

**STRATEGIC CAPABILITIES AND ORGANIZATIONAL PERFORMANCE:  
A CASE OF PRIVATE UNIVERSITIES IN KENYA**


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## DECLARATION

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## **DEDICATION**

I dedicate this thesis to my family: my husband, Joel Nganda and my daughters, Neema Mumbua and Zawadi Mumo for their support and encouragement during the time of writing this thesis.

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## OPERATIONAL DEFINITION OF TERMS

- Competitive Advantage:** Prolonged benefit resulting from implementing unique value creating strategies based on unique combination of university resources and capabilities that cannot be replicated by other universities.
- Human Capital Capability:** All the knowledge, personnel expertise, level of experience and skills as well as training and development associated with the university.
- Intellectual Capability:** The intangible value of a University which include all informational resources a university has at its disposal that can be used to drive revenues, improve enrolment, create new programmes, or improve performance.
- IT Capability:** University's ability to deploy shareable platforms within the university, which explains the extent to which the it is good at managing data management services and architectures, network communication services, and application portfolio and services.
- Networking Capability:** Ability of a university to initiate relationships with other universities and benefit from them. In this study it was operationalized through network characteristics, research facilities, and network resources.
- Organizational Culture:** The character of a Universities' internal work environment as shaped by its learning, employee involvement, customer centric, innovative, and support system.

**Organizational Performance:** A measure of how well a university achieves its own vision through the fulfilment of its set goals and objectives, and conceptualized through the non-financial perspectives.

**Strategic Capability:** These are skills/ resources and competences that help the university to use its competitive positioning to become better with time, grow and survive in the marketplace and at the same time stay ahead of its competition.

## **ABBREVIATIONS AND ACRONYMS**

<b>CA</b>	Competitive Advantage
<b>CDA</b>	Confirmatory Data Analysis
<b>CSR</b>	Corporate Social Responsibility
<b>CTC</b>	Cut, Tear and Curl
<b>CUE</b>	Commission for University Education
<b>DEA</b>	Data Envelopment Analysis
<b>EDA</b>	Exploratory data analysis
<b>EFQM</b>	European Foundation for Quality Management
<b>HCT</b>	Human Capital Theory
<b>IT</b>	Information Technology
<b>KCSE</b>	Kenya certificate of Secondary education
<b>KEMU</b>	Kenya Methodist University
<b>NACOSTI</b>	National Commission for Science, Technology, and Innovation
<b>PMM</b>	Performance Measurement Matrix
<b>PMQ</b>	Performance Measurement Questionnaire
<b>R&amp;D</b>	Research and development
<b>RBV</b>	Resource based view
<b>ROE</b>	Return on Equity
<b>ROI</b>	Return on Investment
<b>RONA</b>	Return on Net Assets
<b>SEM</b>	Structural Equation Modelling
<b>SHRM</b>	Strategic human resource management
<b>SMEs</b>	Small and medium enterprises
<b>VIF</b>	Variance Inflation Factor

## ABSTRACT

Private Universities in Kenya have continuously faced a number of challenges such as declining quality of educational programs, quality of research, authenticity of degrees granted, flexibility of the university programs, innovations created and efficient utilization of resources at their disposal. Despite the increasing number of students seeking higher education, these numbers have not translated to better performance in these Universities. Modern business environment calls for organizations, including private Universities to identify and exploit strategic capabilities for them to effectively compete and boost their performance. These universities need to harness their resources, and exploit their competences in order to gain competitive advantage. This study sought to establish the effect of strategic capabilities on performance of private Universities in Kenya. Specifically, it sought to determine the effect of information technology capability, human capital capability, networking capability, and intellectual capability on performance of private Universities in Kenya. The study also sought to determine the mediating effect of competitive advantage and the moderating effect of organizational culture on the relationship between strategic capabilities and performance of private Universities in Kenya. The study was anchored on Resource-based view theory, organizational learning theory, intellectual capital theory, human capital theory, balanced scorecard model and the institutional theory. Further, the study was founded on positivism philosophy and adopted a descriptive survey research design. The target population for the study was the 31 private universities in Kenya while a sample size of 153 respondents was selected using stratified random sampling technique. The respondents included the faculty deans, registrar administration and finance, human resources managers and ICT managers. Primary data was collected using semi structured questionnaire. Quantitative data was analysed using descriptive and inferential statistics and presented using figures and tables. Qualitative data collected through open ended questions was analysed using common themes and presented in narrative form. In testing the significance of the model, the coefficient of determination and F-statistic was computed at 95% confidence level, while hypothesis testing was done using p-values at 5% significance level. The study found that information technology capability, human capital capability, networking capability, intellectual capability, and competitive advantage were adopted to a moderate extent. However, organizational culture was emphasised to a large extent. The study concluded that information technology capability, human capital capability, networking capability and intellectual capability had a significant positive effect on performance of private universities in Kenya. Competitive advantage had a partial mediating effect while organizational culture had a significant moderating effect on the relationship between strategic capabilities and performance of private Universities in Kenya. The study contributes to the body of knowledge by filling contextual, empirical, and conceptual gaps earlier identified in literature. The study recommends that private universities should seek to acquire and maximise information technology capability, human capital capability, networking capability and intellectual capability, in order to boost their performance. Private universities should also differentiate their programmes, manage their cost, and develop market-oriented programmes and specialisations to generate competitive advantage. Finally, private universities should promote learning culture, employee involvement, be customer centric, innovative, and supportive culture. The study suggested that other studies should be conducted in public universities in Kenya and other countries and in other institutions of higher learning to establish if similar conclusions will be reached.

# **CHAPTER ONE**

## **INTRODUCTION**

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

Demand for higher education in Kenya in recent decades has led to expanding of many private universities both locally incorporated and foreign establishments. Additionally, in the last decade, the government has encouraged the establishment and accreditation of private universities in Kenya (Kagai, 2014). This increased number of private institutions has made competition among themselves and with public universities intensified (Njoroge, 2014). Other than the fierce competition, these universities are also faced with shortage of financial resources, declining quality of educational programs, quality of research, authenticity of degrees granted, flexibility of the university programs, innovations created and efficient utilization of resources at their disposal. Additionally, efficiency of learning processes, which affects the acquired skills has also been questioned in these universities. Abong'o (2007) observed that universities in Kenya and more specifically private universities have failed to produce graduates who meet industry demands. Owing to these challenges, establishing strategic capabilities for the universities becomes paramount for them to be competitive and at the same time achieve superior performance.

It is noted that the twenty-first century business landscape is undergoing transformation due to a range of factors such as advances in technology, globalisation, environmental changes and shift in customer needs (Ahmad & Schroeder, 2011). The dynamic business environment needs organisations, including private universities to adopt new strategies to effectively compete with others in the market as conventional ways of doing business might not be the best to work within the dynamic business environment more so in the education sector. According to Hatch and Howland (2015), organisations need to come up with effective business strategies if they are to survive in a competitive environment. Effective competition in this sense will require the private universities to enhance their performance while keeping their expenditure at a minimum, improving quality and also differentiating the products they provide to their customers. Njoroge (2014) was of the view that a firm's performance heavily depends on the management ability to build the firm around the available resources. As such, the management in private universities must identify and exploit their strategic capabilities if they are to remain competitive.

According to Amit (2011) and Boon and Yew (2011), performance is the key force for the existence of all firms. The Resource based view (RBV) Theory points out that the ability of a firm to achieve a competitive advantage and to perform effectively will depend on the resources and capabilities at their organisation disposal. Keller (2014) observed that organizations require strategic capabilities and resources such as financial resources, human resource, physical resources, Information technology, as well as intellectual capital to compete effectively. Private universities, being intellectual based must have adequate Information Technology (IT) capability and networking capability. Additionally, the universities must recruit and maintain high standard human resource, which must be continuously developed through research and innovation (Rothaermel, 2015).

There is a general assumption that the principal role of private institutions of higher learning worldwide is to become partners with government so as to provide and finance higher education services (Amponsah & Onuoha, 2013). This is owing to the different problems facing public institutions of higher learning that including overcapacity, lack of finances and mismanagement in the public sector. These challenges may have contributed to the establishment of private universities. For instance, Saint (2012) concluded that the high numbers of enrolments in public institutions of higher learning often grows at a higher rate compared to the ability of the institution to plan and deal with these rates results to overcrowding, inadequate learning and laboratory resources, increased pressure on the available administrative resources and poor performance of the employees. Conversely, Ahmed, Zebal and Goodwin (2012) noted that performance of private universities in Bangladesh when considering market share, growth of student's numbers, quality of services offered is positively related to market orientation of the private universities.

Private universities have significantly been the reason why there is an ever-increasing enrolment rate of students who are seeking for spaces in African institutions of higher learning. Cloete, Bunting and Maassen (2015) showed that the nationally recognised private institutions of higher learning have increased in the last two decades. The scenario portrays the high rate at which private institution of higher learning are being created. This is in relation to the number of the universities as well as their enrolment over the years. For instance, in Ghana those students who were in private universities

were only 10% of the total university learners in the country representing a 1733% growth rate in the last decade. On the other hand, in Nigeria, accredited private universities posted a growth of over 1133% within a period of 20 years. The situation is the same in Nigeria and Cote d'Ivoire to Kenya and Uganda. Ahemba (2016) notes that the reason there is a high rise in private institutions of higher learning is because the public universities have not delivered as evidenced by failing campuses and university facilities, insufficient laboratories, libraries and overcrowding. Despite the rapid growth of these Universities, they have continued to face challenges such as decline in the quality of research and innovation efforts (Mathooko & Ogutu, 2014). These challenges have led to decline in performance of Private universities in Kenya. Literature also supports that strategic capabilities positively affect firm performance (Bidmeshgipour, 2012; Ochieng ,2015; Imbambi ,2018). Therefore, there is need to determine the effect strategic capabilities on performance of private universities in Kenya.

### **1.1.1 Organisational Performance**

Koontz and Thomas (2012) points out that any firm's success lies on its ability to use the resources at its disposal to perform and the ability to maintain and enhance this performance. According to the study, performance of any firm is essential in determining if the firm is going to survive or not, propel or not and expand or close its doors. Organizational performance according to Musah (2008) is measured through various indicators depending on the industry in which the organization operates, organizational structure and nature of goods and services offered.

Saleem and Khurshid (2014) defined performance the total measure of the firm's operations output and the contribution it makes towards the stakeholders. This output can be quantified using creativity, productivity, innovation, quality commitment, participation, decision-making, loyalty, efficiency, effectiveness, effort and profitability. According to Mbithi (2014) a firm's performance can be said to be its ability to achieve its profitability levels and to satisfy its customer needs by use of skills and improvement of the employee's motivation.

Today's firms are complex and if managers are to manage them effectively they have to look at performance in different dimensions. Such dimensions include financial and customer perspective, innovation, learning perspective and internal processes (Kaplan

& Norton, 2001). For this reason, there are different measures of performance both financial and non-financial that are recommended by researchers and balance between short-range and long-range objectives (Ferson & Lin, 2014). In this sense, Kaplan and Norton (2007) balanced score card allows firms to keep track of their financial progress while also monitoring the capabilities they need to perform.

According to Stoner, Freeman and Gilbert (2003) performance of a firm is its ability to achieve its mission through the achievement of its goals and objectives. Performance is outlined into two processes; non-financial or financial and quantitative or qualitative perspectives (Landy, Zedeck & Cleveland, 2017). Traditionally performance was quantified using financial measures alone (Gitau, 2014). Use of financial performance measures include looking at indicators such as profitability, sales, return on sales, earnings per share, return on investment and return on equity.

Today, there are many performance measures that include both financial and non-financial indicators. These include the Dupont model, which links accounting measures and financial ratios that include Return on Net Assets (RONA), Return on Equity (ROE), Return on Investment (ROI) and The Performance Measurement Matrix (PMM) that is attributed to Keegan, Eiler and Jones (1989) and it combines both financial and nonfinancial indicators of the performance of an organisation.

Other performance measurement frameworks include the Performance Measurement Questionnaire (PMQ) (Dixon, Nanni & Vollmann, 1990), The Results and Determinants Framework (Fitzgerald, Johnston, Brignall, Silvestro & Voss, 1991), which is made up of six performance indicators that are grouped into two groups of determinants and results as well as the Business Excellence Model of the European Foundation for Quality Management (EFQM) and the Balanced Scorecard developed by Kaplan and Norton (1996). Additionally, Integrated Performance Measurement System (IMPS) Reference Model developed by Bititci, Carrie and McDevitt (1997) quantifies and displays the existing relationship between the measures of performance. The model has an audit and reference system. Each of these models provides a unique and different lens through which to view an organization's performance (Richard, Devinney, Yip & Johnson, 2009).

In light of the environment in which the private universities operate, performance measurement becomes critical. Savaneviciene and Stankeviciute (2010) point out that firms that are profit-oriented often quantify performance using financial turnover and profitability while firms that are not oriented on profit use social benefits to quantify performance. According to Ahmad and Schroeder (2011), performance of learning institutions ought to be quantified by regarding their service delivery in terms of teaching, research, efficiency and effectiveness, which is related to the views of the resource-based view (RBV) theory.

Kilika (2012) operationalized university performance through, number of new academic programs initiated, number of refereed journal articles published, number of books and chapters of books published, number of research grants won, number of patents granted, new businesses developed, the number of curriculum changes effected and the number of new technologies developed. Additionally, Kilika, K'Obonyo, Ogutu and Munyoki (2012) measured performance of Universities in Kenya through both objective and subjective measures. The objective measures of performance include revenue, student enrolment levels, number of academic programs and the amounts of research grants won. On the other hand, the subjective performance indicators considered were innovation, knowledge creation, adaptation to change, market and public rating, corporate reputation and quality.

Muraguri, Kimencu and Thuo (2017) measured performance of universities using teaching quality (student enrolment levels, the academic resources available and the new academic programs in the university), research measures (creation of knowledge, amount of research grants won, ranking of the university and innovation) and community service (the reputation of the institution, community service and partnerships). In this study, performance of private universities was measured in terms of determinant indicators as advocated by Fitzgerald, Johnston, Brignall, Silvestro and Voss (1991). Determinant indicators of performance include quality of programs, flexibility of programs, resource utilization, and research orientation.

Literature supports that the key weakness of the performance measurement frameworks used have traditionally adopted a narrow or one-dimensional focus. The results and determinants framework as well as the balanced scorecard seem to address this challenge by adopting a balanced set of measures, which address the interest of

various stakeholders such as shareholders, customers through continued improvement in value creation. For this reason, this study adopted the determinants framework, which operationalize performance in terms of quality of programs, flexibility of programs, resource utilization and research orientations based on the recommendations of Ahmad and Schroeder (2011), Kilika, et al (2012) and Muraguri, et al (2017).

### **1.1.2 Strategic Capabilities**

A firm's competitiveness is possible because of the organisation ability to perform at different levels in different ways implying that its success is due to the different capabilities it has (Stouder & Gallagher, 2015). As noted by Kim, Shin and Min (2016), the capabilities of a firm allow it to daily operate, grow, adapt to changes and to achieve a competitive advantage in the industry. On the other hand, Eshima and Anderson (2017) viewed strategic capabilities as the ability of the firm that allows it to grow and survive in the marketplace as affected by the firm's competences and resources.

Terouhid and Ries (2016) observed that capabilities mainly refer to skills or resources that help the firm prosper and get ahead of their competition. They are also the resources at the threshold level. Threshold resources and competencies are the ones a firm need to compete successfully in the market. They are grouped into threshold resources or those needed to meet the minimum needs of the clients and the threshold skills that are essential in meeting the needs of the customers and ensure the success of the firm's strategies (Vesalainen & Hakala, 2014). Competences according to Helfat and Winter (2011) are the processes and activities of a firm that helps it use its resources in an effective manner. There is need therefore to gain an understanding of the available organisations resources and the way they are deployed before looking at a firm's strategic capabilities. The competences are usually distinguished between threshold competencies representing actions and processes that the firm does excellently and core competencies representing things that a company is extremely good at and that are hard for competitors to imitate allowing the firm to gain a competitive advantage.

Strategic management has in the past been more into the means by which firms generate and sustain their competitive advantage. This is outlined in the resource-

based view (RBV) that explains that resources that are rare, valuable, imperfectly substitutable and imitable and are the key sources of competitive advantage. However, recent developments emphasise there is need for changing capabilities particularly in the changing complex environment (Zott & Amit, 2011). Njoroge (2014) observed that resources and capabilities should be rare, imitable, and valuable and should not have substitutes for them to ensure sustainability.

Strategic capabilities in view of Hamel and Prahalad (2013) is the ability of an enterprise to use its competitive capabilities to enable it to grow and become better at what it does with time. Although no single measure that is known universally that measures strategic capabilities, Vesalainen and Hakala (2014) observed that strategic capabilities considers the strategies an enterprise has with regard to the firm's assets, competencies and resources used by the firm to exploit its resources to gain competitive advantage. Vogel and Güttel (2013) stated that assets such as cash, property, patents, human resources, technology and skills of the employees, structure of the firm and leadership methods are all essential to the enterprise's ability to formulate and employ strategies and enjoy strategic advantages over competitors.

Chae, Koh and Prybutok (2014) asserted that information technology can enable a firm to improve performance by improving competition, increasing the speed at which decisions are made and being responsive to changes. In addition, technology helps the firm to be adaptive to the changing customer needs and customer needs. The connection between the activities of the enterprise and IT allows for quick, efficient and effective use of innovative strategies that lead to dynamics and re-engineering of the enterprise strategies and systems (Setia, Venkatesh, & Joglekar, 2013). In view of Lu and Ramamurthy (2011) IT capabilities involve the ability of an organisation to use shareable resources which explains the way in which the organisation can successfully manage its data and architectures, its communication capability and its portfolios. It also relates to the ability of a firm's management to use the available IT resources to improve its enterprise activities and the ability of the organisation to embrace new IT innovations to take advantage of new opportunities.

According to Sirmon, Hitt, Ireland and Gilbert (2011), human capital capability is made up of the individuals that are part of the organisation skills, knowledge, experience, wisdom, propensity, risk-taking and judgement. In addition, Lazear

(2009) observed that an organisation's staff skills, experiences, and knowledge can improve its performance if it is adequately used for value addition through learning and making superior decisions to those of competitors. The entire human capital capability has a direct positive relationship with enhanced firms' performance as it helps boost the production capability of the firm. The improved performance of the workers in the organisation is achieved by the social interactions between the management and the employees, which proves hard for other competing organisations to duplicate (Jiang, Lepak, Hu & Baer, 2012). It should be noted that human capital capability is developed through the training and development processes that are part of the organisation. As Wernerfelt (2011) concluded the use of information technology and human capital are the key factors that lay the foundation for the achievement of improved performance by a firm. Further, the study noted that the relationship between the firm's performance and its resources is made better by competitive advantage. Human capital capability generate enhanced performance if it is part of an organisation and in situations where the firm is in a new environment the savings of costs associated with effective human resources makes it harder for competitors to be at par with the firm (Nyberg, Moliterno, Halo & Lepak, 2014).

As established by Vesalainen and Hakala (2014) networking capability of an organisations is its ability to come up, maintain, successfully handle, and make use of relationships with relevant stakeholders. On the other hand, Ritter and Gemünden (2003) defined networking capability as the successful initiation of relationships by an organisation with other organisations and ensuring that the firm gains from these relationships. Further, Balboni, Kocollari and Pais (2014) defined networking capability as the ability of an organisation to manage and accrue benefits from external relationships. The people who are part of the firm's network when it comes to the organisations network are the suppliers, clients and the customers while the personal network might include friends, family members, and acquaintances. Further, Zacca, Dayan and Ahrens (2015) concluded that the organisation networks are part of the other organisation abilities making it extremely difficult to separate them.

Parida, Pesämaa, Wincent and Westerberg (2017) noted that business organisation usually engages in networking to eliminate constrains and competition that has to do with its resources, innovation, competence and skills. However, because many

organisations lack networking capability (NC), network relationships often fail. Further, Parida, Patel, Wincent and Kohtamäki (2016) that network does allow organizations to get resources and improve performance. This is because networks are supportive, reduce risks and enhance their performance. Similar observations were made by Chimucheka (2013) who concluded that firm performance is affected by the network the organisation has and the relationship the organisation has with others at a personal level. However, Balboni, Kocollari and Pais (2014) concluded that in order to gain from a network, the firm will have to consider the characteristics, resources and operations of the other networks. In addition, the network with the different players is bound to affect the decisions made by the firm and often results to exchange of resources among the members of the network more so if the firm is able and willing to benefit from the relationships (Zacca, Dayan & Ahrens, 2015).

Intellectual capability, also called intellectual property, business intelligence or knowledge assets is infinite and rests upon the individual (Zott, Amit & Massa, 2011). For this reason, it is viewed as the most important strategic capabilities since it is hard to imitate and is sustainable over a long period. This capability is regarded in terms of experience, knowledge, skills and abilities that forms part of the workers employed by the firm. It is hard for competitors to imitate the tactical knowledge found in employees. This is because it is part of the employee's skills and the experience they have gained which increases the revenues for the firm (Lazear, 2009). Yolles (2009) earlier noted that to gain and to make their competitiveness sustainable, it is important for the organisation to put more emphasis on innovation and also seek to benefit from the potential of its staff when it comes to using the latest innovations.

### **1.1.3 Competitive Advantage**

Porter (1985) postulated the concept and according to him, competitive advantage comes as a result of constantly using value creating methods and also the use of unique internal resources that are hard for rivals to imitate. Based on Porter's view, a firm need to choose strategies that will make them achieve competitive advantage to avoid being stuck in the middle. Generic strategies are strategies expected of every firm any time and are applicable without exception (Yadav, Han & Kim, 2017). In this case, a firm that feels stuck should seek to use an inexpensive strategy in a narrow or broad market to be able to provide unique or differentiated services to its clients.

Organizations need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate (Huang, Dyerson, Wu & Harindranath, 2015). A competitive strategy therefore enables a firm to gain competitive advantage over its rivals and sustain its success in the market.

Competitive advantage according to Hatch and Howland (2015) arises from combination of resources of the company which, enables it to operate at optimum resulting in differentiation or efficiency. This results to decreased cost of production or the production of a product that is of superior quality. It can also lead to awareness of the brand and increased availability of the product (Wagner & Hollenbeck, 2014). According to Barney (2015) competitive advantage is the achievement of a lower cost of production or better differentiation by a firm compared to its rivals in the industry. Following this definition, it may be concluded that a business competitive advantage can be said to be the ability of the firm to increase its economic value than its rivals in the industry.

Small businesses in particular have to seek for competitive advantage especially if there are many businesses that sell the same products in a small market. Although capabilities that are technical in nature might help as Thompson and Strickland (2007) point out, the only thing that can sustain the competitive advantage is unique capabilities. Additionally, Bharadwaj, Varadarajan and Fahy (2015) were of the opinion that a sustainable competitive advantage can only be achieved if the unique capabilities of the firm are combined with strategic resources that are hard to imitate. Capabilities such as those that are managerial are unique and can be created by an organisation and help the firm gain a sustainable advantage.

Barney (2014) on the other hand observed that a source of a competitive advantage in an organisation is its ability to use innovative and entrepreneurial skills to make the available resources valuable in a way that cannot be replicated by rivals. Developing competitive advantage involves providing customers with goods and services that can be said to be of superior value. This can be a product given at a low price, a product that is worth buying due to its superiority which has attractive features that are in the form of quality, price, service among other attractive characteristics to the buyer (Thompson & Strickland, 2007). A company can achieve or defend competitive advantage through the strategy it employs and its management of the value chain.

Porter (1985) notes that a competitive advantage that is sustainable can be achieved if the firm has as distinct competitive ability that is sustainable, can be used in multiple instances, superior and hard to imitate. Additionally, it is also possible to achieve a competitive advantage that is sustainable through focus, differentiation, and cost leadership. This type of an advantage is related to every activity of the firm that relates to how it competes with its rivals. It results to advantages that are hard to replicate. Bharadwaj, Varadarajan and Fahy (2015) note that this advantage might be part of the firms resources, culture, investment and skills used by the firm over a long time. It will need the firm to identify a factor that is distinct from the other businesses factors in the industry. Moreover, it should be stable and continually be used to improve the relationships and the productivity in the firm (Barney, 2015). It is essential that the firm study its competitors so as to come up with a means that the firm can use to gain a sustainable advantage over them (Pearce & Robinson, 2011).

As noted by Madsen and Walker (2017), a firm's strategy used to gain an advantage involves the methods and factors used to meet the customer's expectations and attract new ones which results to increased market share. It is a company's game plan (Pearce and Robinson, 2000). Although that plan does not precisely detail all deployments it gives the management a framework on which to base their decisions. A strategy is a firms awareness of where, how and when it should compete against who and why competition in necessary. The essence of strategy formulation is coping with competition. Competitive strategies comprise both offensive and defensive action and in the face of competition, firms adopt various competitive strategies within the industry sectors (Porter, 1980). According to Johnson and Scholes (2010), strategy helps to position a firm in the wider external environment by defining the obligation of the firm to its stakeholders. Strategy therefore helps to define the specific business of the firm in terms of products, market and geographical scope.

Based on the constructs discussed in this section it is evident that a firm that develop competitive strategies are more likely to achieve competitive advantage. However, to maintain this competitive advantage, companies need to have strategic capabilities. Porter (1985), Barney (2015), and Hatch and Howland (2015) have outlined that for a firm to sustain competitive advantage it must have resources that are rare, valuable, imitable and substitutable, which are conditions for a resource to be strategic. In this

study, competitive advantage was operationalized through programme differentiation, cost leadership, market oriented programmes, and programme specialisation.

#### **1.1.4 Organizational Culture**

The norms of the firm define the way the organization deals with its internal and external environment and help define the culture of the institution (Murnane, 2017). In general, culture is viewed as a set of acceptable perception, thought, feeling, and behaviour manifested in the group's values, norms, and artefacts. These ideologies must be shared by a group of people and distinctive to that group to be termed as the group's culture (Spatz, 2014). Organizational culture is developed through and evolve from experience and is learned by and passed on to each new member of the firm. These shared mind sets directly underpin the perceptions, thoughts, feelings, and behaviour of people who are members of an institution in a way that is not directly obvious to either themselves or observers. Since an organization depend on its people to fulfil its objective, culture plays an important part when it comes to the firm failing or succeeding (Hersh, 2015).

Organizational culture, may therefore be viewed as the firm's traits that are part of its internal work culture and personality that is as a result of the firm's principles, values, traditions and beliefs that are part in the organisation operations and work ethics. As noted by Jones and George (2011) institutional culture is directly linked to its employees and affect the way the firm's parties relate and work with each other to meet the objectives of the firm. Further, Thompson, Strickland and Gamble (2007) concluded that organizational culture is essential as it affects the strategies used by the firm to conduct its operations. Institutional culture is perceived as having multiple layers (Choi & Ruona, 2013). The layers that on the outer part are referred as explicit and elements that can be seen. On the other hand, the inner layers are imperceptible and implicit elements of the firm's culture. Schein (1990) noted that there are three dimensions of an institutions culture. They include values, observable artefacts and the underlying assumptions.

Artefacts represent the physical and solid culture factors that might include physical and permanent cultural representations such as employee orientation, management structures etc. (Ginsberg & Bernstein, 2012). Norms and values on the other hand, are less visible but provide the interrelations and meanings that interprets the patterns of

behaviour. In this sense, work life balance may be manifested through employee productivity, customer orientation and job satisfaction, which have a stake on organizational performance (Sallee, 2013). As noted by Kinyua (2015), organization culture is a set of activities that manifest values, core values, beliefs, assumptions, initiatives, learning experiences and expectations. Finally, culture is viewed as assumptions and principles that are usually taken for granted but significantly influence the organizational performance (Thornton, Ocasio & Lounsbury, 2012).

For these reasons, it is imperative that private universities should establish and perpetuate an appropriate organizational culture that supports its pursuit for higher performance (Ginsberg & Bernstein, 2012). In an effort to gain a superior performance and sustainable competitive advantage, it may call for an in-depth review of systems, structure and processes in the University so as to appreciate the strengths and craft measures to curb weaknesses. This process has been variously referred to as appreciative inquiry and it involves inquiry into the state of affairs in the organization (Cesaroni & Peterson-Badali, 2013). In this study, organizational culture was measured through learning culture, employee involvement culture, customer centric culture, innovative culture, and supportive culture.

### **1.1.5 Private Universities in Kenya**

Private universities in Kenya are established under the Universities Act of 1985 and the Universities Rules of 1989 of the Kenyan laws. These pieces of legislation provide for the establishment of universities, their standardization, accreditation, and supervision. Private universities in Kenya offer education at both undergraduate and graduate levels. The Commission for University Education has the mandate of ensuring that all universities in Kenya meet the standards of a University (Oketch, 2003). The United States International University was the first private University established in Nairobi in 1984. Thereafter, several other universities have been established to make a total of 33 private universities in 2016 as shown in appendix III.

The sources of funding for the Kenyan private universities include church sponsorship and donations gifts, endowments and tuition fees. Since most of these universities have other sources of funding, they have their programs subsidised. According to Oketch (2003), Kenya was the country that first recognized the need for university education compared to its East African counterparts. The need for higher education in

Kenya has provided a good market for private universities in Kenya for the last two decades. Regardless of this rapid expansion of private universities, there are challenges that face these institutions. These include low funding by the owners or sponsors; increased intake of students without corresponding investment in human resources and facilities; low research capacity which cannot support development agenda; failure to attract research grants from industry and commerce as well as the government; and failure to produce graduates who meet industry demands (Abong'o, 2007).

Other factors that threaten the existence of private universities in the country include competition from public universities that have parallel programs. Often, people perceive public universities to be able to provide better quality education because they have existed for long and because of their capacity to attract qualified instructors and research grants from the government and research institutions. The cost of attending private universities is higher compared to public universities as private universities rely almost exclusively on fee paid by students for revenue (Abong'o, 2007).

According to the Commission for University Education (CUE) (2016), some universities such as Kenya Methodist University (KEMU) the population of students has significantly reduced over time irrespective of massive facilities acquired. Similarly, other universities such as Inorero University were forced to shut doors due to poor performance. Pioneer universities rely heavily on a few programs to remain afloat. These challenges have painted a picture that private universities in Kenya are unable to provide the desired quality of education. This clearly shows that there is need for identification and development of strategic capabilities if the private universities in Kenya will achieve performance that is sustainable. Performance in this sense is operationalised in terms of quality of programs, flexibility of programs, resource utilization and research orientation.

## **1.2 Statement of the Problem**

Private universities in Kenya have been reporting decline in performance due to growing pressures related to declining quality of educational programs, quality of research, authenticity of degrees granted, flexibility of the university programs, innovations created, and the utilization of resources at their disposal (Mathooko &

Ogutu, 2014). Despite the increasing number of students seeking higher education, these numbers have not translated to better performance of the private Universities. As noted by Commission for University Education (CUE) (2016) there were 539,749 students enrolled in the nation's universities in 2016, a nearly 23% increase over the previous year.

However, the ranking of these universities in terms of academic research, regional and global reputation, as well as employability of graduates show that private universities rank poorly with Strathmore University leading the pack of private universities at position four followed by Mount Kenya University and United States International University-Africa in position 7 and 8 respectively (CUE, 2016). In Africa, none of private universities in Kenya appeared in the best 50 ranking with the University of Nairobi appearing a distant position 8 and 1071 in the world ranking. Kenyatta University was ranked second in Kenya, 35 in Africa and 2368 in the world ranking (CUE, 2016).

In the last few years, CUE has recommended closure and sanction of four universities including Inoorero University, Landmark University, Barack Obama University, and Kenco University for awarding degrees to students without following laid-down procedures, enrolling unqualified students and offering courses not approved by the commission (Odhiambo, 2014). Most recently, the commission recommended the revocation of the letter of interim authority awarded to Presbyterian University for lack of adequate resources to meet its obligations. Further, in 2018, the Catholic University of East Africa (CUEA) and Kenya Methodist University (KeMU) were given a period of one year to change their operations to achieve the needed finances and failure to achieve this their charters would be nullified.

While several studies have been conducted attempting to show the relationship existing between strategic capabilities and performance, there are still gaps existing in literature. For instance, Bidmeshgipour (2012) posited that a strong relationship exists between strategic human resource management and practices and business performance. However, the study only used correlation coefficient to establish the direction of the relationship between the study variables. In addition, the study used secondary data which may be outdated while the current study used primary data. Kilika, K'Obonyo, Ogutu and Munyoki (2012) human resource development (HRD)

Infrastructure is positively related to university performance. However, the study considered both private and public universities as homogenous in all aspects. Yesil and Kaya (2013) on the other hand revealed that there was no notable relationship between organisational culture and firm's financial performance. The study focused on financial performance while this study dwelt on non-financial performance.

Ochieng (2015) did a study on the relationship between intellectual capital and performance showed that intellectual capital significantly affected the SMEs performance. However, the study ignored strategic capabilities such as networking capability, human resource capability, and IT capability. Rabah (2015) on the effects of competitive advantage on organizational effectiveness in higher education institutions concluded that competitive advantage helps organisations achieve effectiveness. However, in this study performance was measured through effectiveness while in the current study it was measured through quality of programs, flexibility of programs, resource utilization, and research orientation. Zacca, Dayan and Ahrens (2015) showed that NC is positively affected Small business performance. The current study will be based on Private universities and will also factor in other capabilities such as IT capability, Human capital capability, and intellectual capability. Finally, Imbambi (2018) showed that there is a positive relationship between technology capability and competitive advantage. However, the study only showed the relationship between technology capability and competitive advantage but failed to link it to performance.

In light of the reviewed literature, it is clear that although scholars have studied the various constructs in strategic capabilities, these studies have focused on individual capabilities such as human capital capabilities and financial capabilities. Most studies focused on human capital capabilities implying that there lacks adequate theoretical and empirical literature that supports the relationship that exist between other constructs in this study and performance of private universities in Kenya. Further, this study also notes that most studies that have been conducted, both locally and internationally, were conducted in other sectors such as insurance and manufacturing sector implying that there is limited empirical literature supporting the relationship between the constructs of strategic capabilities and performance in regard to private Universities in Kenya. This study therefore establishes that there exist contextual,

conceptual, and empirical gaps in literature which need to be filled. This study therefore sought to fill these gaps by investigating the effect of strategic capabilities on performance of private Universities in Kenya.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

The key objective for this research was to investigate the effect of strategic capabilities on performance of Private Universities in Kenya.

#### **1.3.2 Specific Objectives**

- i) To evaluate the effect of information technology capability on performance of Private Universities in Kenya;
- ii) To determine the effect of human capital capability on performance of Private Universities in Kenya;
- iii) To examine the effect of networking capability on performance of Private Universities in Kenya;
- iv) To investigate the effect of intellectual capability on performance of Private Universities in Kenya;
- v) To determine the mediating effect of competitive advantage on the relationship between strategic capabilities and performance of Private Universities in Kenya;
- vi) To establish the moderating effect of organizational culture on the relationship between strategic capabilities and performance of Private Universities in Kenya.

### **1.4 Research Hypotheses**

**H<sub>01</sub>** Information technology capability has no significant effect on performance of Private Universities in Kenya.

**H<sub>02</sub>** Human capital capability has no significant effect on performance of Private Universities in Kenya.

**H<sub>03</sub>** Networking capability has no significant effect on performance of Private Universities in Kenya.

**H<sub>04</sub>** Intellectual capability has no significant effect on performance of Private Universities in Kenya.

**H<sub>05</sub>** Competitive advantage has no mediating effect on the relationship between strategic capabilities and performance of Private Universities in Kenya.

**H<sub>06</sub>** Organizational culture has no moderating effect on the relationship between strategic capabilities and performance of Private Universities in Kenya.

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

The findings of this study are significantly important to the management of private Universities in Kenya as it provides a model for private Universities to exploit their strategic capabilities in an attempt to improve their performance in the wake of the numerous challenges facing them. Specifically, the study showed the intertwined relationship existing between IT capability, human capital capability, networking capability, intellectual capability and organizational performance. In addition, the model shows the relevance of competitive advantage and organizational culture in mediating and moderating the relationship between strategic capabilities and organizational performance.

The study results showed that all the study constructs had a positive effect on University performance with IT capability having the highest effect. These findings are therefore of great relevance to the ministry of Education officials and other government agencies such as CUE because it will enable them to form decisions that inspires exploitation of strategic capabilities such information technology and networking with the industrial sector to improve the quality of the university output in form of competences, resource utilization and research orientation. Practitioners and consultants in the area of strategic management, management in general and stakeholder management stand to significantly gain from this study as it highlights the significance of strategic capabilities in organization management leading to development of all-inclusive policies that would eventually lead to better organizational performance.

The results of the study validated the theoretical anchorage of the theory on resource-based view theory, organizational learning theory, intellectual capital theory, human capital theory, balance score card model and the institutional theory. Although the theories had been applied in other context such as consultancy firms, tourism sector, manufacturing and the commercial sector, their applicability in the education sector,

specifically in private universities contributes theoretically to the advancement of the theories. The study findings also significantly contribute to the pool of existing knowledge regarding the concept of strategic capabilities by providing a working operationalization for strategic capabilities applicable in private universities.

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

This study sought to establish the effect of strategic capabilities on organisational performance. This study specifically evaluated private universities in Kenya. The respondents were the university management who includes the registrar administration and finance, faculty deans, IT managers and human resource managers. The study collected primary data (that was cross sectional in nature) from the respondents in all the 31 private universities in Kenya (both fully chartered and those with Letters of interim authority) for a period of twelve years from 2008 to 2019 because this period has experienced entry and exit of majority of Private Universities in Kenya.

### **1.7 Organization of the Study**

The study is presented in three sections for preliminary pages, main body and the appendices. Preliminary pages contain the declaration, dedication, acknowledgement, list of tables, list of figures, operational definition of terms, abbreviations & acronyms and the abstract. The main body is organised in five chapters. Chapter one covers the introduction to the study including the main constructs and variables which are, the independent, moderating, mediating and dependent variables, the context of the study, problem statement, research objectives, research hypotheses and significance of the study. In addition, the chapter presents scope, limitations and the organization of the study. Chapter two covers the literature theoretical review of the key related concepts and theories, empirical review of the research objectives and presents the conceptual framework for the study. Chapter three presents the research philosophy and methodology proposed for the study and the target population, research instrument, pre-testing and validation of the research instrument, operationalization of the study variables, data collection methods, and finally data analysis techniques. Chapter four covers the research findings and discussions while chapter five presents the summary, conclusions and the recommendations. The appendix section is presented as appendix i containing the transmittal letter, appendix ii provides the research questionnaire,

appendix iii is the work plan, appendix iv provides the research budget and finally, appendix v is the list of private universities in Kenya.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this second chapter, relevant literature information that is related and consistent with study variables has been reviewed. Specifically, the chapter contains theoretical literature, empirical review of literature, summary of the literature review and finally the conceptual framework.

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

This section reviewed relevant theories that are used to anchor the study variables. The study was anchored on Resource-based view theory and supported by organizational learning theory, intellectual capital theory, human capital theory, balanced score card model and the institutional theory.

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

Penrose (1959) was the first to introduce this theory. This theory stipulates that; an organisations' superior performance is possible due to the use of the resources the organization owns or controls. Further, according to the model the way the organisation uses the resources affects its performance (Wernerfelt, 1984). The theory further emphasis on the resources characteristics and the capabilities acquired by the organization that leads to sustainable performance (Kraaijenbrink, Spender & Groen, 2010). Molloy, Chadwick, Ployhart and Golden (2011) explains that, resources are a source of advantage such that a firm can dominate its rivals based on the way they build, position and safeguard the resources that are distinct and allow them to gain an advantage over their rivals.

Barney and Hesterly (2010) noted that resources are made up of the capabilities and competencies of the firm. According to the definition of resources in strategic management literature, they are the stock of things that belong to the organisation. Competencies are regarded as the organisations abilities that allow for differentiation or improved service delivery of quality by use of technological systems that are more responsive, which results to the organisation gaining a competitive advantage in the market place (Arend & Levesque, 2010). Resource Based View is essential in strategic management as it concentrates on an organisations resources as the key source of enhanced performance and a competitive advantage in the market (Mckelvie

& Davidsson, 2009). Andersén (2011) points out that capabilities are made up of a firms' knowledge, ability, skills and experiences that makes it possible for the firm to operate and use its resources to perform effectively. In a similar manner, Lockett, Thompsons and Morgensrern (2009) indicate that the theory of RBV pinpoints the firms resources and abilities that enable the firm to operate above the ordinary and enhances the firms performance.

The RBV model allows the management to check if they have capabilities and resources that can enable the firm gain superiority. This will see them perfect their operations to gain an advantage when it comes to performance. It also allows the management to combine different resources to gain sustainable performance. The theory gives the firm an advantage as it highlights the factors that can be used to gain a competitive advantage. If an organisation is to achieve CA and enhance its performance then the resources under its ownership have to be rare, valuable, non-substitutable and inimitable. Valuable resources improve the performance of the firm. Rare resources allow the firm to have an advantage as very few firms will have such resources. Resources that are inimitable are costly to imitate and the non-substitute resources cannot be replaced by the competitors as they do not have alternatives (Barney & Hesterly, 2010).

Resources that are termed as tangible are those that are physical in nature and might include raw materials, facilities and equipment. Intangible are not physical and can include organisational values, brand, processes and networks of the firm. When the two resources are compared the intangible resources are likely to result to a competitive advantage compared to the tangible ones (Leiblein, 2011). Therefore, the theory is essential in supporting the firm's intellectual resources. The assumption of the theory is that employees will seek to maximally use the resources available and that the firm will make rational decisions based on the economic environment (Barney, 2007).

The RBV theory has however been critiqued just as it has been supported. One of the critics is that it makes the reality in a firm seem too simple and also assumes there is a linear relationship between competitive advantage, firm resources and the organisation performance (Kraaijenbrink, Spender & Groen, 2010). Further, the model ignores environmental factors that affect the performance of the organisation.

However, in reality the organisation resources might not have any relationship with its performance. However, this research still used this theory as it is relevant when it comes to the unique capabilities of the firm. Particularly this model was important in evaluation of the capabilities that can help a firm achieve a competitive advantage and improve the performance of private universities in Kenya.

### **2.2.2 Organizational Learning Theory**

Argyris and Schon (1978) came up and advanced this theory in (1996). According to the theory, firms that emphasis on continuous development and learning are capable of increasing their profitability over time. According to Garvin (1993) it is possible for an organisation to improve its performance through development and learning. Hatch and Cunliffe (2012) notes that when the employees go through continuous learning and development they stay updated in regard to the information and knowledge they have and this makes the human resources of the firm better. For those organisations whose performance is high, the employees can learn from the others through rotations of tasks and training helps them gain ideas that are difficult to imitate. Learning makes human resources capability hard to imitate as these capabilities are dynamics (Armstrong & Taylor, 2014). Earlier, Therin (2013) noted that in dynamic environments any firm that wants to achieve CA and enhance its performance should be able to learn faster than its rivals.

As Argote (2011) advices, if the firm wants to do better than its competitors then it must learn from others failures and successes. Technology is the best-known means to learn and enhance knowledge which is capable of bringing changes in the whole firm. Further there is need for the organisation to monitor its competitors learning strategies sand n involve experts when it comes to learning and development (Zahra, 2012). The velocity of learning for the firm is very important when it comes to achieving CA and superior performance. Satisfaction of customers also improves when firms take learning seriously and in the long run this improves sales and profits. Learning often focuses on how CA can be achieved from the use of human resources. This is because human resources found in the firm are unique and cannot be easily imitated (Coplin, 2012).

Organizational Learning theory points out a firm ought to change its operations if it is to compete effectively in a changing environment (Hatch & Cunliffe, 2012). Learning

at the basic level on a firm occurs when knowledge is shared and transferred at the employees in the firm more so to the inexperienced staff members. Goh (2003) notes that the organizational theory emphasis on individuals and learning by use of training, experience and work interactions, skills and knowledge acquisition in the firm. However, a notable limitation of the model is that it looks at changing the organisation through changes in the staff and people at the firm who are regarded as the only available resources.

According to Lopez, Peon and Ordas (2005) high performance is achieved by continuous and uninterrupted learning that is combined with the cheering and encouraging the staff to get new skills and knowledge, which are difficult to imitate. If a firm embraces learning, it is able to develop complex skills and capabilities which are hard for others to duplicate and transfer and this allows the organisation to gain superior performance. As it has been observed in the literature reviewed firm performance is a factor of how well the employees learn from their success and mistakes against their competitors. The literature also posits that human capital configuration affects firm performance and ability to achieve competitive advantage. This theory is thus important to the study as it supported the anchorage of human capital capabilities as a key factor of the firm to achieve competitive advantage and superior performance in private Universities.

### **2.2.3 Intellectual Capital Theory**

Intellectual capital has received considerable treatment among academics and practitioners since the 1990s as a factor that is essential in value creation for the firm's shareholders. The theory has been based on different ideas and thoughts from academicians to the likes of Kaplan and Norton, (1992) Erik (1997), and Edvinson and Malone (1997). These scholars established the basis of this theory. Today, it is used as a guide for the management of a firms' intangible assets leading to the achievement of CA and an improved performance on the firms (Kamath, 2010).

The theory of intellectual capital has been a source of attention and it also seen as a theory that can guide a firm to achieve great performance with time. The key emphasis of the theory is that tangible assets such as equipment, land, money and buildings might not be as valuable as intangible assets which often are not part of the organisations balance sheet. According to this model, the wealth of a business comes

from its consumer, structural and human capital. Creation of value occurs when one capital turns into another. For instance, when human resources which is the human capital comes up with business processes or structural capital which improves the service delivery to customers and their loyalty which is the consumer capital then this creates value. Intellectual capital capability is intangible and it is often said to be a hidden asset.

The definition of intellectual capital among various academicians is not similar. However, the general definition is that it is the firm's procession of knowhow, experience, customer relationships, technology of the firm and skills that allow a firm to gain competitive advantage in the marketplace (Dumay, & Garanina, 2013). Chu, Chan, Yu, Ng and Wong (2011) notes that intellectual capital is the existing relationship between the organisation and its customers and stakeholders, innovation, firm infrastructure and the skills of the firms members. Vafaei, Taylor and Ahmed (2011) agree and note that this form of capital that can be used to make profits in the future and it is made up of inventions, ideas, designs, technologies, informatics and processes. On the other hand, Kianto, Andreeva and Pavlov (2013) postulated that the term intellectual capital and intellectual property are used interchangeably even when they mean different things. Based on the attributes of intellectual capital of being intangible, has relationships with partners and customers, innovative, infrastructure and the possibility that it can be used to make profits in the future this theory was used to support the construct of intellectual capital capability as a strategic determinant of University performance.

#### **2.2.4 Human Capital Theory**

The Human Capital Theory (HCT) (Schultz, 1961) provides a perspective that value addition by people within an organization can contribute to better firm performance. According to the theory, people are regarded as assets and not a cost. Further, according to Bontis (2013) human capital is the human resources of a firm that are made up of skills, intelligence and expertise that enables the firm to be different in character. Human capital is described as an intangible asset not owned but benefits the firm that employs it. The theory supports that despite the lack of formal ownership by the firm, the company can gain from high levels of training and knowledge of their employees through strategies like creation learning corporate cultures or vocabulary

terms to create cohesion (Almendarez, 2010). This is because, the HCT emphasizes the added value that people can contribute to an organization's performance a situation referred by Boxall and Purcell (2011) as human capital advantage.

The theory of human capital is rooted from the field of macroeconomic development theory developed by Conner (1991). Capitals are in different forms such as expenditures, schooling, computer training and expenditures on which have a lot of impact on organisational performance. In the true sense, human capital improves organisational health and raise earnings. As posited by Bontis (2013) human capital in a firm has different skills and competencies that can be used to provide solutions to problems and using their intellectual abilities to maximize performance, this theory will therefore help in elaborating why it is important to note the influence of human capital on the financial performance of Kenyan private universities. Being a human capital-intensive industry, the performance of private universities therefore heavily depends on the kind of teaching staff. This will help the institution to inculcate a culture of research and innovation among the students, which improves the ranking of the universities. Additionally, increased research also helps the institution to attract research funding. For this reason, the performance of the private universities was anchored on the human capital theory.

### **2.2.5 Institutional Theory**

Institutional theory regards the social world as institutions that are under rules, structures and practices that allow actions on some set conditions. DiMaggio and Powell (1983) and Scott (1995) are there proponents of this theory. Max Weber and Emile Durkheim were the first classical scholars to try and analyse institutions and their roles. Weber did not actually use the word institution but the way he explained cultural systems is very close to what is viewed as institution today (Keohane & Martin, 2014). According to Weber approach, action he noted was social as the actor attaches a meaning that is subjective in nature to it. Thus, there is need for cultural systems and beliefs as these helps to provide meaning for the interpretation of actions.

Institutions help to give an explanation on the social world since they have a social order and give direction to the social life flow (Vayanos & Woolley, 2013). They choose the rules of variation. They ensure that actions are followed. Any deviations from these actions leads to a return to the social order by use of social controls and

deviations can be costly. Institutions are therefore found within known social contexts and they condition the actions within the contexts. Thus, research on institutions looks at institutions, their relationships and the effects these have in different situations. Institutions allow for social actors within cognitive frameworks. The frameworks allow and constrain actions. Actions are constrained by rules that are most likely invisible. The actions are enabled by allowing actions to be meaningful and understandable (Keohane & Martin, 2014).

Institutional theory looks at the way in which structures such as norms, schemas, routines and rules are made the authoritative guides for social behaviour (Hogan & Coote, 2014). The theory looks at resilient traits of social behaviour and also tries to deduce how the elements are created, adopted, diffused and adapted with time and how they fall into disuse and decline. According to institutional theory, firms are affected by pressures that are not within their control which are called external forces or by pressures from the within the firm or internal forces (Fuenfschilling, & Truffer, 2014). The organisation culture is based on the internal forces.

Scott (2004) notes that the model is based more on the deeper and more resilient traits of social structure and the social behaviour rules of a firm are shaped by norms, schemes, structures, routines and regulations. Robbins, Judge and Campbell (2010) explains that institutional theory is the key to an organisation behaviour as it shapes it allowing the firm to behave in a responsible manner. This theory is thus expected to affect the relationship between the organisation performance and its strategic capabilities. This theory supports organizational culture because the environment in which private Universities operate is influenced by the organizational culture.

#### **2.2.6 The Balanced Score Card model**

The Balanced Score Card (BSC) according to (Kaplan and Norton, 1992, 1996) is a performance measurement tool that converts strategy to performance measures aligned to the strategy. This model offers a view to organization's overall performance by integrating mixed measures of performance indicators (Biazzo & Garengo, 2012). The model is particularly based on a matrix of measurement indicators derived from four pillars of performance measures including financial, customer, learning and growth, and internal processes (Kaplan & Norton, 2001).

The financial perspective of the tool provides that for the firm to succeed financially, by efficiently utilizing resources at movement's disposal to maximise returns to the owners of the firm (Kaplan, Norton & Rugelsjoen, 2010). Consequently, owners of private universities expect to realise return on their investments in the firm in form of shareholding. Literature supports that this perspective is predominantly used in measuring performance through measures such as profitability which calls for a balanced measure by introducing other perspectives.

The customer perspective focuses its attention meeting the customers' demand. In this sense, the amount of time dedicated to processing customer orders, handling customer issues such as how fast orders are handled, how fast queries are responded to and how fast complaints are handled is paramount (Tayler, 2010). For this reason, this perspective informs measurement of performance through quality of services delivered such as quality of programmes offered by private universities and flexibility of the programmes to attract and retain customers (Shah, 2016).

The internal perspective targets to satisfy internal stakeholders such as employees and the management staff through policies implemented by the organisation aimed at achieving efficiency (Niven, 2011). The internal business policies are often classified as mission oriented that focuses on organization overall mission processes and support oriented that focuses on repetitive tasks employees carry out in course of their work (Hoque, 2014). Internal business policies in this study includes relationship management which include quality of programmes achieved through competent teaching staff and provision of adequate learning resources as well as reviewing of existing curriculum and introduction of new academic programs.

Finally, learning and growth perspective supports that an organisation achieves its vision and sustain its ability to change through continuous learning (Northcott & Ma'amora, 2012). The perspective guides organizations on where to focus their research and development funds since the focus is on new knowledge to improve performance. Since organisational learning and growth are geared towards achieving better performance, this perspective helps the researcher in providing anchorage of research orientation through published journal articles, books, and patents granted.

The theory has however been criticised for over emphasising on the internal factors of performance and little focus on external factors (Biazzo & Garengo, 2012). For instance, the model considers customers but fails to factor in other key performance indicators, such as competitors or changes in the business environment. The model is also time conscious in that it is long term and may not provide the desired solutions in the short run. Further, the model requires to be aligned with the strategic objectives of the company which are often conflicting (Hoque, 2014). Nonetheless, the study finds the model appropriate in anchoring organizational performance.

### **2.3 Empirical Literature Review**

This section reviews literature on the key concepts used in the study such as IT capabilities, human capital capabilities, networking capabilities, intellectual capital capabilities, competitive advantage and performance aimed at enhancing their understanding and the relationship that exist among them. This section therefore reviewed literature on studies conducted by other scholars relating to strategic capabilities, and organizational performance.

#### **2.3.1 Information Technology Capability and Performance**

Sabherwal and Kirs (1994) sought to establish the alignment between organizational critical success factors and information technology capability in academic institutions using survey data from 244 large academic institutions in the united states concluded that alignment positively influenced the performance and IT success in the firm. Additionally, sophisticated IT management positively affected alignment and IT success while environmental uncertainty did positively affect IT success but not alignment. Integration was found to not affect IT success and alignment. However, this study was conducted in the United States and may not be generalised among private universities in Kenya. The study did not show the relationship between IT capability and performance. Further in this study IT capability was used as the predicted variable while in the current study it was used as a predictor variable. The study thus identified both contextual and conceptual gaps.

To examine the relationship between the ability of information technology and organisation capability, Lu and Ramamurthy (2011) carried out an empirical examination of business and information systems executives in 128 firms. The results of the study showed a significant positive relationship between IT capability and

market capitalizing agility and operational adjustment agility. The research further deduced that there was a positive and significant effect of IT spending and ability on operational adjustment agility but no effect on market capitalizing ability. This study was however not sector specific and may therefore not be inferred in the current study context. In addition, the study only showed the relationship that exist between IT capability and organizational agility while this study sought to determine the relationship between IT capability and performance. Thus, contextual and conceptual gaps were identified in the study.

Mithas, Ramasubbu and Sambamurthy (2011) conducted a study on how information management capability influences firm performance. The conclusions made was that information management capability positively affects the firm's management of customers, processes and performance. The result leads to a favourable effect on human, financial, organisational and customer capital. The study findings cannot be generalized to the Kenyan context as the study was done in the USA and thus has significantly different operational characteristics. Contextual gap was identified in this study.

Liu, Zhao, Wang and Xiao (2013) conducted a study on the impact of information technology capability on the performance of the organisation. According to the results, IT capability favourably impacted in the performance of the organisation. Another finding was that the varied measures of performance and IT capability and the varied cultures had a significant impact on the relationship between the study variables but the different sources of data did not affect this relationship. However, this study was a meta-analysis of information technology literature which lacks empirical support. Thus, a methodological gap was identified in the study.

Investigating the relationship between information technology capability and the performance of an organisation, Chae, Koh and Prybutok (2014) showed that there lacked any favorable relationship between IT capability and the performance of an organization. The results were different from other studies looked at earlier results which had showed a positive relationship. In addition, in the current study, the firms that were leading in IT capability performance was no better than the ones which did not have IT capability. The results of this study were based on data collected from 1991 to 2007. The findings may thus not be applicable in present day since

technological advancement has significantly changed. In addition, the study was based on the IT industry and the findings may not be applicable in the education sector in Kenya. The study identified both methodological and contextual gaps.

Locally, evaluating the interaction between information technology capability, environmental conditions and competitiveness of consultancy firms in Nairobi County, Kenya, Tanui (2015) concluded that IT capability positively influences firm competitiveness, IT capability also positively influences firm competence while at the same time firm competence partially mediates the relationship between IT capability and firm competitiveness. The moderating influence of the environmental conditions was found to be contingent upon the behaviour of the environmental conditions. This study was conducted among consultancy firms in Nairobi County and the findings may not be applicable among private universities in Kenya. In addition, the study only focused on only one capability ignoring other capability such as human capital, networking and intellectual capability. The study therefore identified contextual and conceptual gaps.

Muthoka, Oloko, Ogutu and Orwa (2016) in a study on the impact of information technology capability in the tourism state corporations in Kenya concluded that information technology capability has a significant effect on performance of tourism state corporations in Kenya. Specifically, the study found that using IT to provide information, customer and organization interaction on IT platforms and acquiring new IT systems regularly were positively and significantly related to performance of tourism organizations. However, the results of this study were based on public sector and therefore they may not be generalized on the private sector. In addition, the study was conducted in the tourism sector while the current study was based on the education sector. The study thus identified contextual and methodological gaps.

Deya, Oloko and Orwa (2017) study showed a favorable relationship between competitive advantage and changing IT capability on the Kenyan TVET institutions found in Western Kenya. However, although this study was conducted on training institutions, this study was conducted in the western region only and the results may not be implied on all learning institutions across Kenya. Further this study showed the relationship between dynamic ICT capability and competitive advantage while the

current study sought to determine the relationship between IT capability. Thus, a methodological gap was identified.

Imbambi (2018) studied the influence of technology capability on Western Kenyan sugar firms' competitive advantage. The study results showed a positive relationship between technology capability and competitive advantage. However, the findings of the study are based on manufacturing firms while the current study was conducted on private universities. In addition, the study only showed the relationship between technology capability and competitive advantage but failed to link it to performance. In this study, contextual and methodological gaps were identified.

### **2.3.2 Human Capital Capability and Performance**

Studying the relationship between human capital capabilities and competitive advantage, Auw (2010) conducted a survey of professional service firms in Hong Kong, China and Taiwan regions. The target respondents were CEOs in these firms. Primary data was utilised in the study, collected via structured questionnaires. Telephone interviews were conducted for questionnaires that were incomplete. The study concluded that firms' human capital capabilities is positively related to its competitive advantage. However, the study was conducted in Pan-China region and therefore the findings may not be generalised in the current context. Thus the study identified that contextual gap existed. In addition, the study focused on a direct relationship existing between human capital capabilities and competitive advantage while the current study predicted a direct relationship between human capital capabilities and performance thus, a methodological gap existed.

Investigating the effects of human resource capability and internal customer satisfaction on organizational effectiveness, Chuang, Liu and Chen (2015) conducted a case study of a state-owned Company-A in which a sample of 400 respondents was conveniently selected and questionnaires distributed through mail. Data collected was analysed via partial least square (PLS) method to conclude that organizational effectiveness is a function of human resource capability (team orientation) and internal customer satisfaction. However, the study was a case study on a state owned corporation while the current study was a survey of all private companies in Kenya. Moreover, the study relied on partial least square (PLS) method while the current

study used multiple regression model which suggest existence of methodological gaps.

Khandekar and Sharma (2015) conducted a study on managing human resource capabilities for sustainable competitive advantage based on Indian global organisations. Principal research method was used targeting a random sample of 300 human resource managers from nine global organisations based in the capital, New Delhi. The study established that human resource capabilities are positively correlated with organisational performance and significant predicted sustainable competitive advantage. While the results of the study show a positive relationship between human resource capabilities and organisational performance, the study was carried out among global organisations based New Delhi while the current study was conducted among Private universities in Kenya, most of which do not have global operations. This implies that there exists a contextual gap.

Moloi (2018) conducted a study analysing the human capital capabilities in the enterprise risk management function among South Africa's public institutions. Descriptive research design was adopted in which chief risk officers public institutions were targeted. Primary data was utilised which was corrected via questionnaire. Data analysis was done through descriptive statistics to reveal that inadequate risk management processes and ineffective practices were partly responsible for the weak control environment in public institutions and could also be attributed to the capabilities of the human capital deployed in enterprise risk management functions. However, the study relied only on descriptive statistics and could therefore not be relied on making inferences. Thus, the study noted that there existed a methodological gap. Additionally, the study was conducted among public institutions in South Africa and therefore the findings could not be inferred on the current study context indicating presence of contextual gap.

Locally, in a study on utilization of human capital resource capabilities as a competitive tool in organizations for improved employee performance in courier companies in Kenya, Bartocho (2016) employed an explanatory research design targeting 2800 employees of 109 registered courier companies in Nairobi County. Simple random sampling was used to select a sample of 339 respondents. Data analysis was conducted using descriptive and inferential statistics such as correlation

and moderated regression analysis. The study concluded that human capital resource capabilities had a positive relationship but statistically insignificant influence on employee performance. However, the study aimed at predicting individual employee performance while the current study focusses on overall organisation performance indicating that a methodological gap existed. Further, the study was conducted among courier companies in Kenya while the current study was conducted among private universities indicating presence of contextual gap.

Nyabuti, Chepkilot and Zakayo (2016) studying the impact of enhancing human resource capabilities on employee performance in civil service in Kenya, conducted an extant literature review on the study variables to conclude that enhancing human resource capabilities contributes to organization performance. However, this study relied on empirical literature and therefore lacks statistical support. For this reason, the findings may not be inferred on any context. Thus, the study notes that there are methodological and contextual gaps in the study.

### **2.3.3 Networking Capability and Performance**

In a longitudinal case study of manufacturing firms in New Zealand, Chetty and Holm (2000), sought to establish the role of business networks in the internationalization of manufacturing firms. Based on Johanson and Mattson's (1988) network model, the study finds that the internationalisation traits of the market and the organisation impacted on the firm's internationalisation. It was thus concluded that Networking enable firms to get knowhow, share resources and learn from other businesses experience. However, the results of this study are based on small to medium-sized manufacturing firms which have different operational environment with learning institutions. In addition, the study was conducted in New Zealand which is a developed country while the current study was conducted in Kenya which is a developing economy. Contextual gap was identified in this study.

Cantner, Conti and Meder (2010) conducted a study on networks and innovation aimed at establishing the role of social assets in explaining the firm's innovative capacity. Based on a sample of 248 companies the conclusion was that the integration extent of a firm to its community does not explain of its innovative performance. However, cooperation that was directed at a specific objective of innovation positively affected the performance of the innovation. The findings of this study only

show a positive relationship between cooperation and innovative performance but does not consider other forms of performance inclined to private universities such as quality of programs, flexibility of programs, resource utilization and research orientation. Methodological and conceptual gaps were identified in this study.

Zacca, Dayan and Ahrens (2015) conducted a study on the impact of networking capability on small business performance in United Arab Emirates. The results were that networking capability positively impacted the creation of knowledge and that innovation and competition were important factors in the creation of knowledge and the performance of organisations. In this study a direct relationship between networking capability and knowledge creation was established. The study was based on small-sized businesses in the country of study and therefore the findings may not relate to the current study context. Methodological and contextual gaps were identified in the study.

Papastamatelou, Busch, Ötken, Okan and Gassemi (2016), study sought to determine the networking capability related factors that improved the performance of German, Chinese and Turkish companies. The study concluded that factors affecting performance varied across countries. In China what was deemed as important was trust and the sharing of data while in Turkey network coordination was more prominent while in Germany human capital resources was found to be more important. Though the findings of the research are relevant to this research, this study only focused on the factors that enhance the performance. The study therefore did not show the relationship that exist between these networking capability factors and performance. In addition, the study was not industry specific and the findings may therefore not be inferred on private universities in Kenya. Conceptual and contextual gaps were identified.

Parida, Pesämaa, Wincent and Westerberg (2017), research concluded that network relationship building does assist in explaining the innovativeness of firms and the effects this has on the sales, customers and the performance of the innovation. However, the study was only limited to network relationship and organizational innovativeness. The in the current seeks to establish the relationship between networking capability and organisational performance. Conceptual gap was identified in this study.

Srećković (2018) conducted a study on the performance effect of network and managerial capability on real estate and architecture entrepreneurial firms. Using data from Austria, Germany, and Switzerland, the study concluded that in cases of environmental uncertainties, networking capability improves the performance of architectural companies while managerial capability help in the real estate firm's performance. Although the study results are in line with the projected relationship in this study, the results are based on developed economies in Europe which are significantly different from the Kenyan context in which the current study was conducted. Contextual gap was thus identified in the study.

Analysing business benefits of social networking in gaining leverage among Kenyan media houses, Nyaga (2010), showed that majority of the media houses have social media accounts such as Facebook, twitter and YouTube profiles and they carryout advertisements on their social network profiles. This study however only focused on social media networks. In addition, the study was conducted among media houses and therefore the findings may not be generalised on private universities in Kenya. In addition, the study did not how the relationship that exist between social media and performance which call for this study to be conducted. The study found that both methodological and contextual gaps existed.

Olalo (2013) evaluated strategic business networking and competitive advantage in Kenyan large insurance firms and observed that over 90% of large insurance companies in Kenya engage with more than 5 strategic business partners. The study also established that Strategic Business Networking greatly contribute to competitive advantage. However, a contextual gap was identified in the study since the study was conducted in the service sector among insurance companies and the findings may not be inferred on private universities in Kenya because they operate in significantly different environments.

Soittara (2016) on international networks in innovation process as a source of competitiveness in small and medium sized enterprises in Nairobi City County. Using descriptive research design, the study sought to establish the role of international networks in innovation process as a source of competitiveness among the SMEs. The study concluded that absence of skilled employees in region influenced SMEs to undertake international networking, internal characteristics and capability of SMEs

contributed to innovativeness. It was also noted that international accumulation of tacit knowledge, change and elimination of boundaries inside and between organizations in the international innovation system, integration of tacit knowledge with research and development based codified knowledge contributed to innovation in the SMEs. However, this study was conducted among small and medium sized enterprises and the findings may not be generalised on private universities in Kenya. In addition, the study focused on international networks as a source of competitiveness while in this study focused on the effect of networking capability on performance. A contextual gap was identified in this study.

#### **2.3.4 Intellectual Capability and Performance**

Wu, Chang and Chen (2008) conducted a study on promoting innovation through the accumulation of social and intellectual capital and entrepreneurial orientation in Taiwanese industries. The findings showed that intellectual capital played an important mediating role while social capital and entrepreneurial orientation played moderating roles when it came to innovation. This study only considered two strategic capabilities and ignored others such as networking capability, human resource and IT capability. The study was conducted in Taiwan industries. Further intellectual capital was treated as mediating variable. Subramaniam and Youndt (2005) looked at the effects of organisation, human and social capital as categories of intellectual capital affected organisations innovative capability. The results showed that these aspects of intellectual capital selectively affected radical and incremental innovation capability. Organisation capital has appositive effect on innovative capability and human capital together with social capital positively affected radical innovative capability. Human capital was however negatively related with radical innovative capability. Social capital positively affected innovative and incremental abilities. The study ignored other strategic capabilities such as IT capability and networking capability as determinants of firm performance. However, this study was conducted in manufacturing and non-manufacturing industries in Taiwan and therefore the findings of this study may not be generalised on private universities in Kenya.

Zerenler, Hasiloglu and Mete (2008) carried out a study to determine the effect of intellectual capital and its aspects on the innovative performance of the Turkish automotive supplier industry. The study concluded that human, customer and

structure capital as aspects of intellectual capital favourably affected the performance of innovation. The study covered intellectual capital only ignoring networking capability, human resources and IT capability. Additionally, the study was carried out in the Turkish automotive industry while the current study was conducted in private Universities in Kenya manifesting a methodological gap.

Ngugi (2013) looked at the effects of intellectual capital on Kenyan SMEs development. The study variables used included innovativeness, customer and structural capital and entrepreneurial and managerial skills. The results showed that managerial skills had a positive effect on Kenyan SMEs development. This study was carried out among commercial Small and Medium sized Enterprises in Kenya while the current study was conducted in private Universities in Kenya. The findings of this study therefore cannot be generalized to private Universities. The study established that a contextual gap existed.

Njuguna (2014) studied intellectual capital and financial performance of Kenyan state corporations. The study applied a census method to sample the respondents and therefore the study targeted all the 192 parastatals who were the respondents. The study used primary data, which was collected through self-administered questionnaires. The findings of the study indicate that the company culture, which contains valuable practices of conducting business, is the major benefit resulting from organizational intellectual capital. The findings also indicated that employees being very highly skilled in their jobs as the major way of human capital to improve the firm's performance. This study was conducted among Parastatals in Kenya which are in the public sector and its findings may not be applied in the private universities. There was a contextual gap identified in this study.

Mungai (2014) sought to establish the relationship between intellectual capital and operational performance of commercial banks in Kenya. This study adopted descriptive research design based on the key areas of interest. A survey methodology was applied to collect quantitative information from the study population. The target population for this study included the 44 commercial banks operating in Nairobi as at December 2013. The study adopted a census approach collecting data from all the commercial banks in Nairobi since the population is not big. Quantitative data on banks perception of intellectual capital was analysed using descriptive statistics such

as frequencies, percentages, mean scores and standard deviation. In addition, multiple regression analysis was used to measure the strength of the relationship between the dependent and independent variables. The study established that intellectual capital affects the operational performance of commercial banks in Kenya largely. From the study findings, the study concluded that professional competence, employee skills, leadership ability and employee motivation affect the operational performance of the commercial banks in Kenya. The focus of this study was on operational performance of commercial banks in Kenya and not on strategic capabilities and therefore the study findings may not apply in private Universities in Kenya. The study thus identified a methodological gap.

Ochieng (2015) studied the influence of intellectual capital on the performance of small and medium enterprises a case of Mombasa county Kenya. The results showed that management's technical capability impacted the SMEs performance followed closely by managerial experience. Drive to entrepreneurship also affected the development of SMEs followed by risk taking. This study was conducted in only one county out of the 47 counties in Kenya. Therefore, its findings cannot be applicable to the whole country. In addition, this study was conducted among product oriented of small and medium enterprises and therefore the findings cannot be inferred in the educational sector. The current study focused on the effect of strategic capabilities on organisational performance. Based on this study a methodological gap was identified.

Kariuki, K'Obonyo and Ogutu (2015) studied the relationship between intellectual capital and performance of firms listed on Nairobi securities exchange. Based on a survey of 50 firms listed on Nairobi Securities Exchange, this study examines the relationship between intellectual capital (human capital, social capital and organizational capital) and organizational performance. In order to test the study's hypotheses and their effect on organizational performance, a series of hierarchical multiple regression models were performed. The study found that there was significant relationship between social capital, organizational capital and non-financial performance. The study sought to establish if intellectual capital is a factor of performance of firms listed on Nairobi securities exchange. The study therefore considered only one component of strategic capabilities. The current study focused on private universities in Kenya. the study identified both conceptual and contextual gap.

### **2.3.5. Effect of Strategic Capabilities on Competitive Advantage**

Magutu, Kipchumba, Chepkuto and Nyaoga (2010) looked at knowledge management as source of sustainable competitive advantage. The study established that the Egerton University farms were surpassed by the private farms in terms of profits. When it came to milk and crop productivity, the private farms were more productive. The private farms were more information aware compared to the Egerton University farms, which made the former more competitive. This study only covered one element of strategic capabilities. Secondly, the study was based on Egerton University, which is a public university while the current study was based on all private universities in Kenya.

Leonidou, Leonidou, Fotiadis, and Zeriti (2013) study showed that having enough physical and IT capability was very helpful when it came to the effective use of green marketing methods. Additionally, response and sensing capability together with shared technology and vision led to a sound environmentally friendly marketing method. The use of such methods led to competitive advantage, which improves the financial performance of the firm. A stronger effect was found on competitive advantage when it came to environmental marketing methods while market changes affected CA moderately. The study focused on resources capability as drivers of hotel environmental marketing strategy. The study was done in the hotel industry while as the current study focused on strategic capabilities and their effects on organisational performance. The study also used market dynamism as a moderating variable while organizational culture was used as the moderating variable in this current study. a methodological and contextual gap was identified in this study.

Njoroge (2014) studied the effects of organizational resources, competitive advantage on Kenyan mobile phone industry firm's performance. The study sought to examine the effects of organizational resources, competitive advantage and performance of mobile phone industry in Kenyan perspective. The study concluded that organizational resources help the firm to gain competitive advantage over competition, which enables the firm to achieve superior performance. This study was carried out in four mobile phone companies in Kenya and therefore suffers from generalizability. Thus the study noted that a contextual gap does exist.

Minja, Gachanja and Mutunga (2015) studied resource configurations on sustainable competitive advantage of Kenyan food and beverage companies. The targeted companies were 95 of the 138 firms registered by the Kenya Association of Manufacturers. The researcher used a standard questionnaire and purposive judgemental sampling where firms that were in Nairobi and Mombasa were sampled. The study's independent variables were intangible resources such as strategic planning, information management, knowledge, structure and culture of the firms. The results showed that organisational structure was essential whose aspects were there employees of the firm, communication patterns and individuals in the firm and the process of decision making as a source of the organisations CA. Though relevant to the current study, this study was conducted in the manufacturing sector and its findings may therefore not be applicable in private universities indicating presence of a contextual gap.

Wanjiku (2016) carried out a study on strategic capability for sustainable competitive advantage of Kenyan insurance companies. The study was undertaken to determine the strategic capability present in the insurance industry in Kenya and the extent to which they achieve a sustainable competitive advantage. The study was conducted through a survey of all the 49 insurance companies in Kenya and data was gathered through questionnaires, which were distributed, to all insurance companies. The results indicated that the main strategic capability that sustain a competitive advantage in insurance companies in Kenya are advanced technology, effective marketing skills, quality customer service, efficiency in claim settlement and product diversity. The study concluded that the survival and development of insurance firms is highly dependent on the strategic capability they each possess and how well they are executed. It also concluded that most insurance firms are more concerned with the value and rarity found in their strategic capability as opposed to how easy to copy or substitute they are. The study concentrated on strategic capability as a source of sustainable competitive advantage. This study was conducted in the insurance industry while the current study focused on private universities in Kenya. The current study focused on strategic capability and its effects of private Universities. The study thus identified a conceptual and a contextual gap.

### **2.3.6. Effect of Competitive Advantage on Performance**

Waithaka (2012) carried out an investigation of strategies for competitive advantage and their effect on performance of tea processing companies in Kenya. The objective of the study was to establish the strategies for competitive advantage used by tea processing companies in Kenya and their effect on performance of these firms. The population of the study was all green tea processing companies in Kenya that manufacture black Cut, Tear and Curl (CT) teas. From the findings, tea processing firms have embraced strategies that are geared towards achieving either cost leadership, differentiation or focus for which each has achieved different levels of success on their application. Only a few firms have succeeded in their application of strategy and the rest have encountered challenges in pursuing the strategy. This study was done in the agricultural sector while the current study was done in the education sector. Competitive advantage was used as the independent variable and in the current study it is the mediating variable.

Ilovi (2011) conducted a study on sustainable competitive advantage in the Kenyan insurance industry. The aim of the research was to determine the ways in which Kenyan insurance firms created competitive advantage and the challenges they were facing while doing so. The findings showed that many of the Kenyan insurance firms were using cost leadership to gain CA. The findings also revealed that all the firms no matter the competitive strategy they adopted were faced with utilization of the strategy problems. This study focused more on the sources of competitive advantage and failed to show the relationship between sustainable competitive advantage and firm performance. The study was conducted in insurance industries while the current study was conducted in private universities in Kenya. The current study also focused on the mediating role of competitive advantage on the effect of strategic capabilities and performance. thus a methodological gap was identified.

Oyiela (2011) conducted a study on competitive strategies and performance of 43 Kenyan commercial banks. This study aimed at determining the influence of competitive strategies to the firm's performance. The study used a survey study to assist in achieving the objectives of the study. Primary data was collected by use of a structured questionnaire. Measures of central tendency and dispersion, proportions and percentages were used to describe the data. Pearson correlation analysis was used

to examine the relationship between independent variables and the dependent variable. The study established that competitive strategies enable commercial banks remain competitive, which led to better performance. The study was done in the banking sector but this research was done in private universities and therefore a contextual gap was identified.

Wandia (2013) conduct a study talent management as a source of competitive advantage at symphony (K) ltd. The findings revealed that talent management greatly impacted the organisations financial performance and this was indicated by rise in revenue, productivity, and market share increase after the use of the strategy. The study failed to show the relationship between other strategic capabilities and competitive advantage. Therefore, a conceptual gap was identified.

Tomno (2014) studied the relationship between competitive strategies and performance of Kenyan microfinance institutions. This study aimed at determining the relationship between competitive strategies and performance of MFI in Kenya. The study used a survey for primary data collection. Data was collected from Microfinance firms. The population of the study consisted of 61 MFI in the AMF association at 31st August 2014. Descriptive statistics were also used. Linear and multiple correlation analysis was used to examine the relationship between independent variables (Firm performance). The study found that, cost leadership strategies, differentiation strategies and focus strategies have effect on performance of microfinance in Kenya. The research was done among microfinance institutions in Kenya while the current study was conducted among private universities indicating the existence of contextual gaps.

Rabah (2015) studied the effect of competitive advantage on organizational effectiveness in Higher Education Institutions (HEI) based on Kabarak University. The purpose of this study was to examine how competitive strategies can be successfully developed and implemented in Kabarak University. The study applied both descriptive and explanatory research design with a survey strategy. Simple random sampling technique were used for this study where a comprehensive survey of the all population was conducted of the entire University's senior administrative staff. The study concluded that competitive advantage helps HEI to be efficient since they concentrated on processes that are both effective and efficient to maintain their

competitive position. However, this study was conducted in only one private University and its findings may not be inferred on all private Universities suggesting presence of contextual gap.

### **2.3.7. Effect of Organizational Culture on Performance**

Yesil and Kaya (2013) studied the effect of organizational culture on firm financial performance. According to the findings of the analysed data, there was no notable effect of organisational culture dimensions on the organisation's financial performance. The research was based among business firms in Turkey and the results cannot therefore be inferred on private Universities in Kenya. In addition, the study sought the relationship between organizational culture and financial performance. In this study performance was measured using non-financial measures.

Büschgens, Bausch and Balkin (2013) studied the relationship between organizational culture and innovation. The research that was made up of meta-analysis of 43 studies and a sample from 6341 firms found out that Quinn and Rohrbaugh's Competing Values Framework is a structure that can be used to identify the firm's culture. The results showed that innovative firm managers often used a developmental culture, which was more oriented on eternal orientation. The study further revealed that the relationship between culture and innovation was not affected by the differentiation between incremental and radical innovation. This study was conducted in Giessen, Germany which is a developed country and therefore the findings may not be applicable in a developing country like Kenya. In addition, the study used secondary data which may be out dated while the current study used primary data. Thus, a methodological gap exists.

Pioch and Gerhard (2014) studied organizational culture as differentiator in international retailing. The study findings showed that retailers' cultures become homogenized within and between nations, which support existence of industry-specific cultures. At the same time, the results challenged the resource-based view, which sees culture as a source of competitive advantage. The study focused on organizational culture as the independent variable while it was considered as a mediating variable in the current study. Additionally, this study was conducted in Ukraine and therefore its findings may not be applicable in Kenya. Thus, there is a contextual gap.

Aksoy, Apak, Eren and Korkmaz (2014) conducted an analysis of the effect of organizational learning-based culture on efficiency, job satisfaction and performance in Turkey's banking sector. The goal of the study was to know the bank employees' opinions when it came to the culture and learning of the banks. The findings indicated that factors like communication, cooperation, risk taking, participation, innovation, synergy, satisfaction in the workplace and integrity affected organisational learning, culture, performance, and efficiency. The study was poorly structured with three dependent variables. In addition, the study was conducted in the banking sector while the current study was conducted among private universities in Kenya. Thus a methodological gap and contextual gap exists.

Gu, Hoffman, Cao and Schniederjans (2014) studied the effects of organizational culture and environmental pressures on IT project performance. The research sought to look at competitive and regulatory environmental pressures and the aspects of organisational culture namely leadership risk tolerance, positive work environment, results and institutional collectivism. The study looked at the effect of environmental pressures on the relationship between the performance of the projects and the culture of the firm findings from the data from China and USA showed that the relationship of the named variables is to moderate Extent influenced by environmental pressures. This study was a cross-sectional carried out in United States and China while the current study was conducted among private Universities in Kenya indicating the presence of methodological and contextual gaps.

Hogan and Coote (2014) studied the interaction between organizational culture, innovation, and performance. The results were in agreement with the hypothesized relationships. Organisation culture specifically artefacts, norms and innovation lead top value and improved firm performance. This study ignored strategic capabilities such as networking capability, human resource, intellectual capital, and IT capability. In addition, the study was conducted in Australia while the current research is based in Kenya. Thus, a contextual gap exist.

Locally, Aberi (2012) studied the relationship between organizational culture and the performance of secondary schools in Gucha district. Specifically, the study sought to identify the set of core values, beliefs and practices and the extent to which they were upheld by members, to establish the level of performance of secondary schools in

national examinations and to determine the relationship between the cultural components and the performance of the schools. The population was all head teachers of secondary schools in Gucha district, their deputies and academic heads of department. Stratified sampling of schools was done to get the sample of schools while the respondents were sampled purposively. The researcher used questionnaires and observation schedules to collect both qualitative and quantitative data. The study concluded that there is direct positive relationship between organizational cultural components and performance of secondary schools in national examinations. The study sought to establish the relationship between organizational culture and the performance of secondary schools in Gucha district. The findings are thus applicable in secondary schools in Gucha district only and may not be inferred on private universities in Kenya indicating presence of contextual gaps.

Isaboke (2015) sought to determine the influence of organization culture on strategy implementation in selected Universities. The targeted population were staff members of the Technical University of Mombasa and Pwani University. Only 103 staff members using proportionate stratified sampling technique. The findings revealed that the culture of the firm affected the use of strategies in universities. This study was conducted in only one public university in Kenya and the findings may not be applied to all universities. Thus, a methodological gaps exist.

Mbuvi (2013) studied the influence of organizational culture on commitment of non-teaching employees in public universities of Kenya. The purpose of this study was to examine the influence of organizational culture on commitment of non-teaching employees of public universities in Kenya. Specifically, the study examined four dimensions of organizational culture namely: teamwork, communication, recognition and training on commitment of non-teaching employees towards public universities in Kenya. The target population consisted of all non-teaching employees at Kenyatta University totalling to 1771. The research findings showed that all the four dimensions of organizational culture (teamwork, recognition, training, and communication) are positively associated with commitment of non-teaching employees of public universities. This study focused on public Universities whose work environment is significantly different from private universities and its findings

may therefore not be applicable in this case. Additionally, the study was only carried out in one university indicating that there exist a methodological and contextual gap.

Kiiru (2014) conducted a study on the influence of organizational culture on performance of hospitals in Nairobi, Kenya. The study adopted a descriptive survey research design and the target population was the management staff, doctors and nursing staff of the selected hospitals in Nairobi, which are 13. Purposive and stratified random sampling were used in selecting the respondents. Descriptive techniques of simple percentages and arithmetic mean were used for data analysis. The findings revealed that organizational values, employees' attitudes and cultural traits influence performance such as employee satisfaction, the quality of their services, their revenue growth, and overall performance in a positive way. The study concentrated on strategic human resource management practices and performance of Parastatals in Kenya indicating presence conceptual and contextual gaps.

Mugo, Minja and Njanja (2015) studied the mediating effect of culture on management succession and corporate growth strategy among local family businesses in the manufacturing sector in Nairobi County, Kenya. The study results showed that culture impacted on the process of decision making since the shared values and beliefs led to consistent assumption and preferences among the members of the firms. However, the variables of focus in the study were significantly different from those of the current study indicating that a methodological gap as well as a contextual gap exists in the study.

The reviewed literature posits that although culture is necessary for the organization to achieve superior performance, it could also be an obstacle to the firm's strategy execution (Yesil & Kaya, 2013). The reason is that a firm's culture might not favour what is needed to utilize a given strategy (Daniels, 2012). This implies that companies should audit their culture with a view to establish a tight culture strategy alignment. The audit should help pinpoint aspects of culture that are not supporting the implementation of a strategy. Further to that, when a culture is not in support with the actions and behaviours needed for superior performance, there is need to change the culture. Additionally, Hogan and Coote (2014) addressed the need for cultural feedback, evaluation and change in a bid to align it with the desired culture. The study concluded that there are some cultural aspects that could improve the performance of

the firm and that culture was related to the strategy taken up by the firm more so in its implementation. The study was conducted among local family businesses in the manufacturing sector while the current study was conducted among private Universities in Kenya.

#### **2.4 Summary of Empirical Review and Knowledge Gaps Identified**

Based on the reviewed empirical literature it comes out clearly that there is a gap in literature. Many of the studies conducted previously have considered only one strategic capability or have not considered strategic capabilities as a construct in totality. The current study however has disintegrated strategic capabilities in to its constituent components such as IT capability, human capital capability, networking capability and intellectual capability.

Table 2.1 below presents a summary of the empirical literature review on the main variables of the study. Specifically, the table summarizes IT capability, human capital capability, networking capability, intellectual capability, competitive advantage, organizational culture and organizational performance.

**Table 2.1: Research Gaps**

Author/s	Variables of the study	Research Finding	Research gaps	Focus of Current Study
Sabherwal and Kirs (1994)	Organizational critical success factors information technology capability	Alignment facilitates both perceived IT success and organizational performance. Sophisticated IT management facilitates both alignment and perceived IT success.	IT capability was used as the predicted variable. The study did not show the relationship between IT capability and performance. The study was conducted in the united states.	This study focused on the relationship between IT capability and performance. IT capability was used in this study as a predictor variable
Wu, Chang and Chen (2008)	Innovation Intellectual capital, Social capital, Entrepreneurial orientation	The findings are in support of the mediating and moderating roles provided by intellectual capital and the entrepreneurial orientation and social capital on innovation respectively	The study ignored other strategic capabilities such as IT capability and networking capability as determinants of firm performance. However, this study was conducted in manufacturing and non-manufacturing industries in Taiwan and therefore the findings of this study may not be generalised on private universities in Kenya.	This study in addition to intellectual capital, considered networking capability, human resource and IT capability. Further, the study factored the effect of these resources on competitive advantage and firm performance. In addition, this study was conducted in the education sector
Magutu, Kipchumba, Chepkuto and Nyaoga (2010)	Knowledge management Sustainable competitive advantage	The study found out that private farms were more productive, profitable and more informed compared to Egerton University farms	This study only covered one element of strategic capabilities. Secondly, the study was based on Egerton University, which is a public university while the current study was based on all private universities in Kenya.	This study included other strategic capabilities such as human resource, networking capability and IT capability. Additionally, the study was conducted in the private sector.
Oyiela (2011)	Competitive strategies Performance	The study established that competitive strategies enable commercial banks remain competitive, which in turn result in better performance.	This study was conducted in the banking sector and failed to show the relationship between the various strategic capabilities and firm performance	This study sought to determine how strategic capabilities affect firm performance in private universities as opposed to effect of competitive strategies on performance of commercial

				banks
Yesil and Kaya (2013)	Organizational culture Financial performance	The findings revealed that there was no notable relationship results showed that organisational culture dimensions have no effect on firm financial performance	This study was conducted among business firms in Turkey and the results cannot therefore be inferred on private Universities in Kenya. In addition, the study sought the relationship between organizational culture and financial performance. In this study performance was measured using non-financial measures.	In the current study institutional culture was used to moderate Extent the relationship between strategic capabilities and firm performance. Further, the study was conducted among private Universities in Kenya.
Büschgens, Bausch and Balkin (2013)	Organizational culture Innovation	The relationship between culture and innovation was analysed using a moderator analysis and the results showed that there was no effect of the differentiation between incremental and radical innovation and there was very weak proof that adoption of innovation affected its generation.	This study was conducted in Giessen, Germany which is a developed country and therefore the findings may not be applicable in a developing country like Kenya. In addition, the study used secondary data which may be out dated while the current study used primary data.	The current study was conducted among private Universities in Kenya where institutional culture was used to moderate Extent the relationship between strategic capabilities and firm performance.
Isaboke (2015)	Organization culture Strategy implementation	The results indicated that organizational culture had an influence on strategy implementation in institutions of higher learning	The study had strategy implementation as its dependent variable and culture as independent. Additionally, the study was conducted in only one public university in Kenya and the findings may not be applied to all universities.	The current study treated culture as a moderating variable in the relationship between strategic capabilities and firm performance. Further, the study was based on all private Universities in Kenya
Mbuvi (2013)	Organizational culture	The research findings showed that all the four dimensions of	This study focused on public Universities whose work	The current study considered other strategic capabilities

		organizational culture (teamwork, recognition, training and communication) are positively associated with commitment of non-teaching employees of public universities.	environment is significantly different from private universities and its findings may therefore not be applicable in this case. Additionally, the study was only carried out in one university.	other than human resource. In addition, the study considered teaching staff and not non-teaching staff. Moreover, the study was carried out in all private Universities in Kenya
Kiiru (2014)	Strategic human resource management practices Performance of Parastatals in Kenya.	The study found that there is a significant relationship between strategic human resource management practices and performance.	However, the study considered strategic human resource management practices, which is only one component of strategic capabilities. In addition, the study focussed on performance of Parastatals in Kenya which are in the public sector and may therefore not be applicable in the private Universities.	This study considered other strategic capabilities such as IT capability, networking capability and intellectual capital and in addition mediate the relationship using competitive advantage and moderate Extent using institutional culture in private Universities in Kenya.
Njoroge (2014)	Organizational resources  Competitive advantage  Firm's performance	The study concluded that organizational resources help the firm to gain competitive advantage over competition, which enables the firm to achieve superior performance.	This study was based on organizational resources but did not attempt to determine which among them is strategic or not. Further the study was carried out in four mobile phone companies in Kenya and therefore suffers from generalizability	This study only considered firm resources that are of a strategic nature among IT capability, human resource, intellectual capital and networking capability. The study also considered the interaction effect of institutional culture and competitive advantage.
Njuguna (2014)	Intellectual capital  Financial performance	The findings of the study indicate that the company culture, which contains valuable practices of conducting business, is the major benefit resulting from organizational intellectual capital. The findings also	This study only focussed on financial performance and not overall firm performance. In addition, the study assumed a direct relationship only exist between intellectual capital and firm performance. Finally, the study was conducted in the public	The current study measured performance using the balanced score card approach. Additionally, the study included a moderator and a mediator. Further, the study was conducted in the private sector among Universities in

		indicated that employees being very highly skilled in their jobs as the major way of human capital to improve the firm's performance.	sector in Kenya	Kenya.
Hogan and Coote (2014)	Organizational culture Innovation Performance	The findings revealed that organisation culture more so innovative behaviours, artefacts and norms acted as a mediation factor to values that are in support of the measures of innovation performance in organisations.	This study ignored strategic capabilities such as networking capability, human resource, intellectual capital and IT capability. In addition, the study was conducted in Australia while this research is based in Kenya.	This study sought to establish the effect of strategic capabilities on organisational performance. The study had institutional culture as the moderator
Minja, Gachanja and Mutunga (2015)	Resource configurations Sustainable competitive advantage	The results showed that the structure was important especially its aspects of the employees of the firm as a form of communication and relations between the employees and as a key contributor to decision making which led to improvement in the organisation's performance	Though relevant to the current study, this study focused on resource configuration and not strategic capabilities. Further, the study failed to show the link between resources and firm performance. In addition, competitive advantage was used in this study as the regressed variable. Moreover, the study was conducted in manufacturing sector.	This study had competitive advantage as a mediator. Secondly, the study was based on strategic capabilities and not resource configuration. Finally, the study was conducted in private universities in Kenya.
Ochieng (2015)	Intellectual capital Performance of small and medium enterprises a case of Mombasa county Kenya	The findings show that management's technical skills and experience affected the SMEs performance.	This study was conducted in only one county out of the 47 counties in Kenya. Therefore, its findings cannot be applicable to the whole country. In addition, this study was conducted among product oriented of small and medium enterprises and therefore the findings cannot be inferred in the educational sector.	The current study included other strategic capabilities such as networking capability, financial and human resources. In addition, the study considered institutional culture and competitive advantage as moderating and mediating variables respectively in private

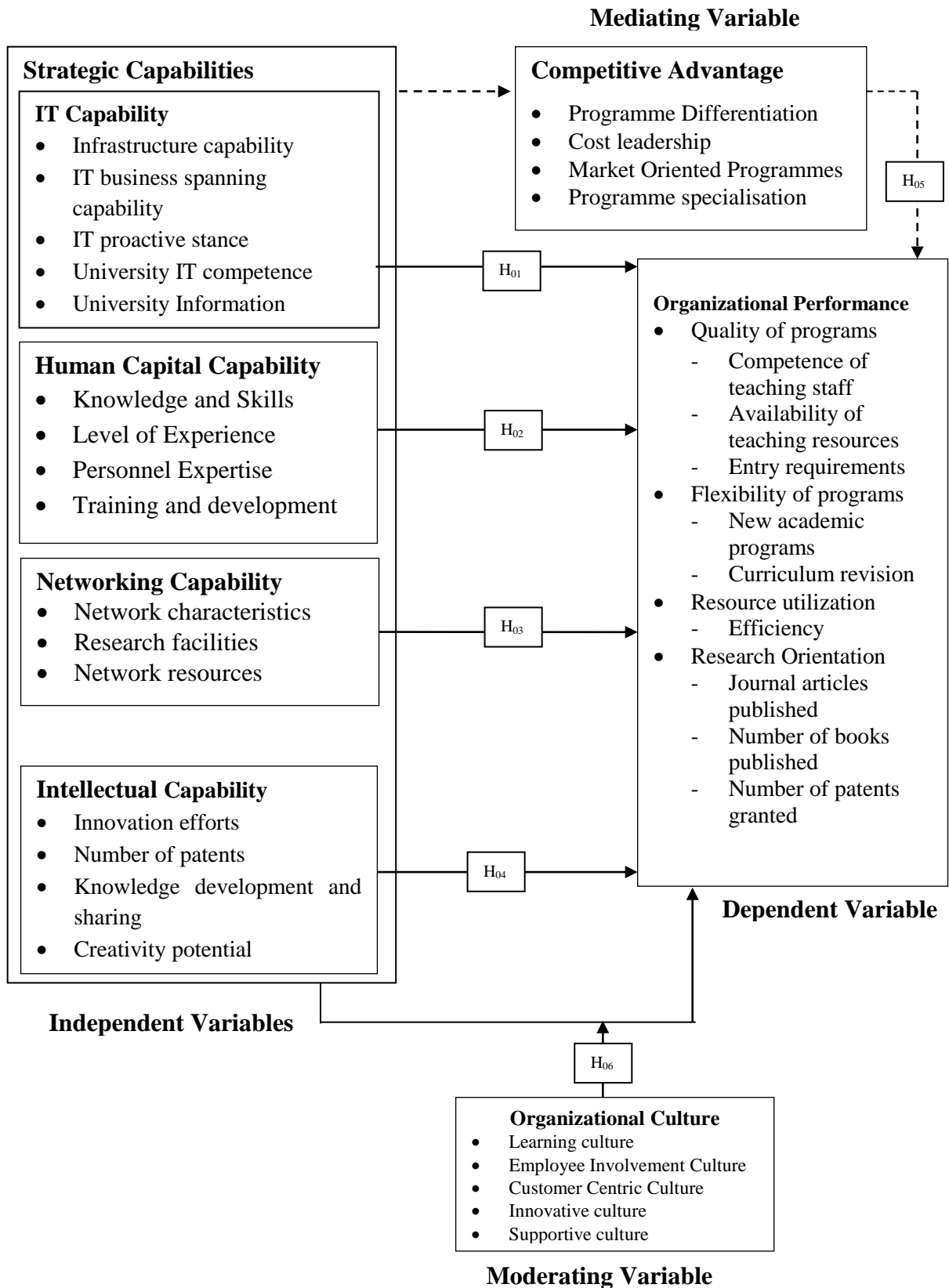
				universities in Kenya.
Rabah (2015)	Competitive advantage Organizational effectiveness	The study concluded that competitive advantage helps HEI to be efficient since they concentrate on processes that are both effective and efficient to maintain their competitive position.	This study failed to show the relationship between strategic capabilities and firm performance. The study used competitive advantage as the independent variable and organizational effectiveness as the measure of performance. Additionally, the study was conducted in only one private University and its findings may not be inferred on all private Universities	In the current study, competitive advantage was treated as a mediator. Performance in this study was measured using balance scorecard. Finally, the current study was conducted among all private Universities in Kenya.
Zacca, Dayan and Ahrens (2015)	Networking capability Small business performance	the study showed that NC is positively related to knowledge creation and that competitive aggressiveness and innovativeness are essential factors that act as mediators between the performance of the organisation and knowledge creation	, the study was based on small-sized enterprises within the United Arab Emirates and therefore the findings may not relate to the current study context.	This study sought to establish the relationship between networking capability and organisational performance.
Papastamatelou, Busch, Ötken, Okan and Gassemi (2016)	Network capability Firm performance across cultures	The study concluded that factors affecting performance varied across countries. In China trust and information sharing were regarded as important, in Turkey network coordination was more prominent while in Germany human capital resources was found to be more important.	This study only focused on the factors that enhance the performance. The study therefore did not show the relationship that exist between these networking capability factors and performance.	This study focused on other capability such as IT capability, human capital and intellectual capital.

Imbambi (2018)	Technology capability Competitive advantage	There is a positive relationship between technology capability and competitive advantage	The findings of the study are based on manufacturing firms. The study used Descriptive and correlational analysis only. The study only showed the relationship between technology capability and competitive advantage but failed to link it to performance.	This study was based on private Universities in Kenya. The focus of the current study is the relationship between IT capability and performance.
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Source; Author and Literature Review (2017)

## **2.5 Conceptual Framework**

Based on the reviewed literature the study developed the conceptual framework shown in figure 2.1. The conceptual framework shows the expected relationship between the study variables. In this study it strategic capabilities were hypothesised to be independent variables which included IT capability, human capital capability, networking capability and intellectual capability. It is also hypothesised that the relationship between strategic capabilities and performance of private universities is mediated by competitive advantage while at the same time it is moderated by organisation culture.



**Figure 2.1: Conceptual Framework**

**Source: Author (2018)**

From the conceptual framework above, strategic capabilities was the independent variable which was operationalized using IT capability, human capital capability, networking capability and intellectual capability. Organizational performance was the dependent variable and was operationalized using quality of programs, flexibility of programs, resource utilization and research orientations. The mediating variable was competitive advantage which was measured through programme differentiation, cost leadership, market oriented programmes and programme specialization, whereas organizational culture was the moderating variable which was operationalized through learning culture, employee involvement culture, customer centric culture, innovative and supportive culture.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The current chapter gives the methodology used to meet the objectives of the study. The chapter is made up of the research philosophy and design, the target population, sampling procedure and design, the research tool, validity and reliability of the research tool, data collection method, analysis of the data and ethical considerations.

#### **3.2 Research Philosophy**

The research used a positivist research philosophy. Creswell (2009) recommends this philosophy as it makes it easier to determine probable effects (Mertens, 2005; Creswell, 2009). Positivism according to Martins can be used on the social phenomenon assuming that social phenomenon can be studied as the natural world while using techniques that give casual explanations. This method helps explain relationships by noting causes that affects results giving a basis for generalisation and prediction.

The research sought to provide an explanation on the relationship between strategic capabilities and organisational performance. Further, the research used quantitative data to come up with factors that impact performance results. As Creswell (2009) notes, the major assumption of the positivist philosophy is that firms are rational and they seek rational explanations and solutions to their rational challenges. Research using this philosophy is often combined with quantitative methods that helping the collection of data. However, in some cases some researchers use qualitative techniques.

It is important for a researcher to choose the research philosophy he or she is going to use as this helps determine the strategy to be used in the research. The researcher is also able to determine the best methodology to use among the available options (Johnson and Clark, 2006). In addition, a research paradigm uses shared values, assumptions, practices and concepts. McNabb (2008) notes that there are three research paradigms; the realism, interpretivism and positivist paradigms, which assist the researcher to understand the research topic.

### **3.3 Research Design**

A cross-sectional descriptive research design was used for this research. Marshall and Rossman (2014) points out that, a descriptive survey is concerned with the process of data collection to help in the study hypothesis testing and answer the research questions. Further, a descriptive research seeks to establish who, what, where, when and how much of the event. Using the descriptive survey design, the researcher will be able to describe the variables of study and derive predictive regression models for predicting dependent variables. This design was used because the study attempted to describe strategic capabilities, competitive advantage, organizational culture and performance in private universities in Kenya. Hence, the design was selected to satisfy the aspect of the study (Sekaran, 2011). The cross-sectional design was used because the data was collected at one point in time. Hence, the responses obtained apply only for period under study.

Research design according to Lewis (2015) is the roadmap to achieve research objectives. Yin (2013) observed that the research design should be based on the purpose research and research questions. Therefore, the purpose of the research should be the starting point to develop a research design because it provides an important clue about the substance that a researcher is aiming to assess. Saunders (2011) views a research design as the research plan that the researcher intends to use to obtain answers to research questions in an understandable manner. Descriptive research design has also been used in past research studies (Kyengo, Muathe & Kinyua, 2019; Oketch, Kilika & Kinyua, 2020, Kisilu & Kinyua, 2020).

### **3.4 Empirical Model**

Diverse models can be used for the analysis of quantitative data such as regression analysis, discriminant analysis, logit and probit. According to Field (2009), discriminant analysis, Logit and probit models are most suitable for circumstances where the dependent variable is binary in nature. However, regression analysis is suitable for continuous variables. In this research, performance was considered as a continuous variable and thus regression analysis was used as recommended by Field. Multivariate analysis helps in determining the relationship between the study variables in an attempt to determine each of the predictor variables strength. For the

empirical model, IT capability, human capital capability, networking capability and intellectual capability was regressed on university performance as shown;

$$UP = \beta_0 + \beta_1 ITC + \beta_2 HCC + \beta_3 NC + \beta_4 INC + \varepsilon \dots\dots\dots 1$$

Where: -

**UP** = Composite Index for University Performance

**$\beta_0$**  =Constant

**$\beta_1, \beta_2, \beta_3 \& \beta_4$**  = Beta Coefficients

**ITC** = Composite Index for IT Capability

**HC** = Composite Index for Human Capital

**NC** = Composite Index for Networking capability

**INC** = Composite Index for Intellectual Capability

**$\varepsilon$**  =Error Term

The researcher adopted causal steps approach that uses various models to seek if mediation exists (Judd & Kenny 1981; Baron & Kenny, 1986; Muller, Judd & Yzerbyt, 2005; Hayes, 2009). The first model 2 helps determine if there is a relationship between strategic capabilities which is the independent variable and performance which is the dependent variable and also determines if there is was an effect that can be mediated.

Performance was regressed on strategic capabilities and the significance ( $r^2$ ) of the relationship noted.

$$UP = \beta_0 + \beta_1 SC + \varepsilon \dots\dots\dots 2$$

In Model 3, Competitive advantage was regressed on strategic capabilities and the significance of the relationship noted.

$$CA = \beta_0 + \beta_1 SC + \varepsilon \dots\dots\dots 3$$

In Model 4, University performance was regressed on competitive advantage and the significance of the relationship noted.

$$UP = \beta_0 + \beta_1 CA + \varepsilon \dots\dots\dots 4$$

In the fifth model university performance was regressed on strategic capabilities and competitive advantage and the significance level noted.

$$UP = \beta_0 + \beta_1 SC + \beta_2 CA + \varepsilon \dots\dots\dots 5$$

Where; **UP** = Composite Index for University Performance

$\beta_0$  = Constant

$\beta_1$  &  $\beta_2$  = Beta Coefficients

**SC** = Composite Index for Strategic capabilities

**CA** = Composite Index for Competitive Advantage

$\varepsilon$  = Error Term

The decision on the mediation relationship was based on the p-value of the beta coefficients in the models. If the p- value for B<sub>1</sub> in model 2 is (p > 0.05) then there is no conclusion of mediated relationship. If p- value for B<sub>1</sub> in model 3 is (p ≤ 0.05) then there is a partially mediated relationship. If in model 4 the p- value for B<sub>1</sub> is (p ≤ 0.05) then there is partial mediated relationship. If in model 5 the p- value for B<sub>1</sub> is (p > 0.05) but the p- value for B<sub>2</sub> is (p ≤ 0.05) then there is a fully mediated relationship.

The moderating effect of organizational culture on the zero-order correlation between strategic capabilities and performance was tested as guided by the two models presented below. Whisman and McClelland (2005) pointed out that if there is a total effect that needs to be moderated, the test would be characterised by testing if the interaction term coefficient differs statistically from zero.

Model 6, Regress Firm Performance on strategic capabilities and note the r square (r<sup>2</sup><sub>1</sub>)

$$UP = \beta_0 + \beta_1 SC + \varepsilon \dots\dots\dots 6$$

Model 7, Introduce organizational culture, and note the new r square (r<sup>2</sup><sub>2</sub>)

$$UP = \beta_0 + \beta_1 SC + \beta_2 OC + \beta_3 SC * OC + \varepsilon \dots\dots\dots 7$$

Where; **UP** = Composite Index for University Performance

$\beta_0$  = Constant

- $\beta_1$  &  $\beta_2$  = Beta Coefficients
- SC = Composite Index for Strategic capabilities
- OC = Composite Index for Organizational Culture
- $\epsilon$  = Error Term

The decision on the moderating effect was based on MacKinnon, Fairchild and Fritz (2007) and Fairchild and MacKinnon (2009). The difference in the r square ( $r^2_1 - r^2_2$ ) represents the moderating effect of organisation culture. Note the level of significance of beta coefficient (at  $p \leq 0.05$ ) for the interactive term. If  $p \leq 0.05$ , the  $H_0$  was rejected and if  $p > 0.05$ ,  $H_0$  was accepted.

### 3.5 Target Population

A target population is classified as all the members of a given group to which the investigation is related, whereas the accessible population is the target population within the reach of the study (Neuman & Robinson, 2014). The research targeted all thirty one (31) private universities in Kenya as at 31<sup>st</sup> December 2016 as shown in appendix III. The study population is summarized in table 3.1 below.

**Table 3.1: Target Population**

Functional Area	Frequency	Percentage
Faculty Deans	157	62.1
Registrar administration and finance	31	12.3
Human resources managers	47	18.6
IT managers	18	7.1
<b>Total</b>	<b>253</b>	<b>100.0</b>

Source: Author (2019)

Owing to the small number of private universities in Kenya, this study conducted a census of all the private universities in Kenya. Oakes (2017) definition of a census is a combination of data from the population under study. According to Cohen, Manion and Morrison (2013) a census is used when an accurate information for many subdivisions of the population is desired and when the population is not so large to be cost prohibitive. Additionally, Marshall and Rossman (2014) noted that sample surveys are used when it is not possible or practical to do a census on each person who is part of the population. The unit of analysis for this study was all private Universities in Kenya while the unit of observation was the management which

included the faculty deans, registrar administration and finance, human resources managers and IT managers in each University.

### 3.6 Sampling Design and Procedure

Stratified sampling method was used to choose the 153 respondents who were the sample from all the private universities in Kenya representing 60% of the target population in each stratum. The sample population of 153 respondents was arrived at by calculating the target population of 253 section heads with a 95% confidence level and an error of 0.05 using the below formula adopted from Kothari (2004). According to Blumberg, Cooper and Schindler (2014), sampling is a deliberate choice of a number of people who are to provide the data from which a study draws conclusions about some larger group whom the sample represent. The sample size is a subset of the population that is taken to be representatives of the entire population (Lampard & Pole, 2015). The sampling frame for this study was faculty deans, registrar’s administration and finance, human resources managers and IT managers.

**Table 3.2: Sampling Frame and Sample Size**

<b>Functional area</b>	<b>Population</b>	<b>Sampling factor</b>	<b>Sample</b>
Faculty Deans	157	0.6	95
Registrar administration and finance	31	0.6	19
Human resources managers	47	0.6	28
IT managers	18	0.6	11
<b>Total</b>	<b>253</b>		<b>153</b>

**Source: Author (2019)**

Proportionate stratified sampling of respondents was undertaken on the basis of the number of universities in each level and the four functional areas. This technique was found appropriate because the study targeted various administrative staff in the universities who played different roles in their portfolio.

The sampling factor was derived from the identified functional areas in each University. In this case, the sample population of 153 respondents was arrived at by calculating the target population of 253 section heads with a 95% confidence level and an error of 0.05 using the formula adopted from Kothari (2004).

$$n = \frac{Z^2 \cdot N \cdot \partial_p^2}{(N - 1)e^2 + Z^2 \partial_p^2}$$

Where;  $n$  = Size of the sample,

$N$  = Size of the population and given as 253,

$\partial$  = Acceptable error and given as 0.05,

$\partial_p$  = The standard deviation of the population and given as 0.5 where not known,

$Z$  = Standard variate at a confidence level given as 1.96 at 95% confidence level.

### **3.7 Data Collection Instruments**

This study utilized primary data which was collected from the section heads in each of the departments which included the faculty deans, registrar administrations and finance, human resources management, and ICT managers. Primary data was preferred for this study because the researcher will get first-hand information, which accurately describe the current phenomenon. The questionnaire was semi-structured with both closed and open-ended questions. The semi-structured questionnaire included items measuring variables that were identified in the conceptual framework. The questionnaire had two sections for demographic information and the second part collected data on study variables. The close-ended questions were ordered on a 5-point Likert-type statements ranging from 'very large extent' to 'not at all' and the participants had to choose among the options for the situation.

### **3.8 Data Collection and Procedure**

The researcher obtained a letter of introduction from the institution of study, for introduction purposes, which was presented to each private university to be allowed to collect the necessary data from the respondents. In addition, the researcher obtained a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). The permit was given to the study participants assuring them that the data collected will only be used for research purposes only. The questionnaires were distributed through the drop-and-pick method to give the participants ample time to respond to the research questions. The questionnaire was used to determine the participants' opinions, observations and views on the study

questions. The respondents were not coerced to be part of the study but participated by choice and their identity remained anonymous and confidential.

### **3.9 Validity and Reliability of the Research Instrument**

#### **3.9.1 Validity of the Research Instrument**

Validity of the research instrument according to Bryman and Cramer (2011) refers to how accurately the data obtained capture what they were designed and purported to measure. Thus, it is the ability of the instrument to quantify what it is supposed to quantify. Validity refers to how valid and meaningful the conclusions from the research findings are (Hammer, 2011). The validities deduced in this research were face, construct and content validity. Face validity refers to the extent to which the researcher believes the instrument is appropriate to collect data necessary to achieve the study objectives. The researcher evaluated the research instrument based on other research instruments developed by other scholars in studies that are related to this study and concepts got from related literature.

Content validity measured the extent to which the content tested is similar to content from a source that is related to the research construct. To ensure there is content validity the selected items were thoroughly examined against the subject domain. Based on the review by supervisors, three university lecturers and two other research experts, the instrument was found to be valid after a few amendments. Construct validity measured the extent to which operationalization of a construct was developed from theoretical foundation of the construct Gray (2013). This validity was measured through extensive review of the existing relevant body of literature guided by the set of research variables adopted in this study.

#### **3.9.2 Reliability of the Research Instrument**

Reliability is the ability of the measure to consistently give similar results when the same tests are made in similar circumstances (Churchill & Iacobucci, 2010). Cronbach's Alpha was used to test internal consistency. The index alpha was computed using SPSS and this helped in measuring the average of measurable items and its correlation. Field (2009) observe that Cronbach Alpha value of 0.7 is an appropriate threshold for determining reliability. This study adopted Cronbach's Alpha index of at least 0.7 as recommended by Field. This threshold was also adopted

in other empirical inquiries (Kinyua, Muathe & Kilika, 2015; Muthoni & Kinyua, 2020). The output of reliability analysis are presented in Table 3.3.

**Table 3.3: Reliability Coefficients**

<b>Variable</b>	<b>Number of Items</b>	<b>Cronbach's Alpha Coefficient</b>	<b>Conclusion</b>
IT Capability	18	0.723	Reliable
Human Capital	14	0.714	Reliable
Network Capability	22	0.888	Reliable
Intellectual Capability	12	0.794	Reliable
Competitive Advantage	12	0.713	Reliable
Organizational Culture	15	0.787	Reliable
Performance	18	0.727	Reliable
Overall		0.768	Reliable

Source: Research Data (2019)

From the Results shown in Table 3.3, it was observed that all constructs had their Cronbach's Alpha Coefficient greater or equal to 0.7 with the aggregate coefficient being 0.768. It was thus concluded that the study constructs were reliable.

### **3.10 Data Analysis and Presentation**

Statistical data analysis can be divided into Exploratory Data Analysis (EDA), descriptive statistics, and Confirmatory Data Analysis (CDA). Descriptive statistics according to Taylor, Bogdan and DeVault (2015) enable the researcher to meaningfully describe distribution of scores or measurements. Exploratory data analysis (EDA) seeks to test if there are new features in the study data while CDA confirms or fails to confirm the existing hypothesis. Descriptive statistics including means, frequencies and standard deviations were used for quantitative data analysis and presented in form of tables and graphs. On the other hand, content analysis helped in analysing qualitative data from the open-ended questions.

Inferential statistics was also carried out using measures such as correlation and regression analysis to establish the extent and nature of the relationship between the variables of the study (Jobson, 2012). The decision on the strength of the relationship was based on Dancey and Reidy (2004) recommendations as summarized in table Table 3.4.

**Table 3.4: Dancey and Reidy's Strength of Pearson's Correlation Coefficient**

<b>Categorization</b>	<b>Value of the Coefficient</b>	<b>Strength of Correlation</b>
1		Perfect correlation
0.7-0.9		Strong correlation
0.4-0.6		Moderate Extent correlation
0.1-0.3		Weak correlation
0		No correlation

Source: Dancey and Reidy (2004)

Regression analysis was conducted using multiple regression models to determine the extent to which strategic capabilities affect performance of private universities. In testing the significance of the model, the study followed the recommendations of Blumberg, Cooper and Schindler (2014) by using the adjusted coefficient of determination (R-squared ( $R^2$ )) to show the extent to which the changes in the performance of the organization is explained by changes in strategic capabilities in Private Universities in Kenya. Moreover, F-statistic was also tested at a confidence level of 95% to test the existence of a significant relationship between strategic capabilities and organizational performance.

P-values were used to help make a decision on test of hypothesis at 0.05 significant level and at 95% confidence level (Javanmard & Montanari, 2014). The study also conducted relevant diagnostics tests such as multicollinearity, heteroskedasticity and normality tests as advised by Deeks and Altman (2004).

### **3.11: Test of Hypotheses**

The study hypothesis was tested as outlined in table 3.5 below.

**Table 3.5: Test of Hypotheses**

Objectives	Hypothesis	Statistical test	Interpretation
To evaluate the effect of IT capability on performance of private Universities in Kenya	Information technology capability have no significant effect on performance of private Universities in Kenya	$PF = \beta_0 + \beta_1 ITC + \epsilon$	Adjusted r2 F-value Level of significant 0.05 $P \leq 0.05$ reject null hypotheses
To determine the effect of human capital capability on performance of private Universities in Kenya	Human capital capability has no significant effect on performance of private Universities in Kenya	$PF = \beta_0 + \beta_2 HC + \epsilon$	Note the F-value, Level of significant for $\beta_2$ at 0.05 If $P \leq 0.05$ reject null hypotheses
To examine the effect of networking capability on performance of private Universities in Kenya	Networking capability have no significant effect on performance of private Universities in Kenya	$PF = \beta_0 + \beta_3 NC + \epsilon$	Note the F-value Level of significant for $\beta_3$ at 0.05 If $P \leq 0.05$ reject null hypotheses
To investigate the effect of intellectual capability on performance of private Universities in Kenya	Intellectual capability has no significant effect on performance of private Universities in Kenya	$PF = \beta_0 + \beta_4 INC + \epsilon$	Note the F-value Level of significant for $\beta_4$ at 0.05 If $P \leq 0.05$ reject null hypotheses
To determine the mediating effect of competitive advantage on the relationship between strategic capabilities and performance of private Universities in Kenya	Competitive advantage has no mediating effect on the relationship between strategic capabilities and performance of private universities in Kenya	Step 1: $PF = \beta_0 + \beta_1 SC + \epsilon$  Step 2: $CA = \beta_0 + \beta_2 SC + \epsilon$  Step 3: $PF = \beta_0 + \beta_3 CA + \epsilon$  Step 4: $PF = \beta_0 + \beta_4 SC + \beta_5 CA + \epsilon$	Note the values of $\beta_1$ and F change for regression in step 1  Note the values of $\beta_2$ and F change for regression in step 2  Note the values of $\beta_3$ and F change for regression in step 3  Note the values of $\beta_4, \beta_5$ and F change for regression in step 4, after controlling for CA  Note the change in the beta coefficient for strategic capabilities ( $\beta_4 - \beta_1 < 0$ ) If $\beta_1$ and either $\beta_2, \beta_3$ or $\beta_4$ is also significant, then some mediation is supported If $\beta_3$ is no longer significant after controlling for CA, then full mediation is supported
To establish the moderating effect of organizational culture on the relationship between strategic capabilities and performance of private universities in Kenya	Organizational culture has no moderating effect on the relationship between strategic capabilities and performance of private universities in Kenya	Step 1 $PF = \beta_0 + \beta_1 SC + \epsilon$  Step 2 $PF = \beta_0 + \beta_1 SC * OC + \beta_2 OC + \epsilon$	Note the values of $\beta_1$ and F change for regression step 1 and step 2 If $\beta_2 - \beta_1 < 0$ and $p < 0.05$ for both reject null hypotheses  If $\beta_2 - \beta_1 < 0$ and $p > 0.05$ for either model, reject null hypotheses

Source; Author (2017)

### **3.12 Diagnostic Tests**

The relationship between the dependent and the independent variable according to Henwood (2014) should satisfy the assumption of multicollinearity, linearity and normality. Additionally, Anselin, Bera, Florax and Yoon (1996) earlier noted that diagnostic tests are carried before data analysis to establish the validity of the study results. The relevant diagnostics tests for the study include multicollinearity, normality tests and heteroskedasticity. Outliers in the data were eliminated by calculating a composite value for each of the study variables.

#### **3.12.1 Testing for Multicollinearity**

The presence of multicollinearity according to Pesaran (2004) may cause variables estimators and their standard errors to be sensitive to small changes in the data. In addition, Gujarati (2009) stated that it also results to t-statistic of one or more coefficients to be statistically insignificant though the overall measure of fit (R-squared) is high. Thus, there is need to test for multicollinearity before the actual data analysis. According to Iacobucci, Schneider, Popovich & Bakamitsos (2017), multicollinearity tests seek to determine whether there is a linear relationship between the multiple regression model variables.

In addition, according to Field (2009), some correlation is said to exist if the correlation between two explanatory variables is greater than 0. Therefore, if correlation between two or more variables is equal to 1 or -1 then there exists a perfect multicollinearity. In this study multicollinearity was tested using Variance Inflation Factor (VIF) as recommended by Iacobucci, Schneider, Popovich & Bakamitsos (2017). A VIF for all variables that is lower than 3 shows lack of multicollinearity, whereas if the VIF is higher than 10 then there is multicollinearity. This factor was calculated using SPSS regression procedure.

#### **3.12.2 Normality Test**

Normality test in this study was conducted through Shapiro-Wilk test following the recommendations of Field (2009). In order to establish whether the variables were normally distributed, the study relied on the P-values of the test statistics. If the P-value is greater than 0.05, then the variable is normally distributed.

### **3.12.3 Test for Heteroskedasticity**

Heteroskedasticity test in this study was tested through Breush Pagan test as recommended by Warner (2008). The null hypothesis was that the error term is constant. The decision on whether there was or no heteroskedasticity was based on P-values. A P-value of 0.05 or less indicated that there is presence of heteroskedasticity while a P-value greater than 0.05 indicated absence of heteroskedasticity.

### **3.13 Operationalization of Variables**

The study variables are operationalized as shown in table 3.6. It specifies the variable, variable type, its indicators and measurement in the questionnaire.

**Table 3.6: Operationalization of Variables**

<b>Variable</b>	<b>Variable type</b>	<b>Operationalization</b>	<b>Indicators</b>	<b>Measurement in the Questionnaire</b>
IT Capability	Independent	The University capability to make use of sharable platforms which explains how well the firm is able to manage its architectures, data services, application services and portfolio and network communication services	<ul style="list-style-type: none"> <li>- Infrastructure capability</li> <li>- IT business spanning capability</li> <li>- IT proactive stance</li> <li>- University IT competence</li> <li>- University Information systems</li> </ul>	Appendix II part 2
Human Capital Capability	Independent	All the knowledge, judgement, skills, risk taking ability, experience, and wisdom of individuals associated with the university	<ul style="list-style-type: none"> <li>- Personnel Expertise</li> <li>- Level of Experience</li> <li>- Knowledge and Skills</li> <li>- Training and development</li> </ul>	Appendix II part 3
Networking capability	Independent	Capability of the University to start relationships with other organisations and gain from them	<ul style="list-style-type: none"> <li>- Network characteristics</li> <li>- Research facilities</li> <li>- Network resources</li> </ul>	Appendix II part 4
Intellectual Capability	Independent	The intangible value of a University which include all informational resources a university has at its disposal that can be used to drive revenues, improve enrolment, create new programmes or improve performance.	<ul style="list-style-type: none"> <li>- Innovation efforts</li> <li>- Number of patents</li> <li>- Knowledge development and sharing</li> <li>- Creativity potential</li> </ul>	Appendix II part 5
Competitive Advantage	Mediating	Prolonged benefit resulting from implementing some unique value use of methods that are used on distinct combination of resources and competences that are found in the University and are hard for rivals to imitate	<ul style="list-style-type: none"> <li>- Programme Differentiation</li> <li>- Cost leadership</li> <li>- Market Oriented Programmes</li> <li>- Programme specialisation</li> </ul>	Appendix II part 6
Organizational culture	Moderating	The character of a Universities' internal climate, personality and work as determined by its values, principles, beliefs, behaviours, traditions, styles of operation and work practices	<ul style="list-style-type: none"> <li>- Learning culture</li> <li>- Employee Involvement Culture</li> <li>- Customer Centric Culture</li> <li>- Innovative culture</li> <li>- Supportive culture</li> </ul>	Appendix II part 7
Organizational performance	Dependent	A measure of the extent to which a University meets its vision by meeting its objectives and goals, and conceptualized through the non-financial perspectives	<ul style="list-style-type: none"> <li>- Quality of programs</li> <li>- Flexibility of programs</li> <li>- Resource utilization</li> <li>- Research orientation</li> </ul>	Appendix II part 8

Source: Author (2018)

### **3.14 Ethical Considerations**

Ethical concerns in a study revolves around non-coerced participation, confidentiality, anonymity, no harm to the participants, reporting and analysis and the purpose and of the study (Munhall, 1988). Houghton, Casey, Shaw and Murphy (2010) on ethical challenges in qualitative research concluded that to help do away with ethical concerns the researcher should ensure that the participants are not coerced to be part of the study. However, this can slow down the response rate leading to response bias (Cooper & Schindler, 2011). The researcher observed the following standards of behaviour in relation to the rights of study subject. In dealing with the respondents, all the participants were informed of the objective of the study and the confidentiality of obtained information, through a letter to enable them give informed consent. Caution was observed to ensure that no participant is coerced into taking part in the study and, the researcher sought to use minimum time and resources in acquiring the information required. While conducting the study, the researcher ensured that research ethics were observed and that participation in the study was voluntary. Privacy and confidentiality was also observed.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

The main objective of this study was to determine the effect of strategic capabilities on performance of Private Universities in Kenya. This chapter presents data analysis, presentation, interpretation, and discussions of the study findings from the data collected on the research variables.

#### 4.2 Response Rate

The study targeted 153 respondents drawn from faculty deans, registrar administration and finance, human resource managers and ICT managers of the 31 private Universities in Kenya. The response rate was distributed as shown in Table 4.1.

**Table 4.1: The Response Rate**

Strata	Target	Response	Percentage	Non-Response	Percentage
Faculty Deans	95	79	83.2%	16	16.8%
Registrar administration and finance	19	16	84.2%	3	15.8%
Human resource managers	28	24	85.7%	4	14.3%
ICT managers	11	8	72.7%	3	27.3%
<b>Total</b>	<b>153</b>	<b>127</b>	<b>83.0%</b>	<b>26</b>	<b>17.0%</b>

Source: Research Data (2019)

The results in Table 4.1 showed that in total, 127 targeted respondents responded to the research instrument representing 83.0% response rate. Majority of the respondents (95) were faculty deans while ICT managers had the least response. Expressed as a percentage, the highest response rate was observed on human resources managers at 85.7% with the least observed among ICT managers at 72.7%. These results imply that the human resource managers, administration and finance registrars and faculty deans who are officers in the private universities were more likely to be available in their offices than the ICT managers who are mainly in the fields.

#### 4.3 Demographic Information

The study sought to establish the background information about the respondents. The relevant demographic information sought related to gender of the respondents,

position held by the respondents, level of education and number of years working in the organization. The results were as shown in Table 4.2.

**Table 4.2: Demographic Information**

	<b>Frequency</b>	<b>Percent</b>
<b>Gender</b>		
Male	69	54.3
Female	58	45.7
<b>Total</b>	<b>127</b>	<b>100.0</b>
<b>Position Held</b>		
Faculty dean	79	62.2
Registrar administration and finance	16	12.6
Human resource managers	24	18.9
ICT managers	8	6.3
<b>Total</b>	<b>127</b>	<b>100.0</b>
<b>Level of Education</b>		
Post Graduate	103	81.1
Undergraduate	16	12.6
Diploma	8	6.3
<b>Total</b>	<b>127</b>	<b>100.0</b>
<b>Years Worked</b>		
Less than 1 year	8	6.3
1-5 years	16	12.6
6-10 years	86	67.7
Over 10 years	17	13.4
<b>Total</b>	<b>127</b>	<b>100.0</b>

Source: Research Data (2019)

Table 4.2 shows that men formed the majority of the respondents at 54.3 %. This result indicated that the research was not biased in terms of the gender as the proportion of the respondents was almost equal. The highest number of the respondents were faculty deans at 62.2% while the lowest were ICT managers at 6.3%. Under the level of education, the highest frequency was observed among post graduate degree holders at 81.1% with the least being diploma holders at 6.3%. This implies that the majority of the staff in the institutions of higher learning were learned with either graduate or post graduate qualifications. Regarding their tenure, majority of the respondents (67.7%) had worked in the institutions for between 6 years and 10 years. Least frequencies were observed among those that had worked for over 10 years forming 13.4%. This implies that the information provided by majority of the respondents was credible information.

#### **4.4 Descriptive Statistics**

The study conducted analysis on the study variables. The descriptive statistics that summarized major characteristics of the study variables were mean scores and standard deviation.

##### **4.4.1 IT Capability**

IT capability was the first independent variable for the study. This study sought to determine the extent to which IT capability influences organisational performance. Table 4.3 shows the mean score for all the measurements of IT capability and their respective standard deviations.

**Table 4.3: Descriptive Statistics for IT Capability**

	n	Min.	Max.	Mean	Std. Dev.
<b>Infrastructure capability</b>					
We have a well-equipped computer laboratory	127	1	5	3.87	1.148
Our university has heavily invested in IT infrastructure.	127	1	5	3.69	1.172
All departments in our university are interconnected through computer networks	127	3	5	4.62	.654
All our operations are automated	127	1	5	3.55	1.166
We have extensively adopted digital learning	127	1	5	2.53	1.133
<b>Average</b>	<b>127</b>	<b>1.4</b>	<b>5</b>	<b>3.65</b>	<b>1.05</b>
<b>IT business spanning capability</b>					
All our courses outline and course materials are available on digital platforms	127	1	5	3.17	1.153
The university has increased the number of students due to online programmes	127	1	5	2.51	1.161
The university in interlinked with other stakeholders though the network.	127	1	4	2.20	.900
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.17</b>	<b>1.07</b>
<b>IT proactive stance</b>					
Our university operating system is adaptable beyond our current scope.	127	1	5	3.97	1.015
Our IT department is always proactive in providing solutions to university challenges.	127	1	5	3.35	1.124
We always develop new IT products before other universities.	127	1	5	2.61	1.107
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.31</b>	<b>1.149</b>
<b>University IT competence</b>					
We always recruit the most competent staff in our IT department	127	1	5	3.88	.860
Our University regularly evaluate the competence of IT staff.	127	1	5	3.80	.817
We offer regular training on emerging role of IT in our University	127	1	5	3.39	.985
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.69</b>	<b>0.887</b>
<b>University Information Systems</b>					
Our university has an active and regularly updated website	127	2	5	4.18	.849
The university regularly update events and activities on the social platform	127	1	5	4.02	1.072
All our students can access their academic information from the student portal	127	1	5	3.83	1.104
All our staff and other stakeholders can access services through the operating system	127	1	5	3.70	1.177
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.967</b>	<b>1.033</b>
<b>Average for IT Capability</b>	<b>127</b>	<b>1.08</b>	<b>5</b>	<b>3.14</b>	<b>0.906</b>

Source: Research Data (2019)

It was observed in Table 4.3 that IT capability had a mean score of 3.14 which suggests that IT capability was adopted in private universities in Kenya to a moderate extent. The respondents were relatively in agreement in their responses as shown by a low standard deviation of 0.906. On the individual measures of IT capability, it was established that university information systems had the highest mean score of 3.967 while IT business spanning capability had the least score at 3.17.

Overall it was established that all departments in private universities were interconnected through computer networks to a very large extent with a mean score of 4.62. Further, the study also established that private universities were interlinked with other stakeholders through the network only to a little extent as exhibited by a mean score of 2.20. However, the universities should also interconnect their networks with those of other stakeholders so as to improve their IT business spanning.

The moderate adoption of IT capability in private universities suggests that most universities have recognised the opportunities that arises as result of automation of processes and interconnecting university departments through computer networks. Consequently, universities need to invest significantly on IT infrastructure which would enable the universities to improve on business spanning, increase university competences and adopt a proactive stance in providing in solution to emerging challenges.

#### **4.4.2 Human Capital Capability**

The study sought to determine the extent to which human capital capability affected the performance of private universities in Kenya. Table 4.4 shows the mean for all the measurements of human capital capability and their respective standard deviations.

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

	<b>n</b>	<b>Min.</b>	<b>Max.</b>	<b>Mean</b>	<b>Std. Dev.</b>
<b>Personnel expertise</b>					
Employment is based on qualifications	127	1	5	3.86	1.160
Frequent random assessments are conducted to evaluate level expertise.	127	1	5	3.13	1.011
All members are registered with the relevant practicing bodied.	127	1	5	2.19	1.207
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.06</b>	<b>1.13</b>
<b>Level of experience</b>					
Employment is based on experience	127	1	5	3.68	1.168
Employment history and qualification is considered	127	1	5	3.83	1.260
Employees experience is highly rated during promotion.	127	2	5	3.94	.848
<b>Average</b>	<b>127</b>	<b>1.33</b>	<b>5.00</b>	<b>3.82</b>	<b>1.09</b>
<b>Knowledge and skills</b>					
Tasks to skills are matched while delegating duties	127	1	5	3.88	.997
Staff are encouraged to acquire and share knowledge.	127	1	5	3.69	1.160
There is an equipped library to support quest for knowledge.	127	1	5	3.46	1.052
The university encourages its staff to further their studies	127	1	5	2.56	1.239
<b>Average</b>	<b>127</b>	<b>1.00</b>	<b>5.00</b>	<b>3.40</b>	<b>1.11</b>
<b>Training and development</b>					
Standards set by Commission for university education are adhered to	127	1	5	3.84	1.151
There is and effective training and development programme in our university	127	1	5	3.20	1.094
Workshops and seminars are regularly held	127	1	5	2.54	1.271
Frequent technical trainings for staff members	127	1	5	2.50	1.174
<b>Average</b>	<b>127</b>	<b>1.00</b>	<b>5.00</b>	<b>3.02</b>	<b>1.17</b>
<b>Aggregate for Human Capital Capability</b>	<b>127.00</b>	<b>1.08</b>	<b>5.00</b>	<b>3.33</b>	<b>1.12</b>

Source: Research Data (2019)

Table 4.4 shows that the average mean score for human capital capability was 3.33 which alludes that human capital capability was moderately adopted in private universities in Kenya. At the same time the results showed that the respondents varied significantly in their agreement on the adoption of human capital capability as shown by a high standard deviation of 1.12. The level of experience was found to have the greatest effect on human capital capability as shown by a mean of 3.82. It was however noted that some of the respondents did not agree that level of experience was emphasised in private universities in Kenya as shown by the high standard deviation of 1.09. Training and development on the hand had the least mean score at 3.02 indicating that training and development was moderately adopted in private universities in Kenya. There were however some variations in the responses on this aspect as shown by a high standard deviation of 1.17.

Private universities moderately deployed human capital capability suggesting that their existence and growth was anchored on the competences, experience as well as knowledge and skills held by their human capital. There is therefore need for these institutions to invest their resources in developing skills and competencies of their staff through training and development programmes. This may also be achieved through seminars, conferences, and research function.

#### **4.4.3 Networking Capability**

The third independent variable for the study was networking capability. The study sought to determine the extent to which networking capability affected the performance of private universities in Kenya. Table 4.5 shows the mean and standard deviations for all the measurements of networking capability.

**Table 4.5: Descriptive Statistics for Networking Capability**

	<b>n</b>	<b>Min.</b>	<b>Max.</b>	<b>Mean</b>	<b>Std. Dev.</b>
<b>Relational trust</b>					
we always cultivate trust amongst our staff	127	1	5	3.94	.970
Sharing of information among staff members	127	1	5	3.64	.957
Members interact with other stakeholders for information.	127	1	5	3.46	1.194
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.68</b>	<b>1.04</b>
<b>Relational capability</b>					
Inter university interactions in open forums	127	2	5	3.78	.744
Business partnerships with other partner organizations	127	1	5	3.51	1.046
We encourage and promote networking in order to maintain a strong relationship.	127	1	5	3.24	1.035
<b>Average</b>	<b>127</b>	<b>1.333</b>	<b>5</b>	<b>3.51</b>	<b>0.94</b>
<b>Relational strength</b>					
We maintain strong bonds with our partners.	127	1	5	3.61	1.085
We endeavour to create a good relational strength with our stakeholders	127	1	5	3.19	1.037
We maintain good relational standings in our membership associations.	127	1	5	2.82	1.065
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.21</b>	<b>1.06</b>
<b>Initiation of business relationships</b>					
We offer opportunities to partners within our networks	127	1	5	3.08	1.245
We always generate new businesses from our existing networks.	127	1	5	2.89	1.163
Our university partners with other stakeholders	127	1	5	2.72	1.125
We always create new linkages to generate more business	127	1	5	2.64	1.139
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>2.83</b>	<b>1.168</b>
<b>Coordination within networks</b>					
We coordinate with our stakeholders for a common understanding.	127	1	5	3.38	1.031
Our university always try to bring order within our networks for cordial interactions.	127	1	5	2.74	.856
This university always provide guidelines rules and regulations to follow within the networks.	127	1	5	3.20	1.084
Networks created and managed by the university have a clear chain of command and communication channels.	127	1	5	3.40	.962
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.180</b>	<b>0.983</b>
<b>Learning for success</b>					
We produce the best students in the country	127	2	5	3.67	.827
We always try to increase the quality of our programmes	127	2	5	4.23	.936
<b>Average</b>	<b>127</b>	<b>2</b>	<b>5</b>	<b>3.95</b>	<b>0.88</b>
<b>Information sharing</b>					
We always encourage information sharing amongst our staff.	127	1	5	3.91	.938
The university provides platforms to enable information sharing	127	1	5	4.17	1.024
The university has a policy on information sharing	127	1	5	3.31	1.058
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.80</b>	<b>1.01</b>
<b>Average for Networking capability</b>	<b>127.00</b>	<b>1.22</b>	<b>5.00</b>	<b>3.39</b>	<b>1.01</b>

Source: Research Data (2019)

The results in Table 4.5 show that networking capability was utilised in Private universities to a moderate extent as shown by a mean of 3.39. However, the standard deviation of 1.01 indicated that the respondents varied in their opinions regarding the utilisation of networking capabilities among the private universities. Learning for success was to a large extent practised in private universities as a shown by a mean of 3.95. This view was held by a majority of the respondents as reflected by the low standard deviation of 0.88. It was further noted that initiation of business relationships had the lowest mean of 2.83 indicating that the respondents felt that initiation of business relationships in private universities was not emphasised. There was however high variations among the respondents with a mean score of 1.168. Consequently, to increase their networking capability private universities should emphasise on initiating of business relationship.

It is noted that networking capability was exploited to a moderate extent meaning that although some private universities in Kenya treasured cultivating and strengthening relational trust, most of them failed to appreciate the relevance of information sharing and coordinating within the available networks. There is thus need for these universities to entrench and embrace networking to fully realise the potential of the intuitions and other stakeholders.

#### **4.4.4 Intellectual Capability**

Intellectual capability was the fourth independent variable for this study. The study sought to determine the effects of intellectual capability on performance of private Universities in Kenya Table 4.6 shows the mean and standard deviations for all the measurements of Intellectual Capability.

**Table 4.6: Descriptive Statistics for Intellectual Capability**

	N	Min.	Max.	Mean	Std. Dev.
<b>Innovation efforts</b>					
We always support innovative initiatives	127	1	5	3.57	1.116
Our university has always participated in innovative research	127	1	5	3.40	1.100
The university has assisted development of new technologies over the years	127	1	5	3.22	1.140
Our universities always provide funding for all the research activities	127	1	5	2.37	1.332
<b>Average</b>	<b>127</b>	<b>1.00</b>	<b>5</b>	<b>3.40</b>	<b>1.12</b>
<b>Number of patents</b>					
We always encourage our students and staff to develop and patent new ideas.	127	2	5	3.63	.722
Our university register new technologies every year.	127	1	5	2.21	1.138
<b>Average</b>	<b>127</b>	<b>1.5</b>	<b>5</b>	<b>2.92</b>	<b>0.93</b>
<b>Knowledge development and sharing</b>					
The university always publish research works done by the students and staff	127	1	5	3.97	1.061
The university has partnered with several journal to assist students to publish their work.	127	1	5	3.26	1.056
Our university has acquired access rights to enable students to access information easily.	127	1	5	3.99	1.102
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.74</b>	<b>1.07</b>
<b>Creativity potential</b>					
Our university always encourage students and staff to be creative.	127	2	4	3.72	.700
We encourage our staff to provide creative solution to challenges facing the university	127	1	5	3.84	1.044
We always support creative art and talent among our students and staff	127	1	5	3.40	1.071
<b>Average</b>	<b>127</b>	<b>1.33</b>	<b>4.67</b>	<b>3.65</b>	<b>1.01</b>
<b>Average for Intellectual Capability</b>	<b>127</b>	<b>1.20</b>	<b>4.92</b>	<b>3.43</b>	<b>1.033</b>

Source: Research Data (2019)

Table 4.6 shows that the average mean score for intellectual capital capability was 3.43 which denotes that the respondents agreed to moderate extent that intellectual capital capability was deployed in private universities in Kenya. The results however showed that there were high disparities in the respondent's opinion regarding deployment of intellectual capital capability private universities in Kenya as indicated by a standard deviation of 1.033. The results further showed that knowledge development and sharing had the mean of 3.74 suggesting that the respondents believed to a large extent knowledge development and sharing was the main driver of intellectual capital capability in private in universities in Kenya. However, a high standard deviation of 1.07 indicates that there was a disparity in the responses. Number of patents were found to have the least mean of 2.92 suggesting that the

respondents were of the view that patents only contributed to intellectual capital to a moderate extent.

As noted in table 4.6, intellectual capital capability was adopted to a moderate extent implying that most private universities in Kenya cherished the need to be innovative and creating new knowledge through research. The results also suggest that, there is need for private universities to entrench a culture of sharing knowledge through publication of scholarly articles as well as providing avenues for students and staff to exploit their creativity.

In summary, the study established that among the four independent variables, intellectual capital had the highest mean score 3.43 which denotes that private universities emphasised on knowledge development and sharing, creativity, innovation and patent creation respectively. The results further indicated that networking capability ranked second with a mean of 3.39 suggesting that private universities emphasised on networking, creating relational trust, relational capability relational strength, initiating business relationships and coordination within networks. Further, human capital capability had a mean score of 3.33 which alludes that the respondents agreed to moderate extent that human capital capability was moderately adopted in private universities in Kenya. Finally, IT capability had the least mean score of 3.14 which suggests that IT capability was adopted in private universities in Kenya to a moderate extent.

#### **4.4.5 Competitive Advantage**

The study also sought to determine the mediating effect of competitive advantage on the relationship between strategic capabilities and performance of private universities in Kenya. Table 4.7 shows the mean and standard deviations for all the measurements of competitive advantage.

**Table 4.7: Descriptive Statistics for Competitive Advantage**

	N	Min	Max	Mean	Std. Dev
<b>Programme differentiation</b>					
We always ensure that our programmes meet the current needs of the learners.	127	1	5	4.09	1.123
We have a unique programme that accommodate both full time and part time students	127	1	5	3.82	.938
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.96</b>	<b>1.031</b>
<b>Cost leadership</b>					
The university workflow is designed to minimise wastage.	127	1	5	3.66	1.128
our university has streamlined its operations to minimise operational cost	127	1	5	3.38	1.147
The university beats competitors on cost management	127	1	5	2.48	1.259
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.07</b>	<b>1.190</b>
<b>Market oriented programme</b>					
Our university programmes are developed in line with the current emerging trends.	127	1	5	3.82	.955
Our university offers unique programmes from other universities	127	1	5	3.50	1.278
Our programmes are geared towards achieving national and millennium goals of development.	127	1	5	3.24	1.193
We have always met the expectations of our stakeholders through quality and improved programmes	127	1	5	3.00	1.155
<b>Average</b>	<b>127</b>	<b>1.00</b>	<b>5</b>	<b>3.39</b>	<b>1.151</b>
<b>Programme specialization</b>					
We have specialised programmes that others universities don't offer	127	1	5	3.82	1.011
Our university has adopted an extensive eLearning programme in order to enrol the highest number of students as possible	127	1	5	3.18	1.137
We have specialised in a few programmes to increase quality	127	1	5	2.50	.967
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.17</b>	<b>1.040</b>
<b>Average for competitive advantage</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.40</b>	<b>1.103</b>

Source: Research Data (2019)

Table 4.7 shows that the average mean score for competitive advantage was 3.40, respondents agreed to moderate extent that competitive advantage was generated in private universities in Kenya. At the same time the results showed that the respondents had variations in their opinion concerning generation of private universities in Kenya as shown by a high standard deviation of 1.103.

The results further showed that respondents believed that programme differentiation was greatly emphasised to enhance competitive advantage in private Universities in Kenya as indicated by a mean of 3.96. There was however, a variation in the observations as shown by an average standard deviation of 1.031. Additionally, the

results showed that cost leadership had the least influence on the competitive advantage in private universities in Kenya as evidenced by a mean of 3.07. However, there were variations in the opinions on the extent to which cost leadership was adopted in private universities in Kenya as shown by a high standard deviation of 1.190.

Enhancement of competitive advantage to a moderate extent suggested that most universities endeavoured to have a competitive edge over other universities by designing unique programmes that meet the current market needs, streamlining operations to minimise wastage and strategically developing programmes that other universities don't have. However, there is need for more universities to embrace the concept for them to maximise on performance.

#### **4.4.6 Organizational Culture**

The study sought to determine the moderating role of organizational culture on the relationship between strategic capabilities and performance of private universities in Kenya. The respondents were given a number of statements to which they were supposed to indicate the extent to which they agreed to the statements in a 5-point Likert scale where 5 represented very large extent while 1 represented not at all. The descriptive results were as shown in Table 4.8.

**Table 4.8: Descriptive Statistics for Organizational Culture**

	N	Min.	Max.	Mean	Std. Dev.
<b>Learning culture</b>					
Learning culture amongst students and staff	127	1	5	4.18	1.130
The university is candid on originality of student work	127	2	5	4.06	1.010
Our library is open for longer hours to allow students and	127	1	5	3.96	1.042
Our students always have assignments and term papers to encourage them study widely	127	2	5	3.91	.963
<b>Average</b>	<b>127</b>	<b>1.5</b>	<b>5</b>	<b>4.03</b>	<b>0.036</b>
<b>Employee involvement culture</b>					
The university often hold stakeholder meetings	127	2	5	4.23	.901
There is an active student body that champion their interests.	127	2	5	4.02	.996
There is a consultative approach to decision making	127	1	5	3.21	.989
<b>Average</b>	<b>127</b>	<b>1.67</b>	<b>5.00</b>	<b>3.82</b>	<b>0.961</b>
<b>Customer centric culture</b>					
The customer is the most important stakeholder in this university	127	1	5	3.83	.855
Stakeholders can air their grievances	127	1	5	3.57	1.131
There is an open day forum where all their customers are invited	127	1	5	2.09	1.151
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.16</b>	<b>1.05</b>
<b>Innovative culture</b>					
The university provide financial support for projects	127	1	5	3.92	1.013
The university supports all kinds of innovative works	127	1	5	2.79	1.283
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.36</b>	<b>1.15</b>
<b>Support culture</b>					
The universities encourage support to the activities that student undertake	127	1	5	3.69	1.052
We provide a platform where all the students and staff who needs our support can reach us	127	1	5	3.55	1.355
The university provides a support to all its stakeholders	127	1	5	3.46	1.090
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.57</b>	<b>1.17</b>
<b>Average for organization culture</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.59</b>	<b>0.049</b>

Source: Research Data (2019)

The results in Table 4.8 indicate that organisational culture was emphasised in private universities in Kenya to a large extent as shown by a mean of 3.59. A low standard deviation of 0.049 shows that majority of the respondents agreed that organisational culture was largely emphasised in private universities in Kenya. In addition, the results showed that learning culture had the highest mean score of 4.03 indicating that most of the private universities in Kenya embraced learning culture in their institutions. The results also show that there was a general agreement among respondents on the extent to which the universities had embraced learning culture as

shown by a low standard deviation of 0.036. On the other hand, customer centric culture was found to have the least emphasis in private universities in Kenya as compared to all other aspects of organization culture as indicated by a mean score of 3.16. Some respondents however believed that that customer centric culture was cultivated in private universities in Kenya as shown by a high standard deviation of 1.05.

Enhancement of organisational culture to a large extent by private universities suggest that there is need for private universities to emphasise more on innovative culture by significantly investing in research as well as supporting student, staff and other stakeholders initiatives. From these results, it was found that private universities in Kenya cultivate a learning culture among students and its staff, the library is always open for longer hours to allow students and staff to read, the lectures always make sure that the students are given assignments and term papers to encourage them study widely and are always candid on the originality of student work. On the other hand, private universities value customers as most important stakeholder among all the stakeholders. However, the universities neither provide platforms where stakeholders can air their grievances nor embrace open day forums.

#### **4.4.7. Organizational Performance**

This section presents the results for descriptive analysis of university performance data. The respondents were required to indicate the extent to which they agreed to a number of statements regarding university performance in a 5-point Likert scale where 5 represented greatly improved while 1 represented greatly declined. The results were as shown in Table 4.9.

**Table 4.9: Descriptive Statistics for Performance**

	n	Min.	Max.	Mean	Std. Dev.
<b>Customer Satisfaction</b>					
Competence teaching staff	127	1	5	3.94	1.197
<b>Average</b>	<b>127</b>	<b>1</b>	<b>1</b>	<b>3.94</b>	<b>1.197</b>
<b>Availability of Teaching Resources</b>					
We have adequate number of lecturers	127	2	5	3.76	.879
We have enough computer laboratories for IT classes	127	1	5	3.35	1.116
Our university has enough lecture halls to accommodate the growing number of students	127	1	5	3.11	1.041
<b>Average</b>	<b>127</b>	<b>1.33</b>	<b>5.00</b>	<b>3.41</b>	<b>1.01</b>
<b>Entry Requirements</b>					
We follow the set standards by the commission for university education	127	1	5	3.83	.852
The university has provided a favourable entry requirement for the programmes offered	127	1	5	3.52	1.126
Our university have developed a system where students can be enrolled without having to clear the fees at once	127	1	5	3.24	1.118
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>3.53</b>	<b>1.031</b>
<b>Non-academic Programmes</b>					
The university has extensively adopted new academic programmes to boost quality of its education	127	2	5	4.06	.937
Our university is always the first to come up with new academic programs	127	1	5	3.65	1.115
<b>Average</b>	<b>127</b>	<b>1.50</b>	<b>5.00</b>	<b>3.86</b>	<b>1.031</b>
<b>Curriculum Revision</b>					
Our school curriculum is always up to date	127	2	5	3.99	.947
We revise our curriculum basing on the guidelines set by the commission for university education	127	1	5	3.91	1.218
<b>Average</b>	<b>127</b>	<b>1.5</b>	<b>5</b>	<b>3.95</b>	<b>1.083</b>
<b>Efficiency</b>					
We are able to conduct and run our activities efficiently	127	1	5	3.51	1.053
Our university has not faced any challenge in terms of facilitation	127	1	5	1.92	1.095
<b>Average</b>	<b>127</b>	<b>1</b>	<b>5</b>	<b>2.72</b>	<b>1.074</b>
<b>Journal Articles Published</b>					
our university has published several research articles over the years	127	2	5	3.64	.794
Our university offers support and guidelines on how students can publish their work	127	1	5	3.51	.825
We partner with journal to help our students publish their research work	127	1	5	3.30	1.101
<b>Average</b>	<b>127</b>	<b>1.33</b>	<b>5.00</b>	<b>3.48</b>	<b>0.91</b>
<b>Number of Books Published</b>					
Our lecturers have been facilitated to publish books	127	2	5	3.71	.935
We support and guide students to publish books	127	2	5	3.61	.953
<b>Average</b>	<b>127</b>	<b>2</b>	<b>5</b>	<b>3.66</b>	<b>0.944</b>
<b>Average for Performance</b>	<b>127</b>	<b>1.33</b>	<b>4.50</b>	<b>3.57</b>	<b>1.035</b>

Source: Research Data (2019)

Table 4.9 shows that the average mean score for performance was 3.57 which means that the respondents agreed that organisational performance had improved. At the same time the results showed that the respondents differed in their opinions on the extent to which of private universities in Kenya have achieved their set goals and objectives as shown by a high standard deviation of 1.035.

The results further showed that respondents believed that curriculum revision had improved in private Universities in Kenya as indicated by a mean score of 3.95. However, there was a high variation in the observations as shown by an average standard deviation of 1.083. This means that private universities curriculum is always up to date and that the universities revised their curriculum basing on the guidelines set by the commission for university education.

Efficiency on the other hand remained unchanged as shown by a mean of 2.72. However, it was noted that some of the respondents did not agree that efficiency remained constant in private universities in Kenya as shown by the high standard deviation of 1.074. The results indicate that the universities were in a position to conduct and run our activities efficiently but had challenges in terms of facilitation

#### **4.5 Diagnostic Tests**

The study tested the basic assumptions of regression model before inferential analysis were carried out. According to Anselin, Bera, Florax and Yoon (1996), diagnostic tests are carried before data analysis to establish the validity of the study results. The specific diagnostics tests conducted in this study were linearity, multicollinearity and normality tests.

##### **4.5.1 Multicollinearity Test**

The study sought to establish beforehand if there existed any form of linear relationship between the independent variables. The study relied on the VIF to test for the presence of multicollinearity. Conclusions were based on the recommendations of Iacobucci, Schneider, Popovich & Bakamitsos (2017) in which case a VIF of lower than 3 indicated lack of multicollinearity, whereas a VIF greater than 3 indicated possibility of presence of multicollinearity. The study regressed IT capability on human capital capability, networking capability and intellectual capital and the results were as shown in Table 4.10.

**Table 4.10: Multicollinearity Test Results**

Variable	Collinearity Statistics		Conclusion
	Tolerance	VIF	
Human Capital Capability	.484	2.066	No Multicollinearity
Networking capability	.483	2.068	No Multicollinearity
Intellectual Capital	.746	1.341	No Multicollinearity

a. Dependent Variable: IT Capability

Source: Research Data (2019)

From the results shown in Table 4.10, all the variables were found to have VIF values less than three. Based on Iacobucci, Schneider, Popovich & Bakamitsos (2017) recommendations the study concluded that there was no multicollinearity.

#### 4.5.2 Test for Normality

Normality test in this study was conducted through Shapiro-Wilk in order to establishing whether the variables were normally distributed. The results of the normality test results based on the Shapiro-Wilk test were as shown in Table 4.11.

**Table 4.11: Tests of Normality**

Variable	Shapiro-Wilk			Conclusion
	Statistic	df	Sig.	
IT Capability	.969	127	.062	Normally distributed
Human Capital Capability	.984	127	.129	Normally distributed
Networking capability	.982	127	.092	Normally distributed
Intellectual Capital	.982	127	.080	Normally distributed
Competitive Advantage	.980	127	.060	Normally distributed
Organisational culture	.983	127	.119	Normally distributed
Organisational performance	.980	127	.057	Normally distributed

\*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction.

Source: Research Data (2019)

The results showed that all the variables had significance levels greater than 0.05 and therefore based on the recommendations of Field (2009), the study concluded that all the variables were normally distributed.

#### 4.5.3 Heteroskedasticity

This study used the Breush-Pagan test as recommended by Warner (2008) to test for heteroskedasticity. The decision on heteroskedasticity was based on the P-value. The heteroskedasticity results were as shown in table 4.12.

**Table 4.12: Breusch-Pagan and Koenker test statistics and sig-values**

	<b>LM</b>	<b>Sig</b>
BP	4.459	0.615
Koenker	8.150	0.227

Source: Research Data (2019)

From the results, it was found that Breusch-Pagan had a significance of 0.615 while the Koenker had a significance of 0.227. These results indicate that both the Breusch-Pagan and Koenker had significance level greater than 0.05. Basing on the recommendations of Warner (2008), the study fails to reject the null hypothesis and concludes that there was no heteroskedasticity.

#### **4.6 Correlation Analysis**

Correlation analysis was conducted to establish the direction and the strength of the association of variables in the study as opined by Jobson (2012). The results of the correlation analysis were as shown in Table 4.13.

**Table 4.13: Correlations Analysis Results**

		University Performance	IT Capability	Human Capital Capability	Networking capability	Intellectual Capital	Competitive Advantage	Organisation Culture
University Performance	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	127						
IT Capability	Pearson Correlation	.291**	1					
	Sig. (2-tailed)	.001						
	N	127	127					
Human Capital	Pearson Correlation	.513*	.489**	1				
	Sig. (2-tailed)	.016	.000					
	N	127	127	127				
Networking capability	Pearson Correlation	.436**	.449**	.600**	1			
	Sig. (2-tailed)	.000	.000	.000				
	N	127	127	127	127			
Intellectual Capital	Pearson Correlation	.072	.118	.370**	.081	1		
	Sig. (2-tailed)	.421	.186	.000	.366			
	N	127	127	127	127	127		
Competitive Advantage	Pearson Correlation	.201*	.633**	.310**	.169	.460*	1	
	Sig. (2-tailed)	.024	.007	.000	.058	.019		
	N	127	127	127	127	127	127	
Organisation Culture	Pearson Correlation	.646**	.297**	.327**	.562**	.188*	.247**	1
	Sig. (2-tailed)	.000	.001	.000	.000	.034	.005	
	N	127	127	127	127	127	127	127

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

\* . Correlation is significant at the 0.05 level (2-tailed).

Source: Research Data (2019)

The results in Table 4.13 showed a significant weak positive correlation between organisational performance and IT capability ( $r=0.291$ ;  $n=127$ ;  $p<0.05$ ), a moderate positive correlation between organisational performance and human capital capability ( $r=0.513$ ;  $n=127$ ;  $p<0.05$ ), a moderate positive correlation between organisational performance and networking capability ( $r=0.436$ ;  $n=127$ ;  $p<0.05$ ), an insignificant weak positive correlation between organisational performance intellectual capital ( $r=0.072$ ;  $n=127$ ;  $p>0.05$ ), and a weak positive correlation between organisational performance competitive advantage ( $r=0.201$ ;  $n=127$ ;  $p<0.05$ ). Organisational performance and organisational culture had a strong significant positive correlation ( $r=0.646$ ;  $n=127$ ;  $p<0.05$ ). In general, these results show that there was a positive correlation between organisational performance and all the independent variables, mediating variable and the moderating variable.

It was noted that organisational culture had the highest correlation with organisational performance followed by human capital capability, networking capability, IT capability and finally intellectual capital. The results suggest that majority of the respondents believed that organisational culture had the highest effect on University performance followed by human capital capability, networking capability, IT capability, competitive advantage and finally intellectual capital.

These results concurred with the conclusions reached by Setia, Venkatesh and Joglekar (2013) that IT significantly affects the performance of an organisation by allowing for quick, efficient and effective use of innovative strategies that lead to dynamics and re-engineering of the enterprise strategies and systems. At the same time, the conclusions were consistent with conclusions reached by Jiang, Lepak, Hu and Baer (2012) who showed a direct positive relationship human capital capability and enhanced firms' performance this improved performance of the workers is attributed to the social interactions between the management and the employees.

Further, the study noted that the relationship between the firm's performance and its resources is made better by competitive advantage. Regarding networking capability Vesalainen and Hakala (2014) and Parida, Pesämaa, Wincent and Westerberg (2017) concluded that business organisation achieves better results by engaging in networking to eliminate constrains and competition that has to do with its resources, innovation, competence and skills. However, the results contradicted the conclusions

of Zott, Amit and Massa (2011) who noted that intellectual capital is an important strategic resource which greatly influence performance since it is hard to imitate and may be sustained over a long period. Additionally, it is hard for competitors to imitate the tactical knowledge found in employees.

The results in Table 4.13 also showed that there existed a moderate positive correlation between IT capability, competitive advantage, human capital capability and networking capability as shown by a coefficient of 0.633, 0.489 and 0.449 respectively. At the same time, it was established that there existed a weak positive correlation between IT capability and intellectual capital as indicated by a coefficient of 0.118 while there was also a weak positive correlation between IT capability and organisational culture as shown by a coefficient of 0.297.

Moreover, moderate positive correlation existed between human capital capability and networking capability and intellectual capital as indicated by coefficients of 0.600 and 0.370 respectively. The correlation coefficient between human capital capability, organisational culture and competitive advantage was 0.327 and 0.310 respectively indicating that there was a weak positive association between the study variables. Correlation between networking capability, competitive advantage and intellectual capital was found to be 0.169 and 0.081 in the order showing that there is a weak positive correlation between the variables. It was further established that there existed a moderate positive correlation between networking capability and organisational culture as shown by a coefficient of 0.562.

Additionally, the study established that there was a moderate positive correlation between intellectual capital and competitive advantage as shown by a coefficient of 0.460 while there existed a weak association between intellectual capital and organisational culture as shown by a coefficient of 0.188. The results also showed that there was a weak positive correlation between competitive advantage and organisational culture as shown by a coefficient of 0.247. All the correlation coefficients were found to be significant at 0.05 significance level except for the correlation between intellectual capital, university performance, IT capability and networking capability as well as networking capability and competitive advantage whose correlation coefficients had P-values greater than the 0.05 significance level as indicated by correlation coefficients of 0.421, 0.186, 0.366 and 0.058 respectively.

#### 4.7 Hypothesis Testing

To test the hypotheses, the study conducted regression analysis through multiple regression models. The results of the multiple regression were as shown in Table 4.14.

**Table 4.14: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.820 <sup>a</sup>	0.673	0.662	0.23992

Source: Research Data (2019)

a. Predictors: (Constant), Intellectual Capability, Networking capability, IT Capability, Human Capital Capability

The results in Table 4.14 showed that the value of correlation coefficient was 0.820 suggesting that there exists a strong relationship between the independent variables (intellectual capability, networking capability, IT capability and human capital capability) and organisational performance. In addition, Table 4.15 showed that the adjusted R square was 0.662 this shows that 66.2% of all the variations in performance of private universities in Kenya is explained by IT capability, human capital capability, networking capability and intellectual capability while the remaining 33.8% of the variations is explained by other factors other than those included in the model. The analysis of variance results is as shown in Table 4.15.

**Table 4.15: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.821	4	3.705	62.827	.000 <sup>b</sup>
	Residual	7.195	122	0.059		
	Total	22.016	126			

a. Dependent Variable: University Performance

b. Predictors: (Constant), Intellectual Capital, Networking capability, IT Capability, Human Capital Capability

Source: Research Data (2019)

The results in Table 4.15 shows that the strategic capabilities had an  $F = 62.827 > F$  critical ( $4,122 = 2.446$ ) implying that the model was fit in predicting university performance. The table also shows a P-value of 0.000 which is less than the 0.05 level of significance implying that the overall model was significant to predict the relationship between intellectual capital, networking capability, IT capability, human capital capability, and the organisational performance.

**Table 4.16: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.122	.489		4.340	.000
IT Capability	.237	.138	.232	2.717	.001
Human Capital Capability	.167	.094	.154	2.777	.001
Networking capability	.324	.079	.425	4.101	.000
Intellectual Capital	.186	.080	.172	2.325	.002

1. Dependent Variable: University Performance

Source: Research Data (2019)

Table 4.16 shows the Beta coefficient for the constant was 2.122 alluding that if all other factors affecting the performance of private universities in Kenya were held constant, the performance of private universities in Kenya would be 2.122. The results from the table also indicate that, a unit increase in IT Capability results in 0.237 increase in performance of private universities in Kenya provided all other factors are held constant. Moreover, holding all the other factors constant, a unit increase in human capital capability would result in a 0.167 increase in performance of private universities in Kenya. Similarly, holding all other factors constant, increasing networking capability by one unit, the performance of private universities in Kenya would increase by 0.324 whereas holding all factors constant, a unit increase in intellectual capital would lead to an increase in performance of private Universities in Kenya by 0.186. The model was summarised as follows;

$$\text{University Performance} = 2.122 + 0.237 \text{ IT Capability} + 0.167 \text{ Human Capital Capability} + 0.324 \text{ Networking capability} + 0.186 \text{ Intellectual Capability}$$

Based on the extent to which each variable influenced university performance, the results indicated that networking capability had the highest effect on private university performance followed by IT capability, intellectual capital while human capital capability had the least effect on performance of private universities in Kenya. All the variables in the study were significant at 0.05 level of significance as indicated by their P values less than 0.05. The conclusions reached in the study were consistent with those of Kim, Shin and Min (2016) who asserted that the capabilities of a firm allow it to daily operate, grow, adapt to changes and to achieve a competitive advantage in the industry. Further, Leonidou, Leonidou, Fotiadis, and Zeriti (2013) earlier showed that having enough physical and IT capability significantly and

positively influenced firms marketing methods leading to better performance. On the other hand, Wanjiku (2016) postulated that strategic capability positively affects sustainable competitive advantage of Kenyan insurance companies, suggesting that deployment of strategic capability leads to better performance.

#### **4.7.1 Test of Hypothesis One:**

The first objective of the study was to evaluate the effect of information technology capability on performance of private Universities in Kenya. To achieve this objective, the study tested the hypothesis that information technology capability has no significant effect on performance of private Universities in Kenya. The results also showed that the coefficient for IT capability was 0.237 implying that holding all other factors constant, a unit increase in IT capability would lead to a 0.237 increase in university performance. The coefficient of IT capability had a P-value of ( $0.001 < 0.05$ ) significance level. Thus, based on the P-value the study rejected the null hypothesis and concluded that IT capability significantly affect performance of private Universities in Kenya.

The results were consistent with the conclusions reached by Chae, Koh and Prybutok (2014) who asserted that information technology enables the firm to improve performance by increasing the speed at which decisions are made and being responsive to changes. Further, Vesalainen and Hakala (2014) opined that technology helps a firm to be adaptive to the changing customer needs thereby improving competition. Earlier, Vogel and Güttel (2013) stated that organisational assets such as technology are essential to the enterprise's ability to formulate and employ strategies that would offer competitive advantages over competitors. In addition, Lu and Ramamurthy (2011) showed that IT capability offer a firm the ability to use of shareable resources enabling the university to successfully manage its data and communication capability. Consequently, university's management should use the available IT resources to improve its enterprise activities and the ability to embrace new IT innovations while taking advantage of new opportunities.

The conclusions reached in this study were also consistent with the postulation of Resource Based View theory which points out that capabilities which comprises of resources and competencies of the firm are essential in deriving better performance for the firm by enabling the firm to operate above the other firms (Barney & Hesterly,

2010). In addition, Mckelvie and Davidsson (2009) supported that organisations resources enhances performance by generating competitive advantage. In this regard, private universities are able to exploit IT capability to gain competitive advantage and improve performance by taking a proactive stance, ensuring that they have competent staff with the required IT skill and ensuring that they maintain an appropriate information system that help them gather and disseminate information.

#### **4.7.2 Test of Hypothesis Two**

The second objective of the study was to determine the effect of human capital capability on performance of private Universities in Kenya. To achieve the objective, the study tested the null hypothesis that human capital capability has no significant effect on performance of private Universities in Kenya. From the results shown in Table 4.16, it was established that the coefficient for human capital capability was 0.167. These results suggest that if all other factors were held constant, a unit increase in human capital capability would result in a 0.167 increase in performance of private universities in Kenya. Human capital capability had a P-value of 0.001 indicating that it was significant. Accordingly, the study rejected the null hypothesis and concluded that human capital capability has a significant effect on performance of private Universities in Kenya.

The results obtained on this variable were consistent with conclusions reached by Lazear (2009) who concluded that organisation skills, experience and knowledge that is often embedded on the human capital capability play a significant role in improving its performance. Sirmon, Hitt, Ireland and Gilbert (2011) showed that skills, knowledge, experience and wisdom help employees make informed judgement thus increasing organisational efficiency and better performance. Wernerfelt (2011) opined that human capital capability has a direct positive relationship with performance and this enhances firms' performance as it boosts the productive capacity of the firm which often translate to greater performance.

On their part, Jiang, Lepak, Hu and Baer (2012) observed that human capital capability can be adequately used for value addition through learning and development. Finally, Nyberg, Moliterno, Halo and Lepak (2014) postulated that use of information and human capital capability are key factors that lay the foundation for the achievement of improved performance by a firm.

The findings of this study also supported the postulations of the human capital theory that human capital capability is regarded as an asset in an organisation which is value additive and can significantly contribute to better firm performance. The results also supported the claim that human capital is intangible characterised by skills, competencies, experience, knowledge and intelligence which despite the lack of formal ownership by the firm, the company can significantly gain from. Being a human capital-intensive sector, the performance of private universities heavily depends on the kind of teaching staff the university attract, develop and retain. Consequently, private universities that effectively exploit the human capital capability are more likely to post better results.

The study establishes that despite the fact that it was conducted in the education sector, the results reached in this study by and large concurred with the existing literature from other sectors. Therefore, the study noted that the results on this variable may be applicable in bridging the gap that existed in literature by showing that human capital capability has a significant positive effect on performance of private universities in Kenya. On this basis the study thus significantly contributes to the body of Knowledge both theoretically, empirically and contextually.

#### **4.7.3 Test of Hypothesis Three**

The third objective of the study was to examine the effect of networking capability on performance of private Universities in Kenya. The associated null hypothesis was that networking capability have no significant effect on performance of private Universities in Kenya. The results in Table 4.17 indicated that the coefficient for networking capability was 0.324. This means that holding all other factors constant and increasing networking capability by one unit, the performance of private universities in Kenya would increase by 0.324. This coefficient had a P value of  $0.000 < 0.05$  indicating that the variable was significant in predicting performance. From the findings, the study rejects the null hypothesis and accepts the alternative hypothesis that networking capability have a significant positive effect on the performance of private universities in Kenya.

These results concurred with those reached by Cantner, Conti and Meder (2010) who postulated that cooperation within networks directed towards innovation positively affects firm performance. Further, Parida, Pesämaa, Wincent and Westerberg (2017)

showed that firms that engage in networking are able to eliminate constraints and competition arising from resources, innovation, competence and skills which results in better performance. Further, the findings supported the postulations of the results-based theory which outlines organisations resources to include intangible resources and capabilities such as skills, knowledge, experiences, and ability to create and maintain relationships with relevant stakeholders. Although RBV advocates for uniqueness and non-substitutability of organisational resources as factors that help organisations create competitive advantage, the theory supports the significance of the way the organisation uses the resources to improve performance (Wernerfelt, 1984). To this end, the study therefore contributes theoretically to the body of knowledge since it supports the tenets of the RBV theory.

Likewise, the existing literature by scholars such as Chetty and Holm (2000), Cantner, Conti and Meder (2010), Papastamatelou, Busch, Ötken, Okan and Gassemi (2016), Soittara (2016) and Srećković (2018) showed that there exist gaps in the literature since majority of the studies conducted had focused on developed economies such as New Zealand, United Arab Emirates, China, Turkey, Germany, Austria and Switzerland and little attention had been given to the local context. The study also established that another strand of literature sought the link between networking capability and other constructs such as leverage (Nyaga, 2010), competitive advantage (Olalo, 2013) and competitiveness in SMEs (Soittara, 2016). None of these studies sought to show the relationship that exist between networking capability and performance specifically among private universities in Kenya. This study therefore comes in handy to fill the gap by showing the relationship that exist between networking capability and performance of private universities in Kenya.

#### **4.7.4 Test of Hypothesis Four**

The fourth objective of the study was to investigate the effect of intellectual capability on performance of private Universities in Kenya. The null hypothesis tested was that intellectual capability has no significant effect on performance of private Universities in Kenya. The results in the Table 4.17 showed that the coefficient of intellectual capability was 0.186 meaning that if all factors were held constant and intellectual capability increased by one unit, performance of private universities would increase 0.186. The P-value for intellectual capability was 0.002 which was less than the

significance level of 0.05 indicating that intellectual capability was significant in predicting university performance. Based on these results the study rejected the null hypothesis and concluded that the intellectual capability has a significant effect on private Universities in Kenya.

The conclusions reached in the study were in line with the conclusions reached by with the conclusions reached by Subramaniam and Youndt (2005) who opined that aspects of intellectual capital selectively affected innovation capability and eventually performance while Zerenler, Hasiloglu and Mete (2008) also reported that intellectual capital favourably affected firm performance. On the local scene, Ngugi (2013) postulated that intellectual capability measured through managerial skills had a positive effect on Kenyan SMEs performance and development. Further, Mungai (2014) advanced that intellectual capital affects the operational performance of commercial banks in Kenya. Equally, Ochieng (2015) showed a positive relationship between intellectual capital and performance of SMEs while Kariuki, K'Obonyo and Ogutu (2015) supported that there was significant relationship between social capital, organizational capital and non-financial performance.

The findings on this variable were also concurrent with the propositions of intellectual capital theory that intangible assets such as human capital, business processes experience, customer relationships, technology which are often not reported in the balance sheet have a greater value than the tangible assets (Kaplan & Norton, 1992; Erik, 1997). Similarly, the study seems to agree with the postulations of Vafaei, Taylor and Ahmed (2011) who noted intellectual capability that can be used to improve organisational through, innovations, ideas, designs, technologies, copyrights patents and processes. In this sense, it was concluded that intellectual capital theory can be inferred in predicting performance of private universities. Consequently, the study contributes theoretically to the theory by showing the contextual link of intellectual capability to performance of private universities.

Besides, the research gaps identified in this study were addressed by the study findings. Previous studies by Subramaniam and Youndt (2005), Ngugi (2013), Mungai (2014), Ochieng (2015) and Kariuki, K'Obonyo and Ogutu (2015) showed much of the studies were conducted in other sectors such as manufacturing, IT, automotive industry, SMEs, state corporations and commercial banks and little was

done in the education sector. This study therefore contributes to the empirically to the body of knowledge by providing empirical evidence that intellectual capability significantly affects university performance.

#### 4.7.5 Testing for the Mediated Relationship

The fifth objective of the study was to determine the mediating effect of competitive advantage on the relationship between strategic capabilities and performance of private Universities in Kenya. The associated null hypothesis stated that competitive advantage has no significant mediating effect on the relationship between strategic capabilities and performance of private universities in Kenya. To test this hypothesis, the study adopted the causal steps approach advanced by Judd and Kenny (1981), Baron and Kenny (1986), Muller, Judd and Yzerbyt (2005) as well as Hayes (2009) to seek if any mediation exists. In the first step university performance was regressed on strategic capabilities and the results were as shown in Table 4.17, 4.18 and 4.19.

**Table 4.17: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.739 <sup>a</sup>	.546	.542	.28291

a. Predictors: (Constant), Strategic capabilities

Source: Research Data (2019)

The model summary results in Table 4.17 showed an R square of 0.546 indicating that strategic capabilities collectively explained 54.6% of all the variations in university performance. The results also meant that 45.4% of all the variations in university performance were explained by other factors other than strategic capabilities. The ANOVA results for the regression model were as shown in Table 4.18.

**Table 4.18: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.011	1	12.011	150.062	.001 <sup>b</sup>
	Residual	10.005	125	.080		
	Total	22.016	126			

a. Dependent Variable: University Performance

b. Predictors: (Constant), Strategic capabilities

Source: Research Data (2019)

The results in Table 4.18 showed that the F-statistic for the model was 150.062. This value was much higher than the F-critical (1, 125 at 0.05 = 3.9169) and therefore it was established that the model was fit in predicting university performance. Similar

conclusion was reached on the basis of the P-value which was  $0.001 < 0.05$ . The student t-test results for the study coefficients were as shown in Table 4.19.

**Table 4.19: Table of Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.213	.376		5.892	.002
	Strategic capabilities	.390	.110	.302	3.545	.001

a. Dependent Variable: University Performance

Source: Research Data (2019)

Table 4.19 show that the constant was 12.011 implying that holding all other factors constant at zero university performance would be equal to 12.011. In addition, the study noted that strategic capabilities had a coefficient of 0.390 indicating that if all other factors were held constant at zero, university performance would increase by 0.390. On the basis of these results the study established that strategic capabilities was significant in predicting university performance. Thus, there is a relationship to be mediated.

The model was thus summarised as follows:

$$\text{University Performance} = 2.213 + 0.390 \text{ Strategic capabilities}$$

The results obtained on these variables were in line with those reached by Vesalainen and Hakala (2014) who observed that strategic capabilities consider the strategies an enterprise has with regard to the firm's assets, competencies and resources used by the firm to exploit its resources to gain competitive advantage.

In the second step, competitive advantage is regressed on strategic capabilities and the results were as shown in Table 4.20, 4.21 and 4.22.

**Table 4.20: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.493 <sup>a</sup>	.243	.237	.28423

a. Predictors: (Constant), Strategic capabilities

Source: Research Data (2019)

The results shown in Table 4.20 indicate that the R square was equal to 0.243. The results show that strategic capabilities predicted 24.3% of all the variations in

competitive advantage. On the other hand, the results show that 75.7% of all the variations in competitive advantage were predicted by other factors other than strategic capabilities.

The further sought to determine the fitness of the model to predict competitive advantage. ANOVA was conducted and the results were as shown in Table 4.21.

**Table 4.21: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.25	1	3.25	40.231	.000 <sup>b</sup>
	Residual	10.098	125	.081		
	Total	13.348	126			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Strategic capabilities

Source: Research Data (2019)

As shown in Table 4.21, it was established that the F-statistic for the model was 40.231 which was greater than the F-critical value of 3.9169. Moreover, the P-value for the F-statistic was 0.000 which was less than the significance level of 0.05. The study thus concluded that the model was fit in predicting competitive advantage.

To establish the significance of strategic capabilities in predicting competitive advantage, the study conducted student t-test and the results were as shown in Table 4.22.

**Table 4.22: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.853	.303		9.416	.000
	Strategic capabilities	.157	.039	.156	4.026	.000

a. Dependent Variable: Competitive Advantage

Source: Research Data (2019)

Table 4.22 show that the constant had a coefficient of 2.853 which suggest that if strategic capabilities were held constant at zero, competitive advantage of private universities in Kenya would be equal to 2.853. Similarly, the coefficient for strategic capabilities was equal to 0.157 implying that a unit increase in strategic capabilities while holding all other factors constant would lead to a 0.157 increase in competitive advantage of private universities in Kenya. The P-value for both the constant and the coefficient of strategic capabilities were  $0.000 < 0.05$  meaning that they were both

significant. Consequently, it was concluded that strategic capabilities significantly predicted competitive advantage.

The model was summarised as follows:

$$\text{Competitive Advantage} = 2.853 + 0.157 \text{ Strategic capabilities}$$

Similar results were reached by Kim, Shin and Min (2016) who opined that the capabilities of a firm allow it to daily operate, grow, adapt to changes and to achieve a competitive advantage in the industry.

In the third step university performance is regressed on competitive advantage. The model summary results were as shown in Table 4.23.

**Table 4.23: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.634	0.402	0.398	0.32442

a. Predictors: (Constant), Competitive Advantage

Source: Research Data (2019)

The results shown in Table 4.23 show that the R square value was 0.402 meaning that competitive advantage predicted 40.20% of all the variations in private university performance. The results also indicate that 59.80% of the variations in private university performance was predicted by other variables other than competitive advantage. The ANOVA results for the model were as shown in Table 4.24.

**Table 4.24: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.86	1	8.86	84.182	.024 <sup>b</sup>
	Residual	13.156	125	0.105		
	Total	22.016	126			

a. Dependent Variable: University Performance

b. Predictors: (Constant), Competitive Advantage

Source: Research Data (2019)

The results show that the F-statistic for the model was 84.182 which was found to be much greater than the F-critical of 3.9169. At the same time the P-value for the F-statistic was 0.024 which was less than the significance level of 0.05. The study thus concluded that the model as constituted was significant in predicting the dependent variable.

The study endeavoured to establish the significance of competitive advantage in predicting university performance. A t-test was conducted and the results were as shown in table 4.25.

**Table 4.25: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.666	.383		6.964	.000
	Competitive Advantage	.258	.113	.201	2.289	.024

a. Dependent Variable: University Performance

Source: Research Data (2019)

The results in Table 4.25 were summarised as follows;

$$\text{University Performance} = 2.666 + 0.258 \text{ Competitive Advantage}$$

The coefficient results showed that the constant had a coefficient of 2.666 while competitive advantage had a coefficient of 0.258. These results showed that if competitive advantage was held constant at zero, performance of private universities in Kenya would be equal to 2.666. Since the P-value for the constant was less than the significance level of 0.05, it was concluded that the constant was significant. These results were consistent with the results reached by Huang, Dyerson, Wu and Harindranath (2015) that firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate.

Moreover, the results suggested that a unit increase in competitive advantage while holding all other factors constant would result in a 0.258 increase in university performance. This coefficient was also significant at 95% confidence level. Consequently, it was established that competitive advantage was a significant predictor of private university performance.

In the fourth step, university performance was regressed on strategic capabilities and competitive advantage the results were as shown in Table 4.26, 4.27 and 4.28.

**Table 4.26: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.755 <sup>a</sup>	0.570	0.566	0.27530

a. Predictors: (Constant), Competitive Advantage, Strategic capabilities

Source: Research Data (2019)

The results shown in Table 4.26 indicate that the R square was 0.570 implying that both competitive advantage and strategic capabilities collectively explained 57.0% of all the changes in university performance while the remaining 43% was explained by other factors not in the model. To determine the fitness of the model in predicting the dependent variable, the study carried out ANOVA. The results were as shown in Table 4.27.

**Table 4.27: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.542	2	4.650	45.336	0.000 <sup>b</sup>
	Residual	9.474	124	0.103		
	Total	22.016	126			

a. Dependent Variable: Organisational performance

b. Predictors: (Constant), Competitive Advantage, Strategic capabilities

Source: Research Data (2019)

From the results in Table 4.27, it was established that the F-statistic for the model was 45.336 which was much larger than the F-critical value of 3.0693. The study thus concluded that the model was fit. Similar conclusions were made based on the P-value which was less than the significance level of 0.05. The study further tested the significance of strategic capabilities and competitive advantage in university performance. A student t-tests was conducted on each variable and the results were as shown in Table 4.28.

**Table 4.28: Regression Coefficients**

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	1.637	.486		3.365	.001
	Strategic capabilities	.358	.110	.278	3.247	.001
	Competitive Advantage	.202	.091	.157	2.220	.028

a. Dependent Variable: University Performance

Source: Research Data (2019)

The results showed a coefficient of 1.637 for the constant meaning that holding both strategic capabilities and competitive advantage constant at zero, university performance would be equal to 1.637. At the same time, the coefficient for strategic capabilities was 0.358 indicating that holding all other factors constant, a unit increase in strategic capabilities would result in a 0.358 increase in university performance. Besides, the results showed that a unit increase in competitive advantage while holding all other factors constant would lead to a 0.202 increase in university performance as shown by a coefficient of 0.202.

The results in Table 4.28 were summarised as follows;

$$\text{University Performance} = 1.637 + 0.358 \text{ Strategic capabilities} + 0.202 \text{ Competitive Advantage}$$

All the coefficients were significant at 0.05 significance level as shown by P-values of 0.001 for the constant, 0.001 for strategic capabilities and 0.028 for competitive advantage. Consequently, it was concluded that both strategic capabilities and competitive advantage were significant in predicting university performance. It was further established that in step one the coefficient for strategic capabilities was significant at 0.05 significance level indicating that there was a relationship to be mediated. In the second step, the study found that strategic capabilities was significant implying that it significantly predicted competitive advantage. Moreover, in step four, the study established that both strategic capabilities and competitive advantage were significant.

According to Judd and Kenny (1981) and Baron and Kenny (1986) full mediation effect exists if the independent variable loses its significance and experiences reduced predictive power with the introduction of the mediation variable. On the other hand, partial mediation exists where both the independent and the mediating variable remain significant after introducing the mediator in the model. On the basis of these observations, the study concluded that partial mediation of the relationship between strategic capabilities and university performance by competitive advantage was supported. This is because, strategic capabilities remained significant even with the introduction of competitive advantage in the model. The study thus rejected the null hypothesis and concluded that competitive advantage has

a partial mediating effect on the relationship between strategic capabilities and performance of private Universities in Kenya.

#### 4.7.6 Testing for the Moderated Relationship

The last objective of the study was to establish the moderating effect of organizational culture on the relationship between strategic capabilities and performance of private Universities in Kenya. To achieve this objective, the study adopted the Whisman and McClelland (2005) two step model. In the first step, performance of private Universities in Kenya was regressed on strategic capabilities. In the second step, organizational culture was introduced into the model and the significance of the interactive term observed.

The results for the first step were as shown in Table 4.14, 4.15 and 4.16. These results showed that there was a significant relationship between strategic capabilities and performance of private Universities in Kenya. The study thus established that there was a relationship to be moderated. In the second step, organizational culture was introduced into the model and the results were as shown in Table 4.29, 4.30 and 4.31.

**Table 4.29: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.650 <sup>a</sup>	.422	.413	.32025

a. Predictors: (Constant), SC\*OC, Strategic capabilities

Source: Research Data (2019)

The result in Table 4.29 showed that the model was able to predict 42.2% of all the variations in university performance as shown by the R square value of 0.422. The results further show that 47.8 % of all the variations in University performance were explained by other factors other than strategic capabilities, organisational culture and the interactive term.

**Table 4.30: Analysis of Variance**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.299	3	3.100	29.980	.000 <sup>b</sup>
	Residual	12.717	123	0.103		
	Total	22.016	126			

a. Dependent Variable: University Performance

b. Predictors: (Constant), SC\*OC, Strategic capabilities

Source: Research Data (2019)

The study results shown in Table 4.30 indicated that the model was fit in predicting university performance since the F-statistic (29.980) was much greater than the F-critical (2.6783) at 3,123 degrees of freedom and 0.05 significance level. The P-value for the F-statistic was also found to be 0.000 which was less than the significance level of 0.05. The significance of the model variables was tested using the student t-test and the results were as shown in Table 4.31.

**Table 4.31: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.383	.316		4.370	.000
Strategic capabilities	.393	.128	.305	3.072	.003
Organisational culture	.271	.101	.214	2.683	.008
SC*OC	.992	.118	.836	8.430	.000

a. Dependent Variable: University Performance

The results in Table 4.31 were summarised as follows;

$$\text{University Performance} = 1.383 + 0.393 \text{ Strategic capabilities} + 0.271$$

$$\text{Organisational culture} + 0.992 \text{ SC*OC}$$

The study established that the constant had a coefficient of 1.383 implying that holding strategic capabilities, organisational culture, and the interactive term constant at zero, performance of private universities in Kenya would be equal to 1.383. At the same time, it was established that strategic capabilities had a coefficient of 0.393 meaning that holding all other factors constant, a unit increase in strategic capabilities would lead to a 0.393 increase in performance of private universities in Kenya. Besides the study noted that organisational culture had a coefficient of 0.271. This shows that holding all other factors constant at zero, increasing organisational culture by one unit would lead to a 0.271 increase in university performance. The results also showed that the interactive term for strategic capabilities and organisational culture (SC\*OC) had a coefficient of 0.992. It is thus alluded that a unit increase in interactive term while holding all other factors constant would lead to a 0.992 increase in performance of private universities in Kenya.

All the coefficients were found to be significant since their P-values were all less than the significance level of 0.05. The decision on the moderating effect in this study was

based on the recommendations of MacKinnon, Fairchild and Fritz (2007) who concluded that difference in the r square ( $r^2_1 - r^2_2$ ) represents the moderating effect of organisational culture. In this study, the results in Table 4.18 showed that the value of R square was 0.546. At the same time the results in Table 4.28 showed an R square value of 0.422. These results show a 0.126 reduction in the value of the R square (0.546-0.422) indicating the presence of a moderating effect of organisational culture on the relationship between strategic capabilities and performance of private Universities in Kenya.

Moreover, Fairchild and MacKinnon (2009) argued that the significance level for the interactive term also indicates presence or otherwise of the moderating effect. The results shown in Table 4.30 indicate that the P-value for the interactive term was 0.000 which was less than the significance level of 0.05. Since, the P-value was less than the significance level the study concluded that the interactive term was significant. Consequently, the null hypothesis was rejected and it was concluded that organizational culture has a significant moderating effect on the relationship between strategic capabilities and performance of private Universities in Kenya.

#### **4.8 Analysis of Qualitative Data**

The study used thematic analysis to analyse qualitative data by bringing out meanings in the response. The qualitative data was derived from the open – ended section of questionnaire. The qualitative data was analysed into communication and publishing themes which were derived from the study objective. The results of the analysis were presented as follows.

##### **4.8.1 Theme One: Communication**

On information technology capability some respondents observed that interconnecting all the departments to a computer network, having an active and regularly updated website makes it easy to communicate within the university. These results concurred with the descriptive statistics in that the respondents indicated that interconnecting all the departments with a computer network and a regularly updated website were emphasized to a great extent. Additionally, respondents opined that automation of university processes helped students to access learning materials with ease which made learning more captivating and time saving. The existence of computer laboratories and access to academic information from the student portal ensured that

most students and lecturers were able to access learning materials as well as online materials such as journals and online books for their research. The descriptive results also support these qualitative data as the respondents indicated that IT capability was adopted in private universities in Kenya to a moderate extent.

Further on networking capability the collected responses indicated that sharing of available information among staff members ensured that everybody was informed on university policies and objectives as well as having a clear and effective communication channels brings about cooperation among the members thus improving performance of the university. This was supported by respondents who stated that “effective and continuous communication helps us to be at par with University strategic plans and adhere to the University policies”. At the same time, it was reported that networking and openly interacting with staff members from other universities allow members of the university to be always updated on what is happening in the industry hence ensuring that the university is at par with competitors. These responses were also supported by the descriptive statistics which showed that these values were adopted to a moderate extent among the private universities.

#### **4.8.2 Theme Two: Publishing**

On intellectual capability, the respondents observed that publishing of student work in the institutional repository enables other students and researchers to sharpen their writing skills in addition to identifying gaps in literature to enable them carry out more research. This was supported by respondents who stated that “publishing other students work in the university repository helps researchers to easily access research done by other scholars which helps them identify existing gaps for their research”.

Further, the respondents also indicated that Private universities were also found to have partnered with several journals to assist students to publish their work and offer access rights for the students to access materials from them. This improves the quality of research work thus improving university performance.

It was also noted that funding research by universities would encourage more scholars to participate in research thus increasing university performance. These results tallied with the descriptive and regression statistics of the study. The descriptive statistics

indicated that the respondents agreed to moderate extent that intellectual capital capability was deployed in private universities in Kenya while the regression results indicate that intellectual capability has a significant effect on of private Universities in Kenya.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of the findings, conclusions, policy recommendations, contribution of the study to knowledge and areas for further research. The purpose of this study was to investigate the effect of strategic capabilities on performance of private Universities in Kenya. Specifically, the study sought to find out the effect of information technology capability, human capital capability, networking capability and intellectual capability on performance of private Universities in Kenya. Further, the study sought to determine the mediating effect of competitive advantage on the relationship between strategic capabilities and performance of private Universities in Kenya as well as the moderating effect of organizational culture on the relationship between strategic capabilities and performance of private Universities in Kenya.

#### 5.2 Summary of the Study

The first objective sought to find out whether IT capability influenced the performance of private Universities in Kenya. The null hypothesis was rejected with an implication that IT capability had a significant positive effect on performance of Private Universities in Kenya. The study revealed that capabilities relating to University information systems, University IT competence, IT proactive stance, IT business spanning capability and IT infrastructure vary considerably within the private Universities. The expectation of this research was confirmed in that information technology capability enables private Universities to improve performance by increasing the speed at which decisions are made and being responsive and adaptive to the changing customer needs thereby improving competition which leads to better performance.

The second objective of this study aimed at establishing the effect of human capital capability on performance of private Universities in Kenya. The null hypothesis was rejected based on the fact that human capital capability had a significant positive effect on performance of private Universities in Kenya. The level of experience was found to have the greatest effect on human capital capability in affecting the performance. The experience, knowledge and organisation skills positively influence

performance since it helps employees make informed judgement thus increasing organisational efficiency and better performance. Continuous training and development in the Universities enabled human capital to have relevant knowledge and skills which affects performance.

The third objective of this study sought to examine the effect of networking capability on performance of private Universities in Kenya. The corresponding null hypothesis was rejected based on the fact that networking capability had a significant positive effect on performance of private Universities in Kenya. Learning for success was found to have a greater effect on performance of private Universities in Kenya. This is because universities that engage in learning and networking have the ability to eliminate constrains and competitions arising from innovation, resources, skills and competencies which result to better performance. Private Universities can also create strategic networks that are unique and that cannot be imitated by other Universities thus improving performance.

The fourth objective sought to investigate the effect of intellectual capability on performance of private Universities in Kenya. The null hypothesis was rejected based on the fact that intellectual capability had a significant positive effect on performance of private Universities in Kenya. The study found out that knowledge development and sharing was the main driver of intellectual capital in affecting performance of private Universities in Kenya.

The fifth objective sought to establish the mediating effect of competitive advantage on the relationship between strategic capabilities and performance of private Universities in Kenya. The findings of the study concluded that competitive advantage has a partial mediating effect on the relationship between strategic capabilities and performance of private Universities in Kenya. The results confirmed that programme differentiation, market oriented programmes, cost leadership and programme specialization bestows private Universities with benefits that enhances exploitation of strategic capabilities within the Universities.

The Sixth objective investigated the moderating effect of organizational culture on the relationship between strategic capabilities and performance of private Universities in Kenya. The findings revealed that organizational culture affected the implementations

and the use of strategic capabilities in private Universities and that there exists a direct positive relationship between strategic capabilities and performance of private Universities in Kenya.

### **5.3 Conclusions**

Organizational performance is apprehended to be a major concern in all institutions. In this study, the researcher examined how strategic capabilities affected performance of private universities in Kenya hence, the following conclusions were drawn from the findings of the study. On the first objective, the study sought to evaluate the effect of information technology capability on organisational performance. It was established that IT capability had a significant positive effect on performance and was perceived as a key driving factor in performance of private Universities in Kenya in that it aids in decision making through swift response and adoption of the changing customer needs. On the second objective, the study sought to determine the effect of human capital capability on organisational performance. The study concluded that human capital capability was statistically significant and has a positive effect on performance of private Universities with the level of experience having the greatest effect since helps employees make informed judgement thus increasing organisational efficiency and better performance.

On the third objective, the study sought to examine the effect of networking capability on organisational performance. It was concluded that networking capability had a significant positive effect on performance and that private Universities should engage in networking to have the ability to share resources, skills and competencies which results to better performance. This is because Universities that engage in networking have the ability to eliminate constrains and competition arising from innovation, resources, skills and competence which results in better performance. This variable had the greatest variance in the model and Private universities should embrace it in order for them to gain competitive edge that will lead to better performance. On the fourth objective, the study sought to investigate the effect of intellectual capability on organisational performance. The study concluded that intellectual capability is statistically significant and that there is a positive relationship between intellectual capability and university performance with knowledge development and sharing

being the main driver of intellectual capability in affecting performance of private in universities in Kenya.

Further, the study aimed at determining the mediating effect of competitive advantage on the relationship between strategic capabilities and organisational performance. The findings concluded that competitive advantage partially mediated the relationship between strategic capabilities and performance of private Universities in Kenya and that programme differentiation leads to greatest competitive advantage in Private Universities. Finally, the study intended to determine the moderating effect of organizational culture on the relationship between strategic capabilities and performance of private Universities in Kenya. Based on the findings, the researcher concludes that organizational culture moderates the relationship between strategic capabilities and performance of private Universities in Kenya and affects the use of strategies in these Universities.

#### **5.4 Contributions of the Study to Knowledge**

The study contributes to the body of knowledge by illustrating an empirical model, based on the adopted conceptual framework, applicable by private universities in Kenya in achieving better performance. The model showed the linkage between strategic capabilities (IT capability, human capital capability, networking and intellectual capability) and university performance.

Secondly, past studies had their limitations related to methodology, context, and the conceptualization of the variables by focusing on individual capabilities such as human resource capability. The current study contributes empirically by focusing on strategic capabilities including IT capability, human capital capability, networking capability and intellectual capability and the moderating effect of organizational culture as well as the mediating effect of competitive advantage.

Earlier studies had also been conducted both internationally and locally, among the local studies conducted in Kenya had not focused on strategic capabilities and performance of private universities in Kenya. The current study therefore contributes to this knowledge by providing an empirical review on the effect strategic capabilities and performance of private universities in Kenya as well as enhancing the

conceptualisation of the variables based on how the variables have been measured in the study.

Further, the study has established statistically the mediating effect of Competitive advantage and the moderating effect of organizational culture on the relationship between strategic capabilities and organizational performance. This will help researchers to use competitive advantage and organizational culture when dealing with other organizations since it enhances performance. The study enhances theoretical understanding of strategic capabilities impact on performance of private Universities in Kenya. The study looks at performance in terms of quality and flexibility of programmes, resource utilization and research orientation.

### **5.5 Recommendation for Policy and Practice**

Based on the conclusions of this study, the following recommendations were made. The findings of the study indicated that all the variables of the study were emphasised to a moderate extent. In addition, the study concluded that IT capability had a significant positive effect on performance of private universities in Kenya. Consequently, the study recommends that private universities in Kenya should map their IT capabilities that would enable them improve their infrastructure such as well-equipped computer laboratories to enable them span their businesses by automating their programmes and processes. Further, universities should adopt a proactive stance by developing adaptable operating systems. The ICT managers in these universities should exploit this capability and embrace digitalization of their processes in order for them to gain competitive superiority that will lead to better performance.

Human capital capability was also found to have a significant positive effect on performance of private universities in Kenya. Based on this conclusion, the study recommends that private universities should prioritise personnel expertise by employing based on qualifications and frequently conducting random assessments to evaluate level expertise. Besides, the level of experience and knowledge and skills possessed by the staff should be highly emphasised by the HR department.

Moreover, networking capability had a significant positive effect on performance of private universities in Kenya. The study therefore recommends that private universities in Kenya should focus on ways of maximising the utilisation of relational

trust by cultivating trust amongst staff, relational capability by encouraging inter-university interactions in open forums, relational strength, initiation of business relationships, coordination within networks, and encouraging information sharing. In addition, the University registrars should create strategic networks and partnerships that are unique and inimitable by other universities to enable them acquire innovations, resources, skills and competencies, thus improving performance.

Intellectual capability was equally significant in predicting performance of private universities in Kenya. Consequently, effective and better strategies should be deployed in private universities to enhance innovation efforts, number of patents, knowledge development and sharing and creativity potential. The HR managers and the faculty deans in these institutions should endeavour to improve this capability by organizing trainings, seminars, and conferences for them to improve to enhance knowledge sharing and creativity potential that will aid in improving their performance.

Further, the study concluded that competitive advantage partially mediated the relationship between strategic capabilities and performance of private universities in Kenya. For these reasons, the study recommends that private universities should evaluate the aspects of programme differentiation, cost leadership, market-oriented programmes as well as programme specialisation so as to determine the aspects that best generates competitive advantage when fully implemented.

On the other hand, organisational culture had a significant moderating effect on the relationship between strategic capabilities and performance of private Universities in Kenya. Management of private universities should therefore channel their resources towards promoting learning culture, employee involvement culture, customer centric culture, innovative culture and supportive culture as they contribute significantly towards achieving good performance.

## **5.6 Limitations of the Study**

The findings of this study were based on data obtained from private universities in Kenya. These findings are therefore applicable to private universities only and other institutions that are significantly similar in terms of size and scope. Thus the results may not be generalised to other public universities in Kenya and beyond and other

middle level learning institutions. The study findings may also not be inferred on other organisations that are not in the education sector such as manufacturing and service sector.

Moreover, the study focused on strategic capabilities which was measured through IT capability, human capital capability, networking capability and intellectual capability. The findings of the study are therefore true to the extent to which strategic capabilities is as measured in this study.

In addition, the findings of the study were obtained from the data collected for a period of twelve years from 2008 to 2019. Therefore, the findings of the study may not be inferred on long term studies to make long term predictions on the relationship between the strategic capabilities and performance of Private Universities.

### **5.7 Recommendations for Further Research**

The findings of this study were limited only to private universities in Kenya and may not be generalised to other institutions of learning or other organisations. Other studies should therefore be conducted in public universities in Kenya and also in all the institutions of higher learning to identify if similar conclusions will be reached.

Secondly, the study only focused on information technology capability, human capital capability, networking capability, and intellectual capability as the most applicable strategic capabilities in private Universities. However, there could be other strategic capabilities available to private Universities not covered in this study. The study thus recommends that other studies be conducted to establish if there are other strategic capabilities that would influence performance of these Universities.

In addition, the study tested the mediating effect of competitive advantage on the relationship between strategic capabilities and performance of private Universities in Kenya as well as the moderating effect of organizational culture on the relationship between strategic capabilities and performance of private Universities in Kenya. There are however other factors that could mediate and moderate the relationship between strategic capabilities and performance of private universities in Kenya. The study therefore recommends that other studies to be conducted to establish the moderating and mediating effect of other factors such as government policies and

environment on the relationship between strategic capabilities and University performance.

The study also noted that data collected for this study was for the period between 2008 and 2019. Therefore, the findings may not be used to make long term conclusions about the effect of strategic capabilities on performance of private Universities. The study therefore suggests that other studies covering longer periods should be done to determine if similar inferences would be made.

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## APPENDICES

### Appendix I: Introductory Letter

6/03/2019

RUTH N. KING'OO,  
P.O BOX PRIVATE BAG-00217,  
LIMURU.

Dear Sir/ Madam,

#### **RE: REQUEST FOR RESEARCH PARTICIPATION**

I am a postgraduate student at Kenyatta University undertaking a PhD in **BUSINESS ADMINISTRATION**. I am currently carrying out a research on **STRATEGIC CAPABILITIES AND ORGANIZATIONAL PERFORMANCE: A CASE OF PRIVATE UNIVERSITIES IN KENYA** as part of my course requirement. I therefore invite you to participate in the study by responding to the attached questionnaire.

Your identity will be treated with confidentiality and the information provided will be used for purpose of the study only. Kindly read each question carefully and give you most objective response my making a tick in the provided area.

For any a question of clarification, please feel free to contact me on phone on +254-725-859-142 or Private Bag 00217 Limuru or directly contact the school of business of Kenyatta University on P.O Box 43844-00100 Nairobi.

Look forward for your cooperation.

Faithfully,

**RUTH NDANU KING'OO**

## Appendix II: Research Questionnaire

This questionnaire is designed to collect data to establish the effect of **STRATEGIC CAPABILITIES AND ORGANIZATIONAL PERFORMANCE: A CASE OF PRIVATE UNIVERSITIES IN KENYA**. All information provided will be treated with confidentiality.

*Answer all questions as indicated by either filling in the blank or ticking the option that applies.*

### Part One: Demographic Information

1) Gender

Male

Female

2) Please indicate your designation.

Faculty dean

Registrar

Human resources manager

Property manager

3) Please indicate your highest level of education

Post Graduate

Undergraduate

Diploma

Certificate

4) How many years have you worked in the University?

Less than 1 year  1-5 years

6-10 years  over 10 years

### Part Two: Strategic capability and Performance of Private Universities in Kenya

#### a) IT capability

5) Please indicate the extent to which you agree on the following statements on the aspects of IT capability in your University.

Where: 5- Very Large Extent      4- Large Extent      3- Moderate Extent

2-Little Extent      1- Not at all

Aspects of IT Capability	1	2	3	4	5
<b>Infrastructure capability</b>					
All departments in our university are interconnected through computer networks					
All our operations are automated					
We have extensively adopted digital learning					
We have a well-equipped computer laboratory					
Our university has heavily invested in IT infrastructure.					
<b>IT business spanning capability</b>					
The university is interlinked with other stakeholders through the network.					
All our courses outline and course					

materials are available on digital platforms					
The university has increased the number of students due to online programmes					
<b>IT proactive stance</b>					
Our university operating system is adaptable beyond our current scope.					
We always develop new IT products before other universities.					
Our IT department is always proactive in providing solutions to university challenges.					
<b>University IT competence</b>					
We always recruit the most competent staff in our IT department					
We offer regular training on emerging role of IT in our University					
Our University regularly evaluate the competence of IT staff.					
<b>University Information systems</b>					
All our students can access their academic information from the student portal					
All our staff and other stakeholders can access services through the operating system					
Our university has an active and regularly updated website					
The university regularly update events and activities on the social platform (Facebook, twitter. Etc)					

6) In your opinion, how do the above aspects of IT capability affect Performance of your University?

.....  
.....  
.....

**b) Human Capital Capability**

7) Please indicate the extent to which you agree on the following statements on the aspects of human capital capability in your University.

Where: 5- Very Large Extent      4- Large Extent      3- Moderate Extent  
2-Little Extent                      1- Not at all

<b>Aspects of Human Capital Capability</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Personnel Expertise</b>					
Our university employs staff members based on their qualifications in their areas of specialization					
Our university conducts frequent random assessments on the staff in different departments to evaluate their level expertise.					
Our university require that its members me registered with the relevant practicing bodied.					
<b>Level of Experience</b>					
Our university employs lecturers and other staff based on their level of experience					
We critically evaluate the candidate's employment history and qualification in order to get the most experienced staff.					
Employees experience is highly rated during promotion.					
<b>Knowledge and Skills</b>					
Our university usually match tasks to skills while delegating duties to its employees					
Our university supports and encourages its staff to acquire and share knowledge.					
The university encourages its staff to further their studies to increase their knowledge and skills.					
We have a well-equipped library to support quest for knowledge.					
<b>Training and development</b>					
Our university conducts frequent technical skills training on its staff.					
We have a working and effective training and development programme in our university					
Our university regularly hold workshops and seminars to sharpen employee skills					
We always adhere to the standards set by Commission for					

university education					

8) In what ways has human capital affected Performance of your University?

.....

.....

.....

**c) Networking capability**

9) Please indicate the extent to which you agree on the following statements on the aspects of Networking capability in your University.

Where: 5- Very Large Extent 4- Large Extent 3- Moderate  
 Extent 2-Little Extent 1- Not at all

<b>Aspects of Networking capability</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Relational Trust</b>					
we always cultivate trust amongst our staff					
We encourage our staff to freely share available information with other members of staff.					
Our university encourages its members to interact with other stakeholders to seek new information.					
<b>Relational capability</b>					
Our university has entered into business partnerships with other partner organizations					
We encourage and promote networking in order to maintain a strong relationship.					
This university openly interact with member from other universities in open forums					
<b>Relational strength</b>					
Our university endeavours to create a good relational strength with our stakeholders					
We always seek to maintain strong bonds with our partners.					
We maintain good relational standings in our membership associations.					
<b>Initiation of business relationships</b>					
Our university identifies other organizations with similar objectives for partnerships					
We always generate new					



<b>Aspects of intellectual capability</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Innovation efforts</b>					
We always support innovative initiatives					
The university has assisted development of new technologies over the years					
Our university has always participated in innovative research					
Our universities always provide funding for all the research activities					
<b>Number of patents</b>					
Our university register new technologies every year.					
We always encourage our students and staff to develop and patent new ideas.					
<b>Knowledge development and sharing</b>					
The university always publish research works done by the students and staff					
The university has partnered with several journal to assist students to publish their work.					
Our university has acquired access rights to enable students to access information easily.					
<b>Creativity potential</b>					
Our university always encourage students and staff to be creative.					
We encourage our staff to provide creative solution to challenges facing the university					
We always support creative art and talent among our students and staff					

12) In your opinion, how has intellectual capability affected Performance of your University?

.....  
 .....

**e) Competitive Advantage**

13) Please indicate the extent to which you agree on the following statements on the aspects of competitive advantage in your University.

Where:           5- Very Large Extent           4- Large Extent           3-           Moderate  
 Extent           2-Little Extent                           1- Not at all

<b>Aspects of competitive advantage</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Programme Differentiation</b>					
We have a unique programme that accommodate both full time and part time students					
We always ensure that our programmes meet the current needs of the learners.					
<b>Cost leadership</b>					
our university has streamlined its operations to minimise operational cost					
The university workflow is designed to minimise wastage.					
The university beats competitors on cost management					
<b>Market Oriented Programmes</b>					
We have always met the expectations of our stakeholders through quality and improved programmes					
Our university offers unique programmes from other universities					
Our programmes are geared towards achieving national and millennium goals of development.					
Our university programmes are developed in line with the current emerging trends.					
<b>Programme specialisation</b>					
We have specialised programmes that others universities don't offer					
We have specialised in a few programmes to increase quality					
Our university has adopted an extensive eLearning programme in order to enrol the highest number of students as possible					

14) In your opinion, how does competitive advantage affect the relationship between strategic capability and performance of your University?

.....  
 .....

**f) Organizational Culture**

15) Please indicate the extent to which you agree on the following statements on the aspects of organizational culture in your University.

Where: 5- Very Large Extent      4- Large Extent      3- Moderate Extent  
 2-Little Extent                      1- Not at all

<b>Aspects of Organizational Culture</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Learning culture</b>					
Our university cultivate a learning culture among students and staff					
Our library is open for longer hours to allow students and staff to read.					
Our students always have assignments and term papers to encourage them study widely					
The university is candid on originality of student work					
<b>Employee Involvement Culture</b>					
This university adopt a constitutive approach to decision making					
The university often hold stakeholder meetings					
There is an active student body that champion their interests.					
<b>Customer Centric Culture</b>					
The customer is the most important stakeholder in this university					
The university usually hold an open day forum where all their customers are invited					
We have a platform where our stakeholders can air their grievances					
<b>Innovative culture</b>					
The university supports all kinds of innovative works for both the students and staff members					
The university provide financial support to the projects that the students undertake					
<b>Supportive culture</b>					
The university provides a support to all its stakeholders					
The universities encourage support to the activities that student undertake					
We provide a platform where all the students and staff who needs our support can reach us					

16) In your opinion, how has organizational culture affected the relationship between strategic capability and performance in your University?



university education					
Our school curriculum is always up to date					
<b>Efficiency</b>					
We are able to conduct and run our activities efficiently					
Our university has not faced any challenge I terms of facilitation					
<b>Journal articles published</b>					
We partner with journal to help our students publish their research work					
our university has published several research articles over the years					
Our university offers support and guidelines on how students can publish their work					
<b>Number of books published</b>					
Our lecturers have been facilitated to publish book					
We have support and guide students and to publish books					

**Thank You**

**Appendix III: Accredited Universities in Kenya – March 2017**

	<b>ACCREDITED UNIVERSITIES</b>	<b>YEAR OF ESTABLISHMENT</b>	<b>YEAR OF AWARD OF CHARTER</b>
<b>Private Chartered Universities</b>			
1.	University of Eastern Africa, Baraton	1989	1991
2.	Catholic University of Eastern Africa (CUEA)	1989	1992
3.	Daystar University	1989	1994
4.	Scott Christian University	1989	1997
5.	United States International University	1989	1999
6.	St. Paul's University	1989	2007
7.	Pan Africa Christian University	1989	2008
8.	KAG - EAST University	1989	2016
9.	Africa International University	1989	2011
10.	Kenya Highlands Evangelical University	1989	2011
11.	Africa Nazarene University	1993	2002
12.	Kenya Methodist University	1997	2006
13.	Strathmore University	2002	2008
14.	Kabarak University	2002	2008
15.	Adventist University	2005	2009
16.	Great Lakes University of Kisumu	2006	2012
17.	KCA University	2007	2013
18.	Mount Kenya University	2008	2011
<b>Institutions with Letter of Interim Authority (LIA)</b>			
19.	Aga Khan University	2002	
20.	GRETSA University	2006	
21.	International Leadership University	1989	
22.	Kiriri Women's University of Science and Technology	2002	
23.	Lukenya University	2015	
24.	Management University of Africa	2011	
25.	Pioneer International University	2012	
26.	Presbyterian University of East Africa	2007	
27.	RAF International University	2016	
28.	Riara University	2012	
29.	The East African University	2010	
30.	UMMA University	2013	
31.	Zetech University	2014	

## Appendix IV: Approval of Research Proposal



**KENYATTA UNIVERSITY  
GRADUATE SCHOOL**

E-mail: [kubps@yahoo.com](mailto:kubps@yahoo.com)  
[dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)  
Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 810901 Ext. 57530

**Internal Memo**

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**FROM:** Dean, Graduate School **DATE:** 18<sup>th</sup> February, 2019  
**TO:** Ms. King'oo R. Ndanu **REF:** DS6/CTY/28202/14  
C/o Department of Business Administration  
Kenyatta University  
**SUBJECT: APPROVAL OF RESEARCH PROPOSAL**

---

We acknowledge the receipt of your revised Research Proposal entitled "Strategic Capabilities and Organizational Performance: A Case of Private Universities in Kenya" as per recommendations raised by the Graduate School Board of 9<sup>th</sup> January, 2019.

You may now proceed with your Data collection, subject to clearance with the Director General, National Commission for Science, Technology & Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed supervision Tracking Forms per semester. The form has been developed to replace the progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

By copy of this letter, the Registrar (Academic) is hereby requested to grant you substantive registration for your Ph.D. studies.

Thank you.

**REUBEN MURIUKI**  
**FOR: DEAN, GRADUATE SCHOOL**

c.c. Registrar (Academic) Att; Mr. Likam  
Chairman, Department of Business Administration

Supervisor

1. Dr. Linda Kimencu  
C/o Department of Business Administration  
Kenyatta University
2. Dr. Godfrey Kinyua  
C/o Department of Business Administration  
Kenyatta University

## Appendix V: Research Authorization from the Graduate School



KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

OUR REF:D86/CTY/28202/14

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 8710901 Ext. 57530

Date: 18<sup>th</sup> February, 2019

The Director General,  
National Commission for Science, Technology & Innovation  
P.O. Box 30623-00100,  
**NAIROBI**

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR MS. KING'OO R. NDANU REG. NO. D86/CTY/28202/14

I write to introduce Ms. **Ndanu** who is a Postgraduate Student of this University. She is registered for Ph.D. Degree programme in the **Department of Business Administration in the School of Business**.

Ms. **Ndanu** intends to conduct research for Ph.D. Thesis entitled, **“Strategic Capabilities and Organizational Performance: A Case of Private Universities in Kenya”**

Any assistance given will be highly appreciated.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'E. Kimani', written over a circular stamp.

**PROF. ELISHIBA KIMANI**  
**DEAN, GRADUATE SCHOOL**

RM/cao

## Appendix VI: Research Permit


**THIS IS TO CERTIFY THAT:**  
**MS. RUTH NDANU KINGOO**  
**of KENYATTA UNIVERSITY, 0-217**  
**LIMURU, has been permitted to conduct**  
**research in Nairobi County**

**on the topic: STRATEGIC CAPABILITIES**  
**AND ORGANIZATIONAL PERFORMANCE:**  
**A CASE OF PRIVATE UNIVERSITIES IN**  
**KENYA.**

**for the period ending:**  
**6th March,2020**

  
.....  
**Applicant's**  
**Signature**

**Permit No : NACOSTI/P/19/69046/28537**  
**Date Of Issue : 6th March,2019**  
**Fee Received :Ksh 2000**



  
.....  
**Director General**  
**National Commission for Science,**  
**Technology & Innovation**

### THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is guided by the Science,  
Technology and Innovation (Research Licensing) Regulations, 2014.

#### CONDITIONS

1. The License is valid for the proposed research, location and specified period.
2. The License and any rights thereunder are non-transferable.
3. The Licensee shall inform the County Governor before commencement of the research.
4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
5. The License does not give authority to transfer research materials.
6. NACOSTI may monitor and evaluate the licensed research project.
7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.

National Commission for Science, Technology and Innovation  
P.O. Box 30623 - 00100, Nairobi, Kenya  
TEL: 020 400 7000, 0713 788787, 0735 404245  
Email: dg@nacosti.go.ke, registry@nacosti.go.ke  
Website: www.nacosti.go.ke



REPUBLIC OF KENYA



National Commission for Science,  
Technology and Innovation

RESEARCH LICENSE

Serial No.A 23406

CONDITIONS: see back page

## Appendix VII: Research Authorization



### NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,  
2241349,3310571,2219420  
Fax: +254-20-318245,318249  
Email: [dg@nacosti.go.ke](mailto:dg@nacosti.go.ke)  
Website: [www.nacosti.go.ke](http://www.nacosti.go.ke)  
When replying please quote

NACOSTI, Upper Kabete  
Off Waiyaki Way  
P.O. Box 30623-00100  
NAIROBI-KENYA

Ref No **NACOSTI/P/19/69046/28537**

Date: **6<sup>th</sup> March, 2019**

Ruth Ndanu Kingoo  
Kenyatta University  
P.O. Box 43844-00100  
**NAIROBI.**

#### RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Strategic capabilities and organizational performance: A case of Private Universities in Kenya,*" I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **6<sup>th</sup> March, 2020.**

You are advised to report to **the Vice Chancellors of selected private Universities, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a **copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

  
**DR. MOSES RUGUTT, PHD, OGW**  
**DIRECTOR GENERAL/CEO**

Copy to:

The Vice Chancellors  
Selected Private Universities.

The County Commissioner  
Nairobi County.

  
**COUNTY COMMISSIONER**  
**NAIROBI COUNTY**  
National Commission for Science, Technology and Innovation is ISO9001:2008 Certified  
P.O. Box 30124-00100, NBI  
TEL: 341906