intellectual property are key strategic assets that facilitate creation of value for customers and confer a firm with a ability to enhance its performance in the market place (Wernerfelt, 1984; Grant, 1991; Collis & Montgomery, 1995). This is basically because such strategic assets are developed through a path dependent process and have a socially complex dimension, making them difficult to imitate and thus can be a formidable source of sustainable competitive advantage and enhanced firm performance.



#### 4.5.2 Multiple Linear Regression Analysis

The research conducted multiple linear regression analysis with an intention of establishing the statistical equation that can therefore be used to predict or determine the effect of corporate culture, corporate reputation, human capital and information technology on performance of Kenya motor vehicle assemblers operating in Nairobi City County, Kenya. This was realised by regressing corporate culture, corporate reputation, human capital and information technology on performance. The results of the joint regression analysis are displayed in Tables 4.8, 4.9 and 4.10 respectively.

**Table 4.8: Output of Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
1	.738 <sup>a</sup>	.545	.484	.26254	2.105

**a. Dependent Variable:** Performance

**b. Predictors:** (Constant), Corporate Culture, Corporate Reputation, Human Capital, Information Technology

**Source: Research Data (2019)**

The outputs of the model summary displayed in Table 4.8 shows that strategic assets and performance have a strong positive linear relationship as implied by the R-value of 0.738. Equally, the table shows the values of R square and adjusted R square as 0.545 and 0.484 respectively. Therefore, it follows that the adjusted coefficient of multiple determination which provides the explanatory power of the statistical model established is 0.484. This has the implication that jointly, the four dimensions of strategic assets (corporate culture, corporate reputation, human capital and information technology) explain 48.4% of performance of motor vehicle assemblers in Nairobi City County, Kenya.

Analysis of variance (ANOVA) sought to provide a statistical test for the model fitness. The outputs of this test are presented in Table 4.9.

**Table 4.9: Results of Analysis of Variance**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.478	4	.370	5.361	.001 <sup>b</sup>
	Residual	3.102	127	.069		
	Total	4.580	131			

**a. Dependent Variable:** Performance

**b. Predictors:** (Constant), Corporate Culture, Corporate Reputation, Human Capital, Information Technology

**Source: Field Data (2018)**

The results in Table 4.9 reveal that the established statistical model had a good fit for the observed set of data with a value of F-statistic as 5.361 at a level of significance of 0.001 which is lower than the 0.05 threshold adopted for making conclusion at 95% level of confidence. These statistical results confirmed that the explanatory power of strategic assets on performance was purely a random occurrence.

The outputs of the regression coefficients of the four dimensions of strategic assets are presented in Table 4.9.

**Table 4.10: Results of Regression Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% CI for $\beta$	
	Beta	Std. Error	Beta			LB	UB
(Constant)	4.017	.877		4.583	.000	2.251	5.782
Corporate Culture	.368	.115	.403	.211	.047	.195	.266
Corporate Reputation	.515	.147	.607	1.465	.013	1.081	2.241
Human Capital	.489	.112	.651	3.378	.000	2.264	3.715
Information Technology	.356	.125	.388	2.856	.006	1.105	3.607

**a. Dependent Variable:** Performance

**b. Predictors:** (Constant), Corporate Culture, Corporate Reputation, Human Capital, Information Technology

**Source: Research Data (2019)**

The results displayed in Table 4.10 provided the beta values for establishing the statistical model below.

$$\text{Performance} = 4.017 + 0.368\text{Corporate Culture} + 0.515\text{Corporate Reputation} + 0.489\text{Human Capital} + 0.356\text{Information Technology}$$

The results of regression coefficients show that holding the dimensions of strategic assets at a constant zero, performance of motor vehicle assemblers would be at 4.017. Given that this beta coefficient has  $t=4.583$  and  $p=.000$ , it follows that value of the y-intercept is statistically significant lending credence to the fact that other factors rather than strategic assets indeed also explain variation of performance of motor vehicle assemblers in Nairobi City County.

The researcher sought to determine the effect of corporate culture on performance of motor vehicle assemblers in Nairobi City County, Kenya. The output of regression analysis revealed that corporate culture has  $\beta=0.368$ ;  $t=0.211$  and  $p=.047$ . The value of  $t$  lies within the bounds of confidence interval for hypothesis testing demonstrating that the beta coefficient for corporate culture has a statistically significant effect on performance. The implication of these results is that at 95% confidence level, corporate culture has a positive effect on performance of motor vehicle assemblers in Nairobi City County, Kenya. Notably, an increase of one unit in the set of activities indicating corporate culture is responsible for increasing performance by 0.368. The researcher thus concludes that corporate culture has a positive effect on performance of motor vehicle assemblers in Nairobi City County, Kenya.

The findings and conclusion of this study is in agreement with inferences in other researches to confirming that corporate culture has a positive effect on performance (Maina, 2016; Momot & Litvinenko, 2012; Kamaamia, 2017). Furthermore, the conclusion of this study is supported by the argument the structural model of organizational culture which emphasizes that culture has dominant influence on employee motivation, employee morale and 'goodwill', employee productivity and efficiency, the quality of work of employees, attitude of employees in the work place

and, innovation and creativity in the organization and thus has potential to enhance performance (Schein 1985; Campbell & Stonehouse, 1999).

Similarly, the researcher also intended to determine the effect of corporate reputation on performance of motor vehicle assemblers in Nairobi City County, Kenya. The output of regression analysis revealed that corporate reputation has  $\beta=0.515$ ;  $t=1.465$  and  $p= 0.013$ . In this case, the value of  $t$  lies within the limits of confidence interval established for hypothesis testing implying that the beta coefficient for corporate reputation has a statistically significant effect on performance. The implication of these results is that at 95% level of confidence, corporate reputation positively affects performance of motor vehicle assemblers. It's therefore important to note that an increase of one unit in the set of activities used to measure corporate reputation in this study is responsible for increasing performance by 0.515. The researcher therefore concludes that corporate reputation has a positive effect on performance of motor vehicle assemblers in Nairobi City County, Kenya.

These findings corroborate the conclusions of the studies carried out by Otunga (2010); Li, Chen and Ma (2016); Hall and Lee (2014) to the effect that corporate reputation has a positive influence on performance. The findings of the study also supported by propositions of resource based view of the firm that intangible resources such as reputation of a firm that are developed through a socially complex process that is path dependent have VRIO characteristics and therefore can be a source of superior performance (Wernerfelt, 1984; Grant, 1991; Collis & Montgomery, 1995). Indeed, Barney (1991) pointed out that intangible resources such as reputation are considered valuable as they enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness.

Furthermore, the researcher sought to determine the effect of human capital on performance of motor vehicle assemblers in Nairobi City County, Kenya. The output of regression analysis showed that human capital has  $\beta=0.489$ ;  $t=1.465$  and  $p= .000$ . The resulting value of  $t$  falls within the lower and upper bounds of the confidence interval confirming that the beta coefficient for human capital has a statistically significant

effect on performance. The implication of these results is that at 95% confidence level, human capital has a positive effect on performance of motor vehicle assemblers in Nairobi City County, Kenya. Specifically, an increase of one unit in the set of activities for measuring human capital is responsible for increasing performance by 0.489. The researcher therefore concludes that human capital positively affects performance of motor vehicle assemblers in Nairobi City County, Kenya.

The conclusions of this study confirm the inferences made by Odhon'g and Omolo (2015) that showed that investment in human capital has a statistically significant relationship with organizational performance. Equally, the conclusions of this study corroborate the inferences drawn by Munjuri, K'Ombonyo and Ogutu (2015) that there is a statistically significant influence of human capital on firm performance. Furthermore, the findings of this study support the postulates of human capital theory (Becker, 1964; Mincer, 1974) that human capital raises the productivity of workers by imparting useful knowledge and skills, and therefore enhances organizational performance.

Finally, the researcher intended to determine the effect of information technology on performance of motor vehicle assemblers. The output of regression analysis showed that information technology has  $\beta=0.356$ ;  $t=2.856$  and  $p=.006$ . The attendant value of  $t$  falls within the lower and upper limits of the confidence interval establishing for testing the corresponding hypothesis and thus confirms that the beta coefficient for information technology has a statistically significant effect on performance. The implication of these results is that at 95% confidence level, information technology has a positive effect on performance of motor vehicle assemblers in Nairobi City County, Kenya. It should be noted that an increase of one unit in the set of activities indicating information technology is responsible for increasing performance by 0.356. The researcher thus concludes that information technology has a positive effect on performance of motor vehicle assemblers in Nairobi City County, Kenya.

These findings resonate well with the conclusion of the study carried out by Romdhane (2013) that showed that the information technology has a positive impact

on performance of Tunisian banks. The study also agrees with the generalization made by Wilson, Iravo, Tirimba and Ombui (2015) to the effect that information technology has a positively contribution to performance of logistic firms in Nairobi City County, Kenya. Similarly, the findings are in agreement resource based view of the firm (Penrose, 1959; Wernerfelt, 1984; Dicksen, 1996; Madhani, 2010) that proposes that intangible resources such information technology are can be a source of performance heterogeneity in the marketplace.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

Chapter five comprises of the summary of the study, conclusion drawn from the findings, recommendations made for policy and practice, and suggestions for future studies.

#### **5.2 Summary**

The study was intended to investigate the effect of strategic assets on performance of Kenya Commercial Bank in Nairobi City County, Kenya. This study was necessary given the central role played by the stock and configuration of strategic resources in building competitive advantage and therefore providing a plausible explanation on the sources of heterogeneity in firm performance. The motor vehicle assemblers formed the context of the study due the performance problem experienced by these firms amidst heightened competition from imports of new and second-hand vehicles. Strategic assets were considered to constitute of intangible resources such as corporate culture, corporate reputation, human capital and information technology whose development is path-dependent and involves a complex social dimension and are thus not easy to imitate or duplicate in the market place. Performance as the dependent variable of the study was operationalized using non-financial measures comprising of customer retention, turn-around time, lead time, defect rate, employee retention.

The study variables were anchored on resource based view of the firm, Schein's structural model of organization culture and Schultz's human capital theory. The study was quantitative in nature and made use correlation and regression analysis for empirically testing the link between the research variables. The first research question sought to find out the effect of corporate culture on performance. Corporate culture was measured using collectivism, collaboration, warmth and openness as operational indicators in in motor vehicle assembling firms. Descriptive measures of mean, standard deviation and coefficient of variation confirmed that activities signifying

corporate culture in this study were indeed practiced in motor vehicle assembling firms. Correlation and regression analysis confirmed that corporate culture has a positive effect on performance.

Similarly, the second research question intended to find out the effect of corporate reputation on performance. Corporate reputation was measured using indicators such as social responsiveness, ethical behaviour, concern for welfare and workplace environment. Analysis of descriptive statistics encompassing sample mean, sample standard deviation and sample coefficient of variation revealed that there was significant level of practice of activities used to measure corporate reputation in motor vehicle assembling firms. Analysis of inferential statistics involving both correlation and regression analysis found out that corporate reputation positively affects performance of motor vehicle assemblers.

The third research question of the study sought to establish the effect of human capital on performance of motor vehicle assemblers. The focus of human capital as a study variable was on activities associated with skills, experience, knowledge and competences of employees working in motor vehicle assembling firms. Descriptive statistics confirmed agreement amongst respondents that the operational activities of human capital were practiced in motor vehicle assembling firms. Advanced statistical analysis showed that human capital has a positive effect on performance.

Equally, the fourth research question sought to find out the effect of information technology on performance of motor vehicle assemblers in Nairobi City County. Information technology was considered to entail activities on information flow, flexibility, integration and decision support as undertaken in motor vehicle assembling firms. The research analyzed the descriptive measures of sample mean, sample standard deviation and sample coefficient of variation which confirmed of practices regarded as information technology in motor vehicle assembling firms. Further statistical analysis revealed that information technology has a positive effect on performance of motor vehicle assemblers.



### **5.3 Conclusion**

Heterogeneity of performance of firms in the same industry has been a dominant theme of debate and research work amongst strategic management scholars as well as management of modern business enterprises. Therefore, this research sought to investigate the effect of strategic assets on performance of motor vehicle assemblers. The study sought to determine the effect of corporate culture on performance in the context of motor vehicle assemblers operating in Nairobi City County. The results of correlation and regression analysis determined that corporate culture has a positive effect on performance. Consequently, the conclusion of the study is that corporate culture has positively contribution to performance of motor vehicle assemblers in Nairobi City County, Kenya.

The research also intended to the effect of corporate reputation on performance of motor vehicle assemblers. The findings from correlation and regression analyses demonstrated that corporate reputation has a positive contribution to performance. Consequent, the conclusion of the study is that corporate reputation has a linear and positively contribution to performance of motor vehicle assemblers in Nairobi City County, Kenya. Similarly, the researcher sought to find out the effect of human capital on performance of motor vehicle assemblers operating in Nairobi City County. Inferential statistics revealed that human capital has a direct linear relationship to performance. The researcher thus concludes that human capita positively contributes to performance of motor vehicle assemblers in Nairobi City County, Kenya. Finally, the study sought to establish the effect of information technology on performance. Analysis of observed data using correlation confirmed the existence of a linear and positive relationship between information technology and performance. Therefore, the researcher concludes that information technology has a positive effect performance of motor vehicle assemblers in Nairobi City County, Kenya.

### **5.4 Recommendations for Policy**

The study found out that corporate culture has appositive effect on performance. The board of directors in motor vehicle assembling firms should ensure policies are formulated to entrench the principles and practices of collectivism and collaboration

in the manner in which business decisions and execution of such decisions is undertaken. The board of directors should also ensure that stakeholders' suggestions are embraced and there is an environment of trust to provide the basis for bundling up of strategic resource for improved performance. Management of motor vehicle assembling firms should embrace and practice open door policy in order to enhance process involved in value creation.

The study also found out that corporate reputation has appositive effect on performance. It's therefore imperative for human resource managers to formulate clear and inclusive welfare program for stakeholders of the motor vehicle assembling firms. Practices that promote fairness, equality, diversity and dignity in the workplace should be strengthened at all level of the firms in order to project a good image in the market place. Similarly, given that human capital was found to have a positive effect on performance, there is a need for human resource department to develop policies on skills, knowledge and ability enhancement. The board of directors should committee and avail adequate resource to support human capital activities and practices. Ultimately, information technology was found to have a positive effect on performance. In this case, the manager in charge of information technology should ensure existence of clear mechanism for sharing new information. Practices on customer data and relationship management should also be enhanced to promote deployment, sharing and utilization of firm resources in creation of value.

### **5.5 Suggestions for Further Study**

The study was delimited to strategic assets and performance of motor vehicle assemblers in Nairobi City County. It is therefore necessary for future researcher to consider replicating this study in other industries and sectors with a view to validating the inferences made in this study. It has also been noted that the for dimension have not been able to full explain variations in performance raising a case for existence of other factors that may as well account for performance of motor vehicle assemblers. Finally, future research may as well need to consider investigating the influence of other variables on the relationship between strategic assets and performance.

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## APPENDICES

### APPENDIX I: TRANSMITTAL LETTER

**Dennis Mungai Muthoni**  
**Kenyatta University,**  
**School of Business,**  
**P.O Box 43844 - 00100**  
**Nairobi, Kenya.**

**4<sup>th</sup> April, 2019**

**Dear Sir/Madam,**

**RE: AUTHORITY FOR DATA COLLECTION**

I am a postgraduate student at Kenyatta University in the School of Business undertaking a management research thesis on “**Strategic Assets and Performance of Motor Vehicle Assemblers in Nairobi City County, Kenya**”

By a copy of this letter, I wish to inform you that you have been selected to participate in this scholarly research. I therefore kindly request you to support this academic exercise by filling in the attached research questionnaire. The information that you will provide will be exclusively used for scholarly purposes and will be treated with utmost confidence. A copy of the final report will be availed to you upon request.

Your kind consideration in this matter is highly appreciated

**Yours sincerely,**

**Dennis Mungai Muthoni**  
**D53/EMB/23050/2012**



Market needs inform the objectives and operations of the firm					
There is respect for moral principles such as fairness, equality, diversity and dignity in the workplace					
There are concerns for stakeholders safety in the workplace					
The work environment is friendly					

### Section C: Human Capital

6. Please indicate your level of agreement with the statements given below.

	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree
Resources are committed to developing new capabilities and competences					
Technical skills are highly valued in the workplace					
Technical skills form a key criterion for placement in the workplace					
Resources are committed to continuous training of employees					
Employees experience is enhances ability of employees to perform technical task					

### Section D: Information Technology

7. Please indicate your level of agreement with the statements given below.

	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree
There is a mechanism for sharing new information					
There is a mechanism for continuous capturing of firm's information					
There are open-channels of information flow in the firm					
There is system for management of customers data					
There is system for management of customer relationship					

### Section E: Firm Performance

8. Please indicate your level of agreement with the statements given below;

	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree
Strategic assets facilitates minimization of period between order placement and delivery in the firm					
Strategic assets facilitates the speed of response to customers issues					
Strategic asset supports reduction of the time					



taken to offer services to stakeholders					
Deployment of strategic assets result in repeat purchases					
Strategic asset supports realization of non-defective output					

**THANK YOU FOR AVAILING YOURSELF TO PARTICIPATE IN THIS  
ACADEMIC RESEARCH**

### APPENDIX III: DOCUMENT REVIEW GUIDE

<b>Type of Document</b>	<b>Nature of Information</b>
1. KNBS Reports	Automotive Industry
2. KAM Reports	Manufacturing Sector
3. KMIA Annual Reports	Motor Vehicle Firms
4. HRM Manuals	Respondents