

**CORE COMPETENCIES AND PERFORMANCE OF FIRMS IN THE  
SERVICE INDUSTRY: A CASE OF MICRO CAP HOLDINGS**

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## DECLARATION

This Research Project is my original work and has not been presented for a degree in any other university or for any other award. No part of this thesis should be reproduced without authority of the author and/or Kenyatta University.

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## **DEDICATION**

I dedicate this research project God who has been given me wisdom, knowledge and understanding which I have efficiently used to write this paper. My husband; George Odhiambo who has also supported me morally and made sure that I gave it all to complete the project. To my Brother Owen Mugesu and Best Friends Caroline Wanja and Kathryn Kusa who have been affected in every way possible by this quest. Thank you very much for everything.

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## **OPERATIONAL DEFINITION OF TERMS**

- Core Competencies:** These entail exceptional abilities possessed by some firms, which allows them, have competitive advantage over other firms. The core competencies for this study will be marketing proficiency, human resource competency, research and development proficiency and financial resource proficiency.
- Financial Resource Competence:** This refers the capabilities of firms as regard the financing of firm operations and activities. It was conceptualized as capacity to carter for marketing expenses, prompt payment of salaries and wages and giving financial inducements.
- Human Resource Competence:** This refers to capabilities of firms, which relate to the collective knowledge gained within the work environment through teamwork and experience, which generates inputs in the operations of the firm. It is viewed in terms of training, personnel policies and employee motivational aspects.
- Marketing Competence:** This entails consistent research on the various marketing roles/functions, which in turn provides companies with the capacity for offering and delivering superior quality to customers. It was conceptualized as product line,

developing of fresh products and focusing on the customers.

Performance: This is the capability of firms to operate profitability, increase its share in market, and ensure customer satisfaction.

Research & Development Competence: This refers to the capabilities of firms relating investigations geared toward towards innovation and discovery. It looked at the objectives of the R&D exercise, the feedback mechanism and improving the product and services.

## **ABBREVIATIONS AND ACRONYMS**

<b>ANOVA</b>	Analysis of Variance
<b>BSC</b>	Balanced Score Card
<b>CC</b>	Core Competencies
<b>HR</b>	Human Resource
<b>ICT</b>	Information Communication and Technology
<b>IT</b>	Information Technology
<b>NACOSTI</b>	National Commission for Science, Technology & Innovation
<b>NSE</b>	Nairobi Securities Exchange
<b>RBV</b>	Resource based view
<b>R&amp;D</b>	Research and Development
<b>SMEs</b>	Small and Medium Size Enterprises
<b>SPSS</b>	Statistical package for social science
<b>UAE</b>	United Arab Emirates

## ABSTRACT

The Kenyan service industry contributes to employment of millions of people and the income earning for government, hence the need for it to perform highly. Major reforms have been done in the sector like use of ICT, service charters but the main issue to its poor performance is financial challenges that hamper its support of the Big4 agenda. Micro Cap Holdings as part of the service industry has suffered poor performance until it split to three factions in a bid to inject in resources from investors and incorporate financial intermediation. This study investigated if adoption of core competencies would improve the performance of service industry and the case of Micro Cap Holdings. The specific objectives included the effect of marketing competence, impact of human resource competence, impact of research and development competence and financial resource competence on performance of Micro Cap Holdings. The Resource Based Theory, the Balance Score Card Model and the Core Competency Model were used in the study. The study used descriptive research design and targeted all the 645 employees at Micro Cap Holding and the sampled 63 respondents which 10% of the targeted population. The participants were randomly selected hence employment of the simple random sampling technique. The primary data was collected using semi-structured questionnaire and the study applied descriptive and multiple regression analysis during the data analysis. The results from correlation analysis reveal that all the independent variables had a strong positive and significant effect to performance since all r- values were between 0.5 and 0.9. Findings showed that marketing competence had r of 0.736; HR competence r was at 0.631, R&D competence r value was at 0.709 and financial resource competence r- 0.812. The adjusted coefficient of determination was analyzed and its findings showed that 72.7% variations in the dependent study variables can be traced to the independent variables but 27.3% residual effect of the performance could be explained by other factors outside the scope of the current study. The study concluded that marketing competence positively affected the performance of Micro Cap Holding; with the respondents agreeing that that the customer had a high reputation of the firm based on the marketing activities and also the sales team members were skilled and dynamic. On human resource competence, it had a positive and significant impact on the performance of Micro Cap Holding, identified through the effective recruitment program leading to obtaining skilled and qualified employees and improving their commitment levels from the career development programs. The study further concluded that research and development competence influenced the performance of Micro Cap Holding which was exposed through having a taskforce to guide research activities and conducting market analysis and economic value analysis. The study also concluded that financial resource competence led to improved performance of Micro Cap Holding. Sufficient financial resources helped the company to do marketing, conduct research and pay salaries and allowances to its employees. The implication of this study is such that core competencies significantly influenced the performance of Micro Cap Holdings; as such the study makes recommendation for management team to adopt core competencies in its operation so as to increase the firm performance. The study recommends that other service industry players seeking to improve their performance to incorporate core competencies in their operations.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

The current environment that businesses operate in is dynamic, as it is characterized by stiff competition as the firms fight for market share, customers and profitability (Dirisu, Ilioya & Ibiduni, 2014). The increasing state of globalization has resulted in decreased product life cycle and it has also increased the stress being placed on firms as they seek to achieve competitive advantage in the business environment. A number of goals and various objectives, which all revolve around holding large market share and ultimately bettering firm performance in relation to that of rivalry firms (Lin & Wu, 2014) stated are part of the guiding principles for the firms.

The principal goal of embracing successful processes of management is to make the organizational performance improved over time. The concept of firm core competence has emerged as a major concern area when it comes to the improvement of the performance in organizations (Yin, Chen & Zhao, 2019). The modern business atmosphere brings about a more demanding situation for the reason that there exist multiple factors that companies have to grapple with within a multifaceted and changeable environment in terms of globalization, technological growth and the speedy diffusion of new technologies (Marcusson & Lundqvist, 2016).

Yang (2015) explained that the rationale behind strategic management is to build up and preserve the assets and skills while choosing the strategies that if transformed will lead to competitive advantages. As explained by Porter (1980) a company has the ability of achieving its feasible gain through the value production to its clients and also while engaging in strategic activities at a lower cost relative to its competitors. Thriving organizations plausibly have certain competencies that give them capability to execute key activities remarkably well (Lin & Wu, 2014). These abilities have been described as “core competencies” and they represent activities initiated by the firm to gain competitive advantage (Marcusson & Lundqvist, 2016).

In the global scene, Arslan (2019) shared that business problems, environmental and ecological crises have pushed the firms in Turkey to consider core competencies that are aligned to environmental sustainability. The entire business processes must become green-business processes and as they yield higher incomes, they also improve environmental aspects. Adoption of green core competencies will enable such firms to employ environmental friendly policies. Duan (2019) revealed that core competencies like knowledge and skill systems that are incorporated into the organizational culture and structure of an enterprise will likely generate competitive advantage. The study was aligned to theory of core competence and brought changes to Chinese business philosophy of competing for market shares for the final products but rather the competition of the market share for core intermediate products.

In Nigeria, Iornem and Adikpo (2020) noted that many countries had adopted and configured ways to market their tourist destination by building business models that support competencies. But there is little known in terms of core competence aligned to tourism enterprises in Nigeria.

The tourism enterprises in Nigeria are driven by managerial skills, the environment and phenomena, but none are directly linked to core competence as it seemed lacking among the sector players. Salim (2015) on core competence for SMEs in Tanzania shared that many of the SMEs had core competence as a strategy that covered the perspectives of technical, management and capability but not all the SMEs were commitment to keeping to these competencies. The weak technological infrastructure, low level of managerial skills in the SME owners and operators and lack of marketing formats led to low adoption of core competencies in the SMEs in Tanzania. It seemed that core competencies as a concept was understood but little done in its application and usage in organizations.

Locally, Muniu (2013) posited that SME sector in Kenya was highly competitive and those seeking a lead and gains in terms of competitive advantages looked core competencies. The SMEs were homogenous and to differentiate themselves in the market, some had taken to adopting elements of core competencies like developing human resources, use of firm internal resources and capabilities and building of business strategies. These elements of core competencies gave the SMEs an lead over the others but they need to adopt modern marketing, promotional and advertising techniques to sustain the lead. The SMEs also needed to work on brand awareness and brand identity. Similarly, Mugo, Namusonge and Sakwa (2016) noted that the Kenyan Insurance sector was homogenous as the sector players had similar products which affected the performance negatively and increased the competition in the field. To enhance performance, core competencies were adopted with aspects of firm policies based on opening communication lines, giving feedback, create a sense of belonging and giving clear direction and

expectation to the staff. Marketing of the services and products and continuous innovation would sustain the sector through customer loyalty and retention. Choge, Namusonge, Makokha and Musau (2018) noted that the banking sector played a big role to the country's economic and as such there was need to for the sector players to embrace competencies that align to the strategic position and policies of the bank and lead to gaining competitive advantage.

Different industries and sectors have employed core competencies to influence their performance and competitiveness. The results attain were attained, with some recording positive and others poor performance based on adoption level of core competencies. Thus, this study aimed at expanding literature by looking at service industry and its performance as influenced by core competencies. This study explored how service industry players can improve their performance by looking at the case of Micro Cap Holdings performance as affected by core competence adoption.

### **1.1.1 Firm Performance**

Various authors have fronted various descriptions of firm performance. As discussed by Akgün (2020) firm performance is akin to a position of competitiveness often attained by achieving a high efficiency rank, which serves to make the presence in the market maintained. In an institution, performance measurement entails presentation of quantified outcome of the different activities that are carried out within the firm (Juma & Okibo, 2016). When measuring it, it is good to comprehend the connection present between the goals, measures of performance and

organization outcome and the significance of the performance metrics. In many modern-day organizations, performance is carried out using three types of techniques.

The first technique is through the utilization of a balanced score. The foremost goal of this technique is to provide an organization with an opportunity to transform its corporate strategy into action (Mokhtari, 2016). The second technique used to measure performance of an organization entails using the Deming model which gives emphasis to the recognition of differences in the process of production and addressing those differences (Dao & Nguyen, 2020). The Deming wheel or cycle has four elements ‘plan, do, act and study’ that if organizations adopt will improve their productivity and performance.

The third technique involves using the BALDRIGE model, which proposes that the guiding principles used for performance measurement in firms and should be brought from the business strategy. More importantly, the model proposes that the standards must be able to provided pertinent information (Mokhtari, 2016). The model measures performance using seven elements that cover customers, analysis, leadership, strategy, knowledge management, workforce operations and measurement of results.

Riungu (2020) noted that for financially-based firms, performance metrics can be in terms of shareholders’ value, market share, returns on investment and assets and overall profitability margins. Adnan, Abdulhamid and Sohail (2018) considers non-financial measures like customer and staff satisfaction, high retention rate of clients, efficiency of operations and growth in market share and customer numbers. But in some instances, the performance is measured in

terms of financial and non-financial aspects and using different models. To measure performance, this study was guided by the Balance Score Card Model, where firm performance under this model is measured using financial and non-financial measures. The model standpoints on firm performance include financial elements, customer aspects, internal business methods and learning and growth. In this study, firm performance measures covered customer satisfaction, market share and profitability.

### **1.1.2 Core Competencies**

The concept of core competence often referred to by different names such as distinctive capabilities, organizational competencies or dynamic capabilities. These principal competencies are normally responsible for bringing about success in an organization (Maniscalco, Gage, Teferi & Fisher, 2020). The resources, which an organization has, access to forms its primary competencies (Murgor, 2014). These principal competencies provide firms with the enablement through both bad and good economic conditions and are regarded as the most valuable organizational assets for those firms, which possess them, which conversely serve as the frustrating challenges for competing firms who lack these competencies (Hou, 2014). Core competencies are conceptualized differently depending on the production, age of the firm and products it handles, Edgar and Lockwood (2011) generalized the core competencies as based on marketing, research and development, human resources and financial and other resource competencies. In this study, core competencies were adopted by the Edgar and Lockwood (2011) conceptualization of the term, such that core competencies was assessed in the viewpoint of

marketing competence, human resource competency, research and development competency and financial resource competency.

Marketing competence entails consistent research on the various marketing roles/functions. The competence leads to efficient pricing strategies, distribution channels and efficient sales promotion (Ng, Kee & Ramayah, 2019). Marketing competence therefore provides companies with the capacity for offering and delivering superior quality to customers', efficient management relating to acquisition and retention of customers (Zaim, Yasar & Unal, 2013). This ensures smooth operations by the various parties involved in the production and distribution chain (Murgor, 2014). The study viewed marketing competence through its product line, development of fresh products and customer interests and wants that are imbedded in the product as per the customer focus.

Human resource competence is hinged on the role performed by individuals in an organizational setting (Murgor, 2014). It entails the collective knowledge gained within an organization through team work and experience which generates "inputs" in the operations of the firm. This "experiential" knowledge emanates from interactions at work, which comes through time within the organization, and therefore it is not bought or sold in the market. Experiential knowledge based on these facts provides similarities between assets and skills specificity (Mwiti, 2016). Human resource competencies was conceptualized in this study to cover elements of training, personnel policies and regulations and means of motivating the employees and how these aspects can be adopted to improve firm performance.

Research and development competence entails conducting of investigations geared toward towards innovation and property management (Ng, *et al.*, 2019). Research and development managers in an organizational setting carry out the role of product development planning which is aimed at aligning products to the aims of the firm (Jabouri & Zahari, 2014). This includes but not limited to expansion of product lines or development of new products. Research and Development has over the years becomes an imperative function in a firm, this is due to the fact that product differentiation directly contributes the market value of firms (Kabue & Kilika, 2016). Research and development will cover the objectives of undertaking such an exercise within the firm, its effect in product and service improvement and getting feedback from the research exercise.

Financial resources are key in the financing strategic resources of firms and business expansion activities in line with the strategic objectives of firms. Conner (1991) asserts that firm RBT is hinged on how firms utilize their existing resources; this therefore provides insights on the evolvement of heterogeneous resource positions. Similarly, Grant (1991) opined that that consistent advantage entails the efficient coordination of the various resources of firms. Therefore, firm performance is influenced by effectively utilizing firm core competencies adequately. In this study, financial resource competence covers concepts of financing all the marketing activities of the firm, prompting paying employees' salaries, wages and allowances and other financial inducements.

The core competencies dimensions that were adopted in this study covered the marketing competence, human resource competence, research and development competence and financial

resource competence. The focus was linking core competencies and the identified elements to performance of the organization.

### **1.1.3 Micro Cap Holdings**

Micro Cap Holdings was registered in March 2011 as an entity, Centenary Microenterprise Service. The business started as microfinance consultancy, serving microfinance and Sacco's institutions. In February 2014, the business re-strategized to include financial intermediation to the population at the bottom of pyramid with view of enhancing financial inclusion.

In 2016, Micro Cap Holding achieved one of its biggest milestones by splitting its businesses into three companies under Micro Cap Holdings. Ideon became a business outsourcing company, which provides various back office services, including HR and finance, Micro Cap and other firms. CEMES then was the credit arm of Micro Cap. A franchise business called Credit Micro Franchise was the third subsidiary, which is the credit arm of the holding company providing financing to commercial enterprises (Micro Cap Holdings, 2017).

The firm had recorded poor performance in the initial years 2012 to 2015 hence its leadership making the decision of splitting the firm into three separate entities. It was also done to attract new investors who will bring in funds to the cash-stricken firm and that will help employ skilled and experienced staff, effectively market and advertise their products and services and conduct research to come up with services that will satisfy the customers. It is then important to assess if splitting the firm helped cure the problem of poor performance and if there is need to consider other core competencies. The inclusion of core competencies in other firms led to changing

trends to high performance, the question is will the same apply to Micro Cap Holdings. This study then assessed the use of core competencies as a means of improving the performance of Micro Cap Holdings.

## **1.2 Statement of the Problem**

The service sector is a key component in the production, employment and economic activities in many nations. The Kenyan service sector employs millions of people and increased income earnings for the government as well as helps the government to achieve the general development goals (Mitchell, 2020). Major reforms have been done in the service sector and service delivery including expansion of its operations, organizations developing service charters and adoption of ICT and use of internet (Khanna, Papadavid, Tyson & Velde, 2016). These reforms have been employed with the aim of supporting the attainment of the Big4 government agenda of food security, affordable housing and healthcare and manufacturing.

Despite these reforms and subsequent improvements, the service based firms still register poor performance due to lack of sufficient financial resources. Some of the common service based industry players are in the education, healthcare, financial services and communication sub-sectors (Handjiski, *et al.*, 2016). Service based sectors contribute to the attainment of vision 2030 as it injects capital into the economy and employs many people; but the sector has been characterized by poor performance and many of the small start-ups closing down within the first three years of operation.

Looking at Micro Cap Holdings, it recorded poor performance from the years of 2012 to 2015 and to survive the firm split into three distinct operations and included financial intermediation, credit arm and consultancy. The firm suffered poor performance due to lack of sufficient funds to run its operations and as such it is important to explore how the performance of the firm has been since splitting into three companies that handle different activities. Will having funds injected by different investors and incorporating financial intermediation lead to improved performance? This study thus investigated on core competencies and its elements and the influence it has on the performance of Micro Cap Holdings.

Some studies have been done on core competence and performance like Ng and Kee (2018) assessed core competence and success of owner-managed SMEs, whose results showed that success of these SMEs dependent on leadership qualities, entrepreneurial competence, technical know-how and innovation. Conceptual and contextual gaps are created hence the need to fill the gap by looking at the Kenyan background. Hastjarjo, Yahya, Afiff and Rufaidah (2016) investigation was on core competence in the Indonesian real estate industry and findings reveal that gaining competitive advantage, companies in the sector must improve their performance by assessing the environmental risks and building core competencies. Conceptual gaps are created since core competence is not linked to performance. Another study by Roh and Park (2015) in assessing the influence that core competence had on organizational performance IT based SMEs. The results show marketing, technology and networking competence improved the performance of these IT-based SMEs. The study creates contextual gaps as it was done in IT-based SMEs and not in the Kenyan background.

The previous poor performance at Micro Cap Holdings and the strategies that it has adopted to change its performance trajectory and the knowledge gaps in the reviewed studies both in context and concept create a need to fill the research gaps. This study investigated on the core competencies on performance of firms in the service industry and the case of Micro Cap Holdings.

### **1.3 Objective of the Study**

#### **1.3.1 General Objective**

The study objective was is to investigate the core competencies and performance of firms in the service industry: a case of Micro Cap Holdings

#### **1.3.2 Specific Objectives**

The explicit objectives of the study were:

- i. To determine the effect of marketing competence on performance of Micro Cap Holdings
- ii. To assess how human resource competence affects performance of Micro Cap Holdings
- iii. To establish the effect of research and development on performance of Micro Cap Holdings
- iv. To determine the effect that financial resource competence has on performance of Micro Cap Holdings

## **1.4 Research Questions**

- i. How does marketing competence affect the performance of Micro Cap Holdings?
- ii. What effect does human resource competence have on the performance of Micro Cap Holdings?
- iii. How does research and development competence affect the performance of Micro Cap Holdings?
- iv. What is the effect of financial resource competence on performance of Micro Cap Holdings?

## **1.5 Significance of the Study**

The findings will be essential the management of Micro Cap Holdings, as it will furnish them with additional insight on core competencies and performance. Adoption of core competencies will improve firm performance and through employment of the study suggestions and recommendations. Policy makers and business people will utilize this research since it offers them with various policy proposals on core competencies and performance of firms. The study will guide the policy makers in coming up with effective regulations, policies and laws that will guide service industry players towards improving their performance.

Furthermore, the academicians will benefit from the research and it will present bases for prospect researchers to do additional research on this subject area. The study will in addition

provide or suggest for further researches to be turned by upcoming researchers. It is also a source of empirical literature and can be used as a referencing material.

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

The study covered Micro Cap Holdings and all its employees. The study was restricted to core competence and impact it had on performance of Micro Cap Holdings. The study was limited to only these four core competencies: marketing competence, human resource competence, research and development competence, and financial resource competence. The employees who were considered as respondents in the study were drawn from the three management levels – senior, middle and lower levels. The research project was undertaken over a one and a half year period from 2020 January to 2021 June. The data collection was done in December 2020 and January of 2021.

### **1.7 Limitations to the Study**

Its limitation was to the extent to which the respondents were truthful in providing honest responses on the aspect of core competence and performance of the firm. The researcher helped minimize doubt by having an introduction letter from the university and having a well-structured questionnaire. The researcher further gave assurances on confidentiality of collected information and confirmed its use being for academic reasons alone.

## **1.8 Organization of the Study**

This project is divided into chapters, the structure is such that it starts with background, research problems, objectives, importance, scope and limitations of the study are in chapter one. The second chapter comprised of reviews of literature both the theoretical and empirical. It also showed the gaps in research and conceptual framework diagram. Chapter three presented the methodology of selecting the respondents and the instrument used to collect data and how they were analyzed. The section also had the empirical model of the study and operationalization and variables measurement. The fourth chapter presented the data analysis in charts and tables and the last chapter five involved the summaries of the project, the conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter covered the empirical and theoretical review of past studies and existing theories respectively. The other core aspects that are contained in the introduction are the abstract of literature evaluation and gaps in literature that was reviewed and the conceptual framework.

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

Balanced Score Card Model, Resource Base theory and Core competence model was adopted in this study and shows how it anchored and supported the research variables.

##### **2.2.1 Balance Score Card Model**

It was established by research that was led by Robert Kaplan and Nolan Norton in the 1992 Harvard review paper on performance measurement and the published article had details on the balanced scorecard design. The paper was successful and followed another one in 1993 that expanded on the details of performance measurement. In 1996 the two authors published a book on 'The Balanced Scorecard' which shared the characteristics of the model that had a mixture of financial and non-financial measures. The model suggests a comprehensive report and a summary that captures information on the organizational strategy.

The balanced scorecard Model offers a good platform to executives in a company to assess performance in a more effective and efficient way. More importantly, this model supposes that measure of performance covers a continuum of variables, which vary from financial to non-financial measures. The standpoints of this model includes four viewpoints namely, financial, customer, internal business method and learning and growth (Huvej, 2008).

On the financial viewpoint it exposes the goals of an organization in terms of providing better returns in the long run on the basis of the invested capital in the unit. The financial measures have for a long time been used in the analysis of the success of an organization based on revenue per sales profitability, and growth in sales. While the BSC emphasizes on the need to integrate extra measures to settle on success, the significance of financial measures remains an enormously strong component to settle on success (Hult & Olson, 2011). This viewpoint aligns to financial resource competence component of the present study, as it shares how Micro Cap Holdings can employ financial resource competencies to improve its performance.

Selecting the indicators of client perspective of the model is dependent on the category of clients needed and the kind of value being offered to them by the firm. Customer perspective is based on the focus of the various target customers and this allows firms to come up with strategies, which are consistent, and in line with the category of customers that they are seeking to draw (Tapinos, Dyson & Meadows, 2011). It embodies the customer satisfaction aspect for Micro Cap Holding after employment of the core competencies and its elements.

The internal business process point of view integrates the actions that a company must utilize and fully comprehend for the success to become a reality. For this reason, several organizations find it necessary to put a lot of emphasis on components, which include; processing of making orders, delivery, and manufacturing, as examples (Grant, 1996). A customer dissatisfaction arising from late deliveries must prompt a business to give attention to the internal procedures of establishing well organized system of delivery or reforming the system presently used. For this to be realized executives must oversee a thorough internal scrutiny alongside reviewing innovation because global competition has reduced the amount of time that businesses can present their products to market (Lee & Seo, 2016).

Learning and growth point of view facilitates a prosperous scorecard due to the fact that it brings on board the skills of the employees alongside good information systems. Learning and development encompasses employee contentment, positioning of the skills of the employee with their jobs, number of employee proposals executed and number of hours that employees are trained based on the actual skills and employee skills that are desired (Gurd & Gao, 2008). Learning and growth can be attained at Micro Cap Holding through the adoption of research and development competence that will lead to creation of innovative products and enhance performance of the firm. The performance of Micro Cap Holding is thus enhance and reinforced by adopting the aspects of the Balance Score Card Model as part of its firm strategy and operations.

### **2.2.2 Resource Based View Theory**

The theory is associated with literary works of Edith Penrose in the book ‘The Theory of the Growth of the Firm’ in 1959. The theory is based on determining which resources can be exploited and through that make gains that yield firm competitive advantages. It was later expanded by the Wernerfert (1984) who shared that exploitation of the firm resources creates value for the firm and Barney (1991) reveal that not all resources are equal in importance and they do not have the same potential to sources of sustainable competitive advantage. The resources that gain competitive edge for the firms must be those that can be imitated and that can be identified by the efforts of the managerial team in an organization. The organization must invest in learning and growth to gain new skills and capabilities of its employees, that can apply in Micro Cap Holdings by investing in research and development that also affects human resources capacities.

Barney (2001) later reviewed the progress that resource based view theory has made in the ten-year period (1991-2001) sharing that firm managers must identify the key resources and evaluate how they adhere to the valuable, rare, imperfectly imitable and non-substitutable criteria and how these evaluations should be developed and nurtured.

This theory views the organization resources as core part of the superior firm performance. In case the resources exhibit aspects of value, rarity, imitability and organization such that the resources make it possible for the firm to gain competitive advantages. The theory enables the leadership to focus on business aspects while at the same time looking for resources that promote

realization of corporate objectives (Kozlenkova, Samaha & Palmatier, 2014). It therefore requires that corporate leadership focus on the existing resources. According to Lin and Wu (2014) it is advisable for organization to recognize new chances using existing resources as opposed to acquiring more resources to identify new opportunities.

Resource Based Theory therefore provides prepositions, which support core competencies and their influence of firm performance, hence applicable in this study. The Micro Cap Holdings use its resources including financial, human resources and marketing competencies and research and development that once exploited lead the firm to higher performance.

### **2.2.3 Core Competence Model**

It is a concept under the management theory that was introduced by Prahalad and Hamel (1990) and it is based on harmonizing multiple firm resources and skills that can make the differences between one firm and another at the marketplace and it also gives the firm competitive advantages. The core competence model focuses on combining four elements of the specific, collaborative, integrated and applied skills, knowledge and attitudes within the firm such as to gain competitive advantages. Yang (2015) shared that for a firm to state that it has core competencies, they must fulfill these three criterion; the first is that the competencies have the potential of accessing a wide range of markets, the second is making significant contribution to customer benefits by the products or services and they are hard to be imitated by other players and competition in the business environment.

The core competence model covers the strategies that describe the actions taken by the firm in an effort of achieving competitive edge at the marketplaces. The firm plays with its areas of strength and functions by building on its competencies (Ljungquist, 2010). It is led by the development of core products and services that make gains for the end-users and this is done by continuous improvement. The model focuses on creation of new competitive spaces rather than fighting off the competition by building on its core competencies (Agha, Alrubaiee & Jamhour, 2012).

The theory thus exposes how Micro Cap Holding can build on its core competencies using elements like marketing, finance and human resources skills and knowledge to improve its performance and gain competitive advantages. The firm can also invest in research and development and come up with new products that ensure higher customer satisfaction based on the fact that the product has features that respond to the customers' needs and desires. The new products will improve the performance of the firm and ultimately lead to gaining competitive advantage.

## **2.3 Empirical Literature Review**

The part contains the assessment of various empirical works and research gaps, which form the basis for the research study indicated thereafter.

### **2.3.1 Marketing Competence and Firm Performance**

Dzisi and Ofori (2014) conducted an analysis of the performance of SMEs and the adopted marketing competence in Ghana. The study noted achievements made by the 900 SMEs is

largely reliant on the ability of these enterprises to be able to market their products well so as to increase sales and eventually performance. From a population of 900 SMEs, 363 SMEs were used in the study by employing stratified random sampling where the hypothesis was tested to show the link between the variables. The results showed that marketing strategies like the 4Ps (price, product, place and promotion) of marketing and competency of the marketing team led to high performance of the SMEs as measured using market share level, profitability rates and brand awareness.

Dzisi and Ofori (2014) further viewed marketing as the ability to position the SMEs in the market for better visibility and high sales volume; development of new products for the present and future markets and the use of different platforms to reach potential customers while the marketing team closes the sale through sales pitch. The findings also showed most of the SMEs in Ghana had not shifted to use of modern technologies in marketing its products and services, hence the recommendation for use of modern technologies for marketing like digital marketing and mobile marketing for higher performance. The research was however based on SMEs in Ghana and hence not generalizable to SMEs in Kenya and hence the need to conduct a research that seeks to seal in the contextual gap by assessing the effect of marketing competence on performance of firms within the Service Industry focusing on an SME like Micro Cap Holdings.

Kyengo, Muathe and Kinyua (2019) investigated on the aspect of marketing capability and its impact on performance in the food processing firms in Nairobi County, Kenya. Data shows that the performance of these firms in the country has been on a downward trend, hence the need to explore if marketing capabilities can change the trend and lead to improved performance. 102

registered food processing firms were targeted and using multi-stage probability sampling method, 31 firms were selected and from which 155 respondents who were heads of functional and operational units. Findings reveal that marketing capability positively affected the performance of these food processing firms. The marketing capabilities considered the aspect of sharing information on products so as to increase sales volume, development of novel products with additional features to satisfy the customers and the market and through innovation and technological developments in response to changes in the market. The study creates contextual gaps by considering food processing firms based in Nairobi City County only and conceptually, the study looks at marketing capabilities not marketing competence.

Njoroge (2015) considers how marketing strategies impact performance of SMEs in Matuu, Machakos County, noting that marketing is a key functional area for SMEs in gaining understanding of the market needs and gaining depth over the competition. The researcher collected data from 86 SMEs using structured questionnaires and where the data was analyzed using descriptions and inferences applied in the SPSS. The study established that marketing strategies including customer relationship and technology use led to positive but insignificant influence on performance, but innovative marketing strategies led to significant negative performance of the SMEs in Matuu town. Conceptually, the study considered marketing strategies with no mention of marketing competence and contextually only SMEs in Matuu town were investigated.

Sultan and Srivastava (2018) conducting a study to assess the role that marketing competence plays in competitiveness of firms. The study was done on agro-processing SMEs in India –

Jammu and Kashmir areas. The study used composite score index method in measuring the variables and findings show a positive relationship. The expansion and growth of the SMEs is dependent on managerial and policy applied, and development of the marketing competencies of the marketing team members. Critically, the study does not share its sources for the data and how it was analyzed to obtain the above results. Contextually, the study was done in India and conceptually, the study considers the relationship between marketing competence and competitiveness with no mention of performance.

Zaim, *et al.* (2013) conducted a research relating to performance of Turkey's service industry as affected by competencies and it was effect of based on questionnaires, which were administered to three thousand (3000) workers in thirty (30) firms. The study utilized exploratory factor analysis to assess amplitudes on performance and the results derived indicated existence of an affirmative connection between marketing competence the performance of the firms. The study however was done for firms in Turkey, due to the varying contextual characteristics of Kenya and Turkey, the findings of such research cannot be related to Kenyan context. Additionally, the current study was premised on multiple regressions and against its exploratory factor analysis.

Jabouri and Zahari, (2014) studied core competences and their influence on banks' performance in the private banking segment of Iraq. The research comprised of a sample of 200 workers from 10 selected banks. The study used questionnaires to collect primary data and where results evidence of a direct linkage between marketing competence and firm performance in the perspective of private banking sector of Iraq. The study focused on private banking sector of Iraq

and therefore such findings cannot be generalized for firms in the Kenyan context. In response to this, the ongoing study focused on Kenya and specifically Micro Cap Holding.

Another study that investigates core competences on service sector in Kenya is the by Mugo, Namusonge and Sakwa (2016). The study established that a company needs to enforce policies that encourage employees, offer open communication, liberty to provide feedback and instill a sense of belonging. Despite these findings resonating with the HR competences that Micro Cap Holdings would employ, the study focused on only the HR competence and ignored the marketing competence. Further, the study focused on the insurance sector in Kenya and hence cannot be generalized in a financial and HR based industry occupied by Micro Cap Holdings.

Despite many researchers considering impact of core competencies in service-based organizations and their performance, it is evident that there exists a huge research gap in regards to marketing competency.

### **2.3.2 Human Resource Competence and Firm Performance**

Awad (2018) studied on human resource competences and how it affected the performance of firms in UAE. The paper noted that recognition, improvement of marketing skills and developing of marketing managers competencies led to high performing firms. The study collected data from managers in 162 companies in Abu Dhabi using questionnaires where HR competence was seen in terms of leadership management, marketing and personal attributes and also marketing skills and competence so as to test their impact to performance and the competencies were based on organizational culture, the communication channels and systems in training and learning for the

staff, managing changes, sharing knowledge and inspiring new leaders that are competent to lead the organizations and leadership competencies. The findings revealed that human resource competencies is based on identifying skills and competencies at the recruitment stage and correct placement within the organization which will improve the firm performance. Contextual gaps are created as the study was done in firms in UAE and findings may not apply to firms with the Kenyan background.

Njoroge, Muathe and Bula (2015) investigation was done on human capital resource and its effect on performance in the Kenyan mobile phone companies. The focus was to expose the influence on human capital on performance and the study applied explanatory design and targeted 381 employee of which 170 made the final sample and used in collecting data from the mobile phone companies. Structured questionnaires were used to collect primary data and later inferential statistics was done using STATA and findings presented in tables. The findings revealed a significant and positive link between human capital and performance of these companies. The importance of human capital makes it necessary for the managers to motivate these staffs through conducting trainings to increase skills and competencies and for realizing high performance. The study was done among mobile phone companies and thus it was of value to look at other sectors and companies for comparison of results.

Ogaji (2019) investigation on employees' competences and business performance of some specific selected hotels in Keffi, noting that poor performance in terms of bad service offered to hotel guests will likely make the customers not to come back to the same hotel or refer friends and family to that facility. Hotels are in the service industry where the employees play a big part

in the overall business performance and this forms the basis for this study. The study selected 5 hotels and collected data using questionnaire from 105 employees of these selected hotels. Analysis was by correlation and simple regression by STATA 13 tool and findings show a positive relation between employee competence and business performance. The study advocates for on-the-job training and job-rotation to increase staff skills and hands-on experience. Contextually, the gap is such that the study was done in Keffi, Nigeria and in the hotel sector. The study did not specify the basis for selection for the five hotels, such that future studies need to clarify the reasons behind each selection made.

Kaleli (2016) on management competence and its impact on the company performance for firms listed at the NSE and targeted all the 64 firms that are listed in the NSE and collected data from human resource managers. Descriptive research design was applied and a positive research philosophy and the data was entered in SPSS for regression analysis. Results established that management competence led to firm performance for the firms listed at the NSE. The management competencies covered functional competence that looks at professional skills, abilities and technical knowledge of the leaders and vocational and technical skills that leaders and managers need to use to accomplish their duties within the firm. Contextually, the study looked at firms that are listed at the NSE and there is need to cover other companies and sectors of the economy.

Zaim, *et al.* (2013) on the impact of competencies of the employees and performance of firms in service sector in Turkey where the study relied on primary data, which was extracted from the questionnaire distributed to 30 firms for 3000 respondents. The study utilized exploratory factor

analysis in assessing the consequence of human resource proficiency on performance of firms. The research finding was an evidence of a constructive considerable impact of human resource competence on firm performance. The current study focused on Kenya and specifically Micro Cap Holdings.

Mwithi (2016) considered competencies of leaders and effect on performance for the state corporations in Kenya. 187 state corporations were targeted and 131 were included in the study and questionnaires were used to collect primary data. The results revealed that leadership competencies led to financial performance of these state corporations and the concepts of leadership competencies included aspects like self and social awareness and excellent social and management skills. At the same time leadership competency like self-awareness and the overall findings show a positive link between these variables. The organization size as the moderating effect had led to significant effect between leadership competencies and performance. The study covers the leaders and not considers effect of the employees on performance and also considers only state corporations in Kenya which are non-profit making organizations, hence in terms of context there is need to expand literature to cover other organizations in different sectors of the economy.

A qualitative study by Coff and Kryseynski (2011) found that better educated employees are more productive in the workplace proving that education is strongly correlated to cognitive ability. However, the current research adopted a quantitative data research design hence it is inadequate for the current research. On the other hand, Jiang, Lepak, Hu and Baer (2012) on influence of HRM and outcomes of firms, it established a positive relationship between the two

variables, where human resource was considered the uniqueness of the skills that employees had. Use of survey design and correlation was deemed insufficient hence conducting the current study that employed cross-sectional descriptive design and data was analyzed through descriptive, correlation and regression analysis.

### **2.3.3 Research and Development Competence and Firm Performance**

Ko and Chen (2017) explored on research and development competence among hospitality students and the transition from school to work. The focus is on competence in research and development by considering aspects like product knowledge or product-related skills, positive attitude of the R&D personnel, management ability, change and innovation and personality stability that would help the hospitality students successfully transition from the learning environment in school and the practical field in the hospitality industry. The findings show that positive attitude as an aspect of R&D competence had the biggest impact to transition of the hospitality students. The results showed that all constructs of R&D competence positively impacted the school-to-work transition of the hospitality students. Conceptually R&D competence is linked to transition and contextually, it was done in Taiwan and in the learning and education sector. Critically and methodologically, the sources of data and analysis are not revealed although the results are presented.

Ren, Eisingerich and Tsai (2015) on marketing, R&D capabilities and effect on innovation performance for SMEs in China and the focus is marketing capabilities, research and development capabilities, internationalization and how these three aspects influence innovative

performance of SMEs, which is important since SMEs play a critical role in many economies across the globe. The panel data used in the study shows that internationalization led to positive impact in terms of innovation performance for the SMEs but only when marketing capability and R&D capability is high and the reverse is true. Research and development capacity and marketing capacity leads to innovation performance and strengthens the impact of internationalization. Critically, looking at three constructs it does not lead to a direct correlation between variables, hence call for linking research and development and innovation performance. Contextual gaps are such that the study was done in China among SMEs.

Ahuja (2011) investigated the need of R&D initiatives in Indian enterprises for harnessing competencies. The study found that for businesses to obtain and maintain an edge above their competitors they must upgrade their existing operational systems. The study concludes that no industry can thrive in the long run without establishing new innovative methods through adoption of technology. Essentially, technology enables firms achieve economic development, industrial growth flexibility in operations and self-reliance. Despite this study arriving at insightful conclusions, it fails to conduct an empirical research and delves on secondary data from articles and journals. Further the study is based on Indian businesses which have different business environment and culture in comparison to Kenyan firms. The focus was on Micro Cap Holdings' study.

Jabouri and Zahari (2014) did a research on core competences and its effect on firm performance in Iraqi private banking sector. Ten registered private banks in Iraq formed the target population of the study and 200 managers who comprised the sample of the research drawn from selected

banks. The study used primary collected using the questionnaire, which was designed and reported to the various executives in the selected banks. The study analysis was done using multiple regression technique done out using SPSS. The research findings that a significant association is reported to exist between research, development, and banks' performance. Although the study focused on commercial banks, which falls under the service sector, the context of the study was not Kenya but Iraqi private banking sector.

Arasa and Gathinj (2014) did a study linking research and development with business performance for the firms operating in the Kenyan mobile telecommunication industry. It was done within the confines of descriptive research design. Multiple regression models were employed in analyzing the variables and the research revealed that there existed a link between research and development and performance of businesses within the Kenyan mobile telecommunications industry. This study focused on Micro Cap Holding, thus addressing the contextual gap in literature where suggestions for further researches will also be provided.

#### **2.3.4 Financial Resource Competence and Firm Performance**

Brinckmann, Salomo and Gemuenden (2011) investigation was on growth of new tech-based firms through financial management competencies of the founders and their teams. The study reveals that value of acquisition of external financial resources, sound planning for the finances, its control and competence in using cash flows to finance activities of the firm like marketing, advertising and inventing new products and services. The study collected data from 212 founders of start-ups and the data were analyzed using partial least square approach and found that

financial management competencies led to better use of financial resources for the start-ups and this led to their growth. Contextual gaps are such that the study was done in Barcelona, Spain and among start-up tech firms.

Godwin-Opara (2016) investigated on finance resource strategies in sustainability of small businesses through the perspective of resource-based theory. Many new small businesses are started by different entrepreneurs each year but almost 90% fail within the first two years of their operations. Many of these owners shared that inadequate funds is the main contributing factor, as they lack funds to market their business ventures, conduct proper research on the products, market needs and consumer tastes and preferences and the funds is insufficient for catering for salaries for people that can help the organization. The study collected data from machine shops in South-Central Kansas –USA and revealed the need for financial resources to sustain the activities of the small businesses. The study was done in the USA which is a developed nation creating contextual gap and methodologically, it was done from the perspective of resource-based view theory.

Gakenia, Muathe and Bula (2015) covered organizational resources and linked its effect to performance, focus was on resources that are valuable, rare and cannot be easily copied that when used in the firm to increase its performance. Some of the organizational resources that were considered included human capital, technology competencies, environmental factors and financial resources that when utilized properly lead the mobile phone companies to gain competitive advantage through improved performance. The study looked at organizational resources in general and there is need to consider each resource construct to get a direct linkage

to performance. At the same time, the study was in the telecommunication industry hence context gaps.

Jabouri and Zahari (2014) had a study on major competences effect of business performance while focusing on the private banking sector of Iraq. The study targeted 10 private and registered banks in Iraq. A questionnaire was distributed to managers in ten private banks and the study results indicated that there exists noteworthy influence of financial resource competence on firm performance. The study was notably based on private banking sector of Iraqi whereas the ongoing study focus was Kenya and the Micro Cap Holding firm.

Mwiti (2016) carried out a study with the aim of finding out the relation between competencies and state corporations performance. The study employed a cross sectional assessment research design with a target of 187 state corporations. The research results indicate that financial resource competence has a direct and noteworthy influence on financial performance of state corporations in Kenya. The study was however focused on financial performance, which is a narrow aspect of performance. The current study will be highly resourceful, as it will focus on performance, which will be measured based on the BSC model. The BSC model is a combination of various indicators, which based on both financial and non-financial indicators where equal importance is attached to each indicator.

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

The literature has covered studies on all the four variables –marketing competence, human resource competence, research and development competence and financial resource and how

they impact on firm performance. The review of literature by other scholars has created knowledge gaps in terms of context, such as Dzisi and Ofori (2014) whose study was on SMEs in Ghana; Kyengo, *et al.* (2019) covered food processing firms, Ko and Chen (2017) in Taiwan and in the learning and education sector and Sultan and Srivastava (2018) in India.

The concept gaps are revealed in studies like Sultan and Srivastava (2018) since marketing competence is linked to competitiveness and no mention of performance, Mwithi (2016) investigated on leadership competence without considering all human resources, Ko and Chen (2017) where research and development competence is linked to transition of the hospitality students and not to performance, Brinckmann, *et al.* (2011) in their study does not link financial management competence to performance but rather to growth. The methodological gaps as such that some studies used a case study like Mwithi (2016) in state corporations in Kenya and Ahuja (2011) used only secondary data for analysis and the study by Ko and Chen (2017) does not reveal the sources of data and how it was analyzed to get the stated findings.

The knowledge gaps created by reviewing the literature in terms of concept, context and methods need to be filled and this study filled the gap by investigating the effect of core competencies on performance of firms in the service industry by concentrating on Micro Cap Holdings

**Table 2. 1: Summary of Literature Review and Research Gaps**

<b>Author and Year</b>	<b>Focus of the research study</b>	<b>Study findings</b>	<b>Research Gaps</b>	<b>Focus of the current study</b>
Dzisi and Ofori (2014)	Marketing competence effect on the performance of SMEs	Marketing strategies like the 4Ps led to high	Contextual gaps as it was done in Ghana and in the	Linking marketing competence to firm performance

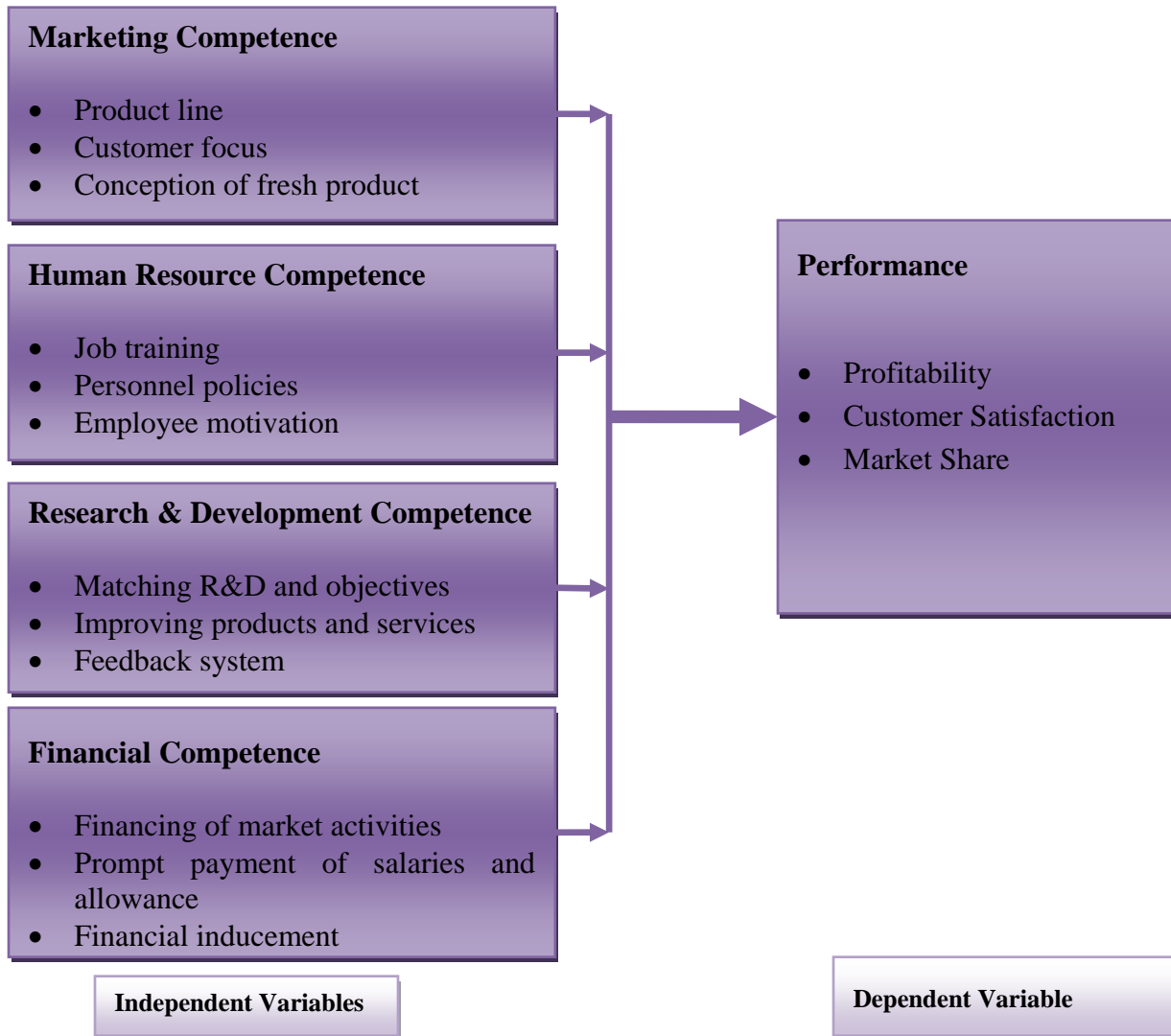
	in Ghana	performance of the SMEs	SMEs sector	in Kenya
Kyengo, <i>et al.</i> (2019)	The aspect of marketing capability and its impact on performance in the food processing firms in Nairobi County, Kenya	Marketing capability positively affected the performance of these food processing firms	Contextual gaps as the study was done in food processing firms and conceptually it consider marketing capabilities and no mention of competence	Marketing competence and performance of Micro Cap Holdings
Sultan and Srivastava (2018)	The role that marketing competence plays in competitiveness at the firm level	The results show a positive link between the variables	Contextually, the study was done in India and conceptually, the link is marketing competence and competitiveness and not performance	Localize the study to the Kenyan background and link marketing competence to performance
Awad (2018)	Human resource competences and its impact on performance of firms in UAE	Human resource competencies improves the firm performance	Contextual gaps are created as the study was done in firms in UAE	Human resource competences and performance of firms in Kenya – Micro Cap holdings
Njoroge, <i>et al.</i> (2015)	Human capital resource and its effect on performance in the Kenyan mobile phone companies	A positive and significant relationship between human capital and performance	Contextual gaps as the study covered only mobile phone companies and conceptually, no mention of human resource competence	Link human resource competence to performance
Mwithi (2016)	Competencies of leaders and effect on performance for state corporations in Kenya	A positive and significant effect between leadership competencies and performance.	Conceptually the study covers leaders only and none of the other subordinate staff and methodological it covered only looked at state corporations	Consider all human resources and their competencies and link to performance at Micro Cap Holdings
Ko and Chen (2017)	Research and development	All constructs of research and	Conceptually research and	Expose sources of data and analysis

	competence among hospitality students and the transition from school to work	development competence influenced the school-to-work transition of the hospitality students	development competence is linked to transition of the hospitality students and contextually, it was done in Taiwan	procedures and link R&D competence to performance in Kenyan context
Ahuja (2011)	The need of R&D initiatives in Indian enterprises for harnessing competencies	R&D led to establishment of new innovative methods using technology that improved economic development, industrial growth and self-reliance	Methodological gaps since the study used secondary data only and contextually it covered Indian businesses	Use primary data and use the Kenyan background to expose link of R&D competence and performance
Jabouri and Zahari (2014)	Core competences and its effect on firm performance in Iraqi private banking sector.	A significant association is reported to exist between research, development, and banks' performance	Contextually the study was done in Iraq and in the banking sector. Conceptually it covered core competence in general	Cover individual core competence linking it to performance of firms in Kenya
Brinckmann, <i>et al.</i> (2011)	Financial management competence and the growth of new technology based firms	Financial management competencies led to better use of financial resources for the start-ups and this led to their growth	Contextually, the study was done in Barcelona, Spain and among start-up tech firms and conceptually no mention of performance	Covering financial management competence and performance in Kenya's Micro Cap Holdings
Gakenia, <i>et al.</i> 2015)	Organizational resources and linked its effect to performance	The organizational resources when utilized properly led the mobile phone companies to gain competitive advantage through improved performance	Conceptually organizational resources in general	Specifically look at financial resource competence and performance of Micro Cap Holdings

**Source: Researcher (2020).**

## **2.5 Conceptual Framework**

The conceptual structure provides a link between that exists among the predictor and dependent research variables. Core competencies namely market competence, HR competence, R&D competency and financial resource proficiency are the independent variables while firm performance represents the dependent variable of the study.



**Figure 2. 1: Conceptual Framework**

**Source: Researcher (2021)**

Marketing competence considers the aspects of product line and how innovative it is to meet customer needs that will improve sales and later firm performance. The marketing team members must consider what customers and the market is focusing on and how to align the marketing strategy to customer needs for high performance. It also works on coming up with new products

to respond to changing needs and preferences. For human resource competence, the study considers personnel policies to improve working conditions for staffs such as to improve performance. Since human resource is very important in the service sector, then the players must invest in job training and implement strategies to motivate their employees so as to increase performance of the firm.

On the variable of research and development as part of core competence, it involves conducting research on products so as to make improvements on them as per demands of the customers and the market and being able to match the R&D objectives with the firm objectives. Conducting research is also a way to get feedback from the market on the products and perception of the firm and its service delivery quality. On financial resource competence, the study looked at indicators like availability of finances for handling marketing activities, paying salaries and allowances and financial inducement. The availability of finances and better management can lead to high performance. The study measures performance of Micro Cap Holdings firm in terms of profitability index, the market share extent and satisfaction of the customers.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The current section is made up of the various research methods and approaches that the researcher followed. The chapter comprised of research design, population being targeted, design of sampling, data collection, data analysis and its interpretation. It concluded with a section on the ethical considerations that the researcher adhered to.

#### **3.2 Research Design**

The study used descriptive design and specifically, the cross-sectional research design. According to Lewis (2015) the design is important in a research since it aid in data evaluation that is important in building the correct character of a cluster, similar study was adopted by Muathe (2010). The research design is ideal since it reports things and elements the way they are without any manipulation as such the information will give a true picture of the situation at the Micro Cap Holdings. The researcher adopted the research design since the data that was collected from respondents was at a point in time from the sample size on core competencies and firm performance of service industry.

### 3.3 Target Population

The population targeted for this study included employees of Micro Cap Holdings. The study targeted all employees of Micro Cap Holdings. From the human resource department records, there are a total number of 645 employees at Micro Cap Holdings, thus constituting the target population of the study. Twenty-three of the population are senior management staff, 49 are middle management 573 are lower level managers.

**Table 3. 1: Target Population**

<b>Level of employment</b>	<b>Total Population</b>	<b>Proportion Percent %</b>
Senior level management staff	23	3%
Middle level management staff	49	9%
Lower level management staff	573	88%
<b>Total</b>	<b>645</b>	<b>100</b>

**Source: HR Records at Micro Cap Holdings (2020).**

### 3.4 Sampling Design and Procedure

This is the process of choosing a sub set out of a population in a study. Simple random sampling design was used in this research such that each member of the population had a fair and equal chance of being selected participate in the study. In line with Johnson and Christensen (2010) 10% of a large population and 30% of a small population is adequate as sample of a study population. The study therefore comprised of two (2) senior level management staff, four (4)

middle level management staff and fifty seven (57) lower level management staff, thus making the sample size to be sixty three (63) in number. This is shown in Table 3.2

**Table 3. 2: Sample Size**

<b>Level of employment</b>	<b>Total Population</b>	<b>Proportion</b>	<b>Sample size</b>	<b>Proportion Percent %</b>
Senior level management staff	23	10%	2	3.2
Middle level management staff	49	10%	4	6.3
Lower level management staff	573	10%	57	90.5
<b>Total</b>	<b>645</b>		<b>63</b>	<b>100</b>

**Source: Researcher (2021)**

### **3.5 Data Collection Instrument**

The researcher collected primary data using research questionnaire. Questionnaire was the research tool of the study. The choice of questionnaires was influenced by the notion the majority of people are home with questionnaires as against other data collection instruments such as interviews. Furthermore, questionnaires are cost effective when compared with interviews. The questionnaire used had both open-ended and close-ended research questions and will undergo pretesting through a pilot study to enable necessary adjustments to be done before collection of data. The questionnaires adopted the five-point Likert scale with ratings from 1 to 5 (Morse, 2016).

### **3.6 Validity and Reliability**

These tests were done prior to the analysis of data. Therefore, the tests helped in improving the contents of the research instrument –the questionnaire.

#### **3.6.1 Validity**

Validity of a research instrument is such that it can measure what it is expected to measure and give similar results (Taherdoost, 2016). It also refers to the exactness of measurement. It determines the exactness of the research instruments. The questionnaire was well planned and subjected to a test before the research study so as to make certain that the research findings will be correct and valid. The researcher employed construct validity such that the instrument was tested by reviewing the elements of core competencies and performance as they appear in the instrument. The validity was checked by other classmates, experts in the field of research and the supervisor, who helped mark the errors and it was corrected before being used in the final study.

#### **3.6.2 Reliability**

A test is reliable only if it always determines what it is planned to determine. This means that every time a test is done, the same outcomes can be expected. It also refers to the uniformity of measurement of a research and the extent to which it measures and exhibits the same outcome each time under a similar circumstance and the same subjects in the process. The researcher used a pilot test to check for reliability and internal consistency technique applied and the results

applied through using the Cronbach's alpha reliability coefficient. When the Cronbach Alpha test results are above 0.7 it is an indication that instrument is reliable (Cooper & Schindler, 2010).

The purpose of a pilot study was to identify any errors in the questionnaire and make corrections prior to data collection, and in so doing; it made sure that the questionnaires was sufficient for collecting data (Dikko, 2016). In the process of carrying out the reliability test, all questions that measured the same competence were grouped together and the Cronbach's alpha value determined. A total of 10 respondents participated in filling the questionnaire questions for the pilot study. The 10 were randomly selected from employees of Micro Cap Holdings and those who took part in the final study were excluded in the final study.

### **3.7 Data Collection Procedure**

The researcher collected primary data and before going to the field, the researcher obtained an introduction letter from Kenyatta University and applied for a research permit from NACOSTI. The researcher also asked for permission from the management of Micro Cap Holdings before embarking on data collection. The questionnaires were self-administered and the researcher employed the drop and pick later method when administering the instrument. This was to increase the response rate and get quality information on the study subject by avoiding disrupting the work day of the employees.

### 3.8 Data Analysis and Presentation Procedure

Data that was collected was grouped and summarized based on the study variables. Descriptive analysis was conducted where means and standard deviations was obtained and explained in charts and tables (Muathe, 2010). Inferential statistics was also done through correlation and regression analysis to reveal the link and extent of how the variables relate. The adopted regression model is as indicated below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha$$

Whereby Y= Firm Performance

X<sub>1</sub>=Marketing Competence

X<sub>2</sub>=Human Resource Competence

X<sub>3</sub>=Research and Development Competence

X<sub>4</sub>=Financial Resource Competence

β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, β<sub>4</sub>= coefficients of determination

α= the error term

Qualitative data obtained from the open-ended questions in the instrument were analyzed using content analysis and the findings were presented in discussions.

### **3.9 Ethical Considerations**

An ethical concern in research entails adhering to the various standards and norms that tell apart right and wrong. Ethical considerations when carrying out research are therefore critical. Research ethics aid in ascertaining the difference between behaviors that are acceptable and unacceptable. The researcher ensured that all ethical standards, as regards to researches, were duly followed as required. NACOSTI was approached for a research permit and the respondents' consent was sought before the administration of research questionnaires.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

The chapter presents further explanations that also include the interpretations of the findings obtained from the research. It therefore generally presented the bio data of the respondents, the findings from analysis that was applied in the discussion of the findings of this study.

## 4.2 Reliability Test Results

The results from the pilot study reveal all questions included in the questionnaire were reliable in collecting relevant data, usable for the research's experimentation. The results for all the questionnaire items are summarized below:

**Table 4. 1: Reliability Test**

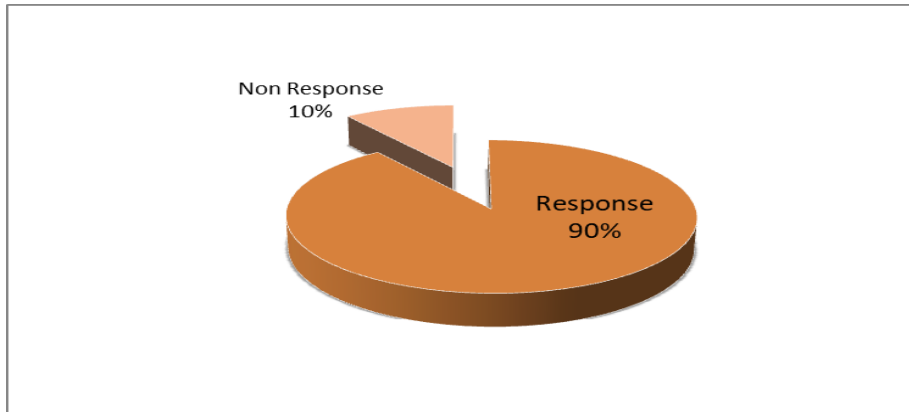
Variable	Number of Items	Cronbach Alpha
Marketing Competence	6	0.802
Human Resource Competence	7	0.832
Research and Development Competence	5	0.890
Financial Resource Competence	5	0.779
Overall questionnaire reliability	23	0.8258

**Source: Pilot test data (2021).**

Table 4.1 findings show that marketing competence had a Cronbach Alpha result of 0.802, human resource competence had results of 0.832, research and development competence had Cronbach Alpha results of 0.890 and the results of financial resource competence were 0.779. All the Cronbach Alpha results were greater than 0.7 which is an indication that questionnaire was reliable in conducting the study. This is agreement with Cooper and Schindler (2010) who noted that Cronbach Alpha values that is equal or greater than 0.7 is an indication of reliability of the instrument.

### 4.3 Response Rate

From a total of 63 administered questionnaires to employees of Micro Cap Holdings, 57 of them were correctly filled by the respondents and returned thus depicting a 90% response rate. These results are indicated in Figure 4.1



**Figure 4. 1: Response Rate**

**Source: Survey Data (2021).**

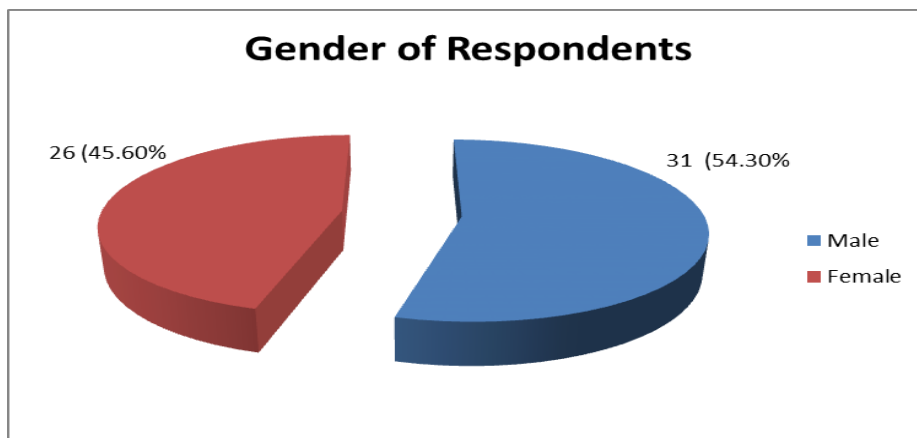
According to Mugenda and Mugenda (2003) response rates that are above 70% are deemed very good for usage in research and hence obtaining a 90% response rate for the current research is excellent in drawing conclusions and generalization of the findings to the entire population.

#### 4.4 General Information

The sought information on the bio data of the respondents including aspects like gender, respondent age distribution, respondent highest level of education, sector in which the Micro Cap Holding belong and years of service in the organization.

##### 4.4.1 Gender of Respondents

The researcher sought to understand gender of the respondents and the findings are as shown in Figure 4.2



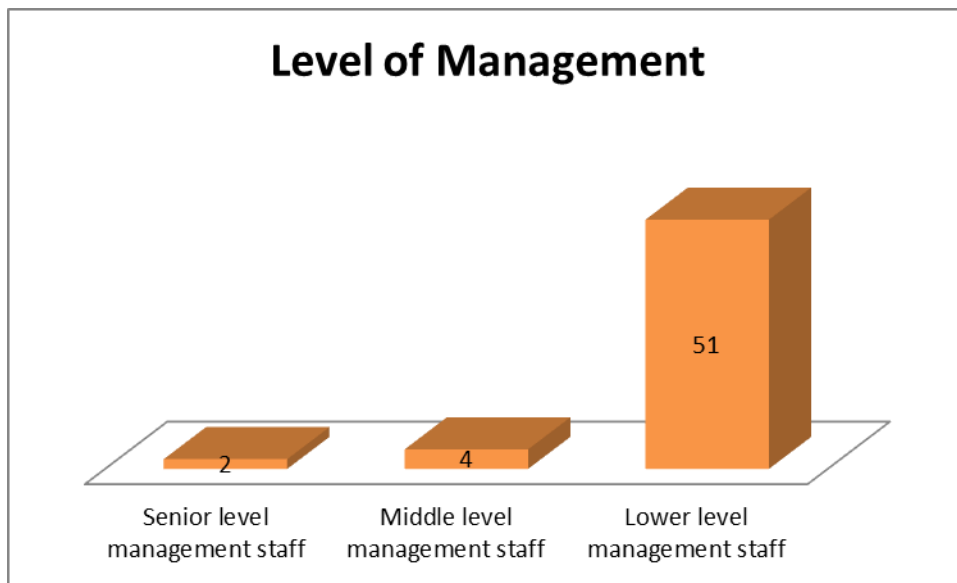
**Figure 4. 2: Gender of Respondents**

**Source: Survey Data (2021).**

The findings reveal the major group of respondents as shown by from the Figure 4.1 where males were 54.30 % of the respondent while the females were 45.60%. The findings show that both genders were included in the study such that the study does not suffer from gender biasness.

#### 4.4.2 Level of Management

The study sought to establish the level of management to which the person belonged to and the findings are shown in Figure 4.3



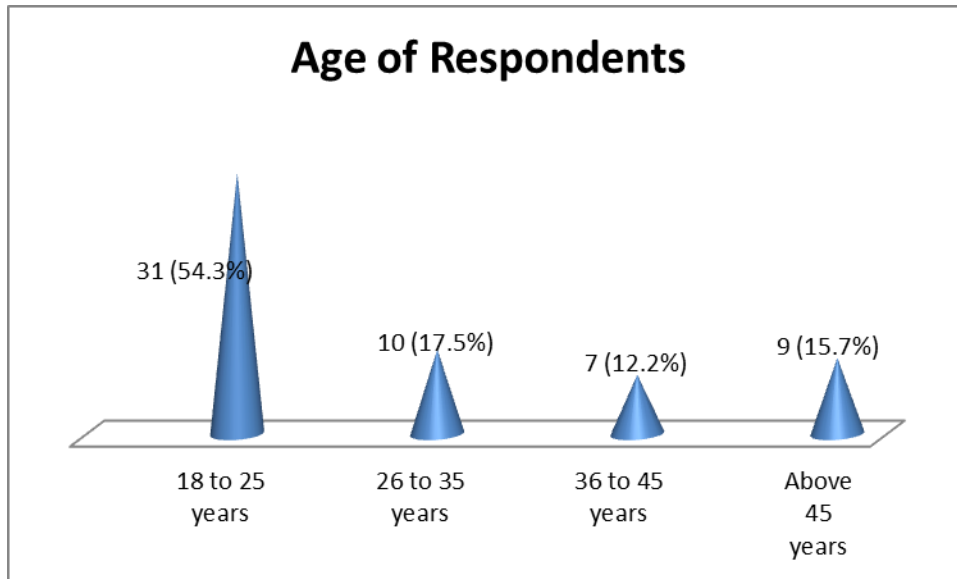
**Figure 4. 3: Level of Management**

**Source: Survey Data (2021).**

The study sought find out the management level to which the person belonged. The results of the study established in Figure 4.3 such that senior level management staffs were 2, middle level and lower level management were 4 and 51 respectively. The study was thus representative of the different management levels at the organization.

### 4.4.3 Age of Respondents

The respondents were asked to state their age, Figure 4.4 shows the results:



**Figure 4. 4: Age of Respondents**

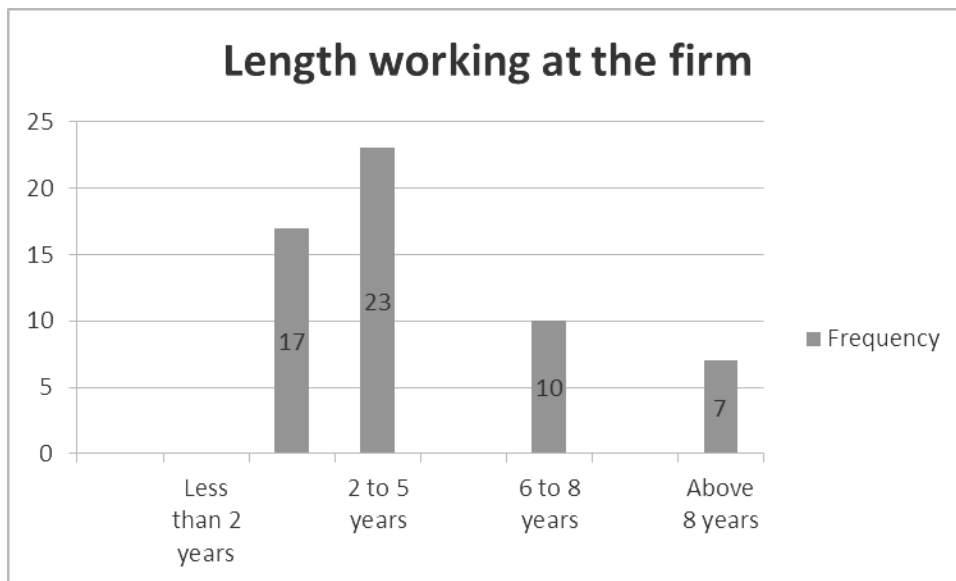
**Source: Survey Data (2021).**

Figure 4.4 shows that majority of the respondents were aged 18-25 years at 54.3%, followed by those who are 26-25 years at 17.5%, while those who are above 45 years accounted for 15.7% of the respondents and the least age group was 36-45 years at 12.2%. The findings show that all age groups were included in the study in order to get variety information and viewpoints on the study topic and its specific elements.

#### 4.4.4 Length of working at the Organization

The respondents were asked to state the years that they have worked in the organization.

Results are shown in Figure 4.5



**Figure 4. 5: Length working at the firm**

**Source: Survey Data (2021).**

In Figure 4.5 it was noted that 29.8 % of the respondents having working in the firm for less than 2years, 40.3% of them had been with the firm for between 2-5 years, while 17.5% had worked in the firm for 6 to 8 years and 12.2 % have been working at Micro Cap Holdings for than 8 years. The results show majority of these respondents had worked for long time in their positions at the firm hence have sufficient experience and information such that they could answer the research questions accurately.

#### 4.4.5 Highest Level of Education

The study asked the respondent to share their education level and the results are as shown in Table 4.2

**Table 4. 2: Respondent highest level of education**

Level of education	Frequency	Percent
Secondary	5	8.7%
Diploma	17	29.8%
University	24	42.1%
Post graduate	11	19.3%
<b>Total</b>	<b>57</b>	<b>99.9</b>

**Source: Survey Data (2021)**

Table 4.2 shows that 42.1% of the respondents had university degrees and formed the highest group of employees of the firm. This was followed by Diploma holders at 29.8%, then Post-Graduate staff members at 19.3% and last group of employees at 8.7% are those with secondary education. The results mean that the respondents are well educated to be able to comprehend the contents and respond to the research questions.

#### 4.4.6 Length of Service in the Current Position

The study sought to understand how long the respondents had served in the current position. Their respondents are as shown in Table 4.3

**Table 4. 3: Length of service in current position**

<b>Length of Service</b>	<b>Frequency</b>	<b>Percent</b>
1 year	14	24.5%
2 years	18	31.5%
3 years	10	17.5%
4 years	9	15.7%
Above 5 years	6	10.5%
<b>Total</b>	<b>57</b>	<b>99.7</b>

**Source: Survey Data (2021).**

The results revealed in Table 4.3 are that most of the respondents had held their position in the organization for 1 and 2 years at an aggregate of 56% that is 24.5% and 31.5% respectively. The findings also show that few have held their position for more than five years with a percentage point of 10.5%. These findings mean that the respondents have sufficient time spent on handling their tasks hence can comfortably respond to the research questions.

#### **4.5 Descriptive Statistics**

The study conducted descriptive statistics on each variable, such that this section presents the means and standard deviation for the four independent variables.

##### **4.5.1 Marketing Competence**

The first variable is marketing competences and the results are as indicated in Table 4.4 from application of the five-point likert scale ranging from 1-5 where 1 is strongly disagree and 5 is strongly agree.

**Table 4. 4: Marketing Competence**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
Customers view us as a reputable firm	3.91	.906
The firm comes up with products and services that have broad market appeal	3.49	.726
From time to time the proper positioning of products is done	3.53	.685
There is efficient and effective product line	4.08	.780
The firm focus on consumer needs and integrating all activities of the organization to satisfy those needs	3.76	.641
The company possesses highly skilled and dynamic sale team	3.84	.854
<b>Overall Score</b>	<b>3.77</b>	<b>0.781</b>

**Source: Survey Data (2021)**

The results in Table 4.4 show the overall mean score was 3.77 and standard deviation of 0.781 meaning that marketing competencies adopted at Micro Cap Holdings led to improved performance of the organization. These findings are similar to Dzisi and Oforu (2015) who revealed that many of the SMEs in Ghana had improved their performance after adopting marketing competence. The success of these SMEs is largely dependent on marketing activities that increased sales volume and later the overall performance of the firms. At the same time, the findings show that performance of the Micro Cap Holdings depicted by improved sales was due to adoption of different marketing activities.

Marketing increases awareness of the firm and its products and makes the brand visible at the market which was shared by Kyengo, *et al.* (2019) and at the same time, sharing information on the products and services on offer increases the sales volume. At the same time, Sultan and

Srivastava (2018) noted that growth of firms is dependent on marketing competencies and quality of the marketing team members to push the product in the market. The product line had the highest mean at 4.08 and SD of 0.780, following by reputation of the firm at 3.91 mean score and standard deviation of 0.906 showing that for effective marketing competencies organizations should consider these two elements. This is similar to the findings by Jabouri and Zahari, (2014) where they provided evidence of a direct linkage between marketing competence and firm performance. It means that Micro Cap Holdings had put in place marketing aspects that had enhanced the product line and reputation of the firm.

Products with broad market appeal had the least mean at 3.49 and its SD is 0.726 showing that appeal was not a key aspect under marketing competencies. Thus making innovative products using advanced technologies lead to increased market performance as shared by Njoroge (2015). The researcher further shared that some aspects of marketing strategies like customer relationship and use of technology influences performance of the firm. Mugo, *et al.* (2016) established that companies needed to enforce policies that encourage employees, offer open communication, liberty to provide feedback and instill a sense of belonging. In general marketing competencies improved performance of Micro Cap Holdings.

#### **4.5.2 Human Resource Competence a**

On the second variable of human resource competence, the findings that were established were summarized as per Table 4.5

#### **Table 4. 5: Human Resource Competence**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
The firm has effective recruitment program.	3.79	.724
Terms and conditions of employment are clear and precise	3.66	.747
There is efficient management of human resource functions	3.62	.759
Incentives are provided towards innovations and creativity	3.68	.464
Employees are committed to quality	3.70	.902
The company has attractive career development programs	3.66	.747
Human resource competence affects firm performance	3.79	.724
<b>Overall Score</b>	<b>3.70</b>	<b>0.724</b>

**Source: Survey Data (2021).**

Table 4.5 established that study respondents were in agreement that Micro Cap Holdings had improved its performance through using human resource competence as shown by the overall mean score of 3.70 and SD of 0.724. The respondents adopted the five-point Likert scale ranging from 1 to 5 and such that most of the respondents were in agreement that their firm had an effective recruitment process and the human resource competence led to financial performance of the firm, both had means of 3.79 and standard deviation of 0.724. Jiang, *et al.* (2012) echoes this statement by revealing that the unique skills exhibited by employees will positively affect the performance of the organization. These unique skills can only be identified during the recruitment process and those exhibiting them should be selected and included in the organizational workforce that will enhance the production levels of the firm.

At the recruitment phase, these unique skills need to be discovered for placement in the correct departments where they will bring the most benefits in terms of performance. At the same time, Coff and Kryseynski (2011) reveal that the better educated employees are more productive at the

workplace, which proves that education is strongly correlated to cognitive capabilities and organizational performance. An effective recruitment program will be able to attract highly educated employees who will improve the performance of the company.

Awad (2018) shared that human resource competence viewed under the organizational culture, the communication system present at the organization and skills and experiences of the staff lead to improved firm performance. The employees skill-set and technical know-how must be identified at the recruitment stage to allow correct placement and enhance their productivity that improve firm production. Thus, these studies place emphasis on the value of organizational structure and format that is followed during the recruitment phase in an effort to get the best suited employees. Micro Cap Holdings must put in place an effective recruitment policy that can help the firm attract the best talented and skilled employees to join the organization. Having human resources that are talented and skilled will improve the performance of the firm and help it gain competitive advantages.

Similarly, Ogaji (2019) noted that employees are the drivers of performance especially in service-based companies and to improve their production, the managers can invest in training the staffs using different measures like on-the-job training and job rotation to improve their skills and enable them deliver quality services. While Kaleli (2016) covered management competences which was based on their competencies viewed as professional skills, technical knowledge and capabilities of the managers and leaders that enable them handle their duties and lead the entire employee team at the firm. The managers must have sufficient skills and experiences to lead the staff team towards delivering the objective of the firm. This was depicted by the respondents

who shared that Micro Cap Holdings had highly effective managers at a mean of 3.62 and standard deviation of 0.759.

#### 4.5.3 Research and Development Competence

On the third variable of research and development competence, its descriptive analysis findings are shown in Table 4.6. The responses were aligned to the Five-Point Likert scale such that 1 is strongly disagree and 5 is strongly agree.

**Table 4. 6: Research and Development Competence**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
The firm engages in the research and development of new products	4.35	1.035
Analysis of market situation is done from time to time so as to improve products	3.93	.941
Multidisciplinary task force is used for the coordination of research and development	3.72	.890
Economic value analysis is carried out from time to time	3.69	1.119
Research and development is key in achieving improved firm	3.69	1.007
<b>Overall Score</b>	<b>3.87</b>	<b>0.998</b>

**Source: Survey Data (2021)**

On average, research and development competence impacted the performance of Micro Cap Holdings at an aggregate mean of 3.87 and standard deviation of 0.998. At the highest mean, respondents were in agreement that the firm does market research for all the new products with a mean of 4.35 and its standard deviation was at 1.035 which aligns to the findings of the study done by Arasa and Gathinj (2014) noting that there exists a link between research and

development and performance of businesses. The research exercise will inform the organization of the needs and preferences of the market and then the firm can develop products that meet the needs of the market. Market research types inform the organizational management on how, where and when to market, promote and advertise the products.

Ahuja (2011) exalts the value of research and development by sharing that no company or industry can thrive for a long period without establishing new innovative methods through adoption of technology. This is made possible only by conducting research and development activities. For businesses to out-perform their competition, they must invest in research and development and upgrade their systems and make products and services for the present and the future.

It is also important to conduct research to analyze the market situation and find linkages between the market needs and what the company is producing. This aligns to the findings of Ko and Chen (2017) who noted that product knowledge, attitude of the R&D personnel leads to innovation of products and services in response to the market demands, needs and preferences. Similarly, Ren, *et al.* (2015) revealed that research and development capabilities improve the performance of SMEs that lead to establishment of global economies. In conducting research on the economic value analysis of the firm, this will guide the activities of the firm to engaged in activities that improved performance. In the same line, Jabouri and Zahari (2014) shared that conducting research and development, the banks increased their performance by understanding which activities have a higher economic value thus concentrating on those activities.

#### 4.5.4 Financial Resource Competence

On the variable of financial resource competence, the results are as indicated in Table 4.7

**Table 4. 7: Financial Resource Competence**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
The firm has a yearly budget on all expected revenues and expenses	4.13	.342
There is sufficient financial resources for research and development	3.98	.791
There is sufficient financial resources for marketing activities	4.76	.426
There is adequate finances to cater for the salaries and allowances of employees	3.43	1.201
Financial resource competence is vital in realizing improved firm performance	4.60	.497
<b>Overall Score</b>	<b>4.18</b>	<b>0.651</b>

**Source: Survey Data (2021)**

The mean scores and standard deviation were obtained from applying the five point likert scale, with it ranging from 1 at the lowest –strongly disagree and 5 at the highest meaning strongly agree. The aggregate mean score is 4.18 and SD of 0.651 on results of the effect of financial resource competence and performance revealed in Table 4.7. It was further agreed that Micro Cap Holdings had sufficient financial resources for catering to all its operations, functions and activities with a mean of 4.76 and SD of 0.426, the respondents also stated that financial resources are necessary in realizing improved performance at mean of 4.60 and SD of 0.497. The firm had poor performance in its initial years because of lack of sufficient funds and this goes to explain the importance of having sufficient financial resources.

This is similar to the sentiments shared by Godwin-Opara (2016) who revealed that growth of small businesses is based on availability of funds that will be used to conduct marketing activities, conduct proper research on the products, market needs and consumer tastes and preferences and the funds also cater for salaries for people that can help the organization improve their performance and grow. At the same time, Brinckmann, *et al.* (2011) noted that the value of acquisition of external financial resources, sound planning for the finances, its control and competence in using cash flows to finance activities of the firm like marketing, advertising and inventing new products and services.

Availability of financial resources help an organization to improve its performance, as shared by Brinckmann, *et al.* (2011) who further reveal that acquiring financial resources allows the organization to perform activities like sales and marketing and advertising of products that lead to high sales volume and high performance. Micro Cap Holdings had sufficient financial resources as depicted by the respondents who agreed at a high level with mean of 4.76 for financing marketing activities and means of 3.98 and SD of 0.791 for funding research and development activities. The financial resources must be available in an organization to pay for salaries and wages and the respondents agreed with mean score of 3.43 and SD of 1.201 which is in line with Gakenia, *et al.* (2015) who noted that organizations need finances to acquire valuable and rare skills in employees and that is made possible by having the ability to pay their salaries and wages.

#### 4.5.5 Organizational Performance

Organization performance as the dependent study variable was analyzed using descriptive methods and its findings are included in Table 4.8. The respondents rated elements of organizational performance by applying the five-point Likert scale such that 1 is strongly disagrees, 2 is disagree, 3 is moderate, 4 is agree and 5 is strongly agree.

**Table 4. 8: Organizational Performance**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
Increased Profitability	4.00	.000
Increased Market share	3.63	1.341
Increased Customer satisfaction	3.86	.623
<b>Overall Score</b>	<b>3.83</b>	<b>0.655</b>

**Source: Survey Data (2021)**

Findings in Table 4.8 show an aggregate score of 3.83 for means and SD of 0.655. Respondents agree on that Micro Cap Holding had increased its profitability level by a mean of 4.00, its market share had increased by a mean of 3.63 and SD of 1.341 and the firm had increased its customer satisfaction by a score of 3.86 and SD of 0.623. These findings are in line with sentiments of Juma and Okibo (2016) sharing that firm performance is akin to a position of competitiveness often attained by achieving a high efficiency rank, which serves to make the presence in the market maintained. While Mokhtari (2016) revealed that performance is about turning the strategy into action plans and production of goods and services that satisfy the

customers and the market. Once the products are sold off, they earn the organization incomes that are part of the organizational profitability index.

#### 4.6 Correlation Analysis

Correlation analysis was conducted and its findings is as indicated on Table 4.9

**Table 4. 9: Correlation Analysis**

		Organizational performance	Marketing Competence	HR Competence	R&D Competence	Financial resource Competence
Organizational performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	57				
Marketing Competence	Pearson Correlation	.736**	1			
	Sig. (2-tailed)	.000				
	N	57	57			
HR Competence	Pearson Correlation	.631**	.670**	1		
	Sig. (2-tailed)	.000	.000			
	N	57	57	57		
R&D Competence	Pearson Correlation	.709**	.699**	.843**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	57	57	57	57	
Financial Competence	Pearson Correlation	.812**	.676**	.741**	.534**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	57	57	57	57	57

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

**Source: Survey Data (2021)**

The findings as indicated in Table 4.9 show that the relationship of marketing competence and performance is positive and significant where  $r=0.736$  and the p-value is 0.000; for human resource competence and organizational performance it is a strongly positive and significant at  $r=0.631$  and p-value of 0.000; research and development competence has a positive significant link with organizational performance with  $r=0.709$  and p-values of 0.000 and financial resource competence has a significant can positive relationship to organizational performance where  $r=0.812$  and p-values of 0.000.

While adhering to the interpretation of results; this is as shared by Huber (2004) who interpreted the results of linear relationship by ranking them as either being weak, moderate or strong in correlation with the variables. For weak correlation results, the r results have a range from  $\pm 0.10$  to  $\pm 0.29$ ; moderate correlation is where the r is ranging from  $\pm 0.30$  to  $\pm 0.49$  and strong correlation is where r is from  $\pm 0.5$  up to  $\pm 0.9$ .

The correlation analysis results are all above  $\pm 0.5$  meaning all independent variables have a strong significant relationship with the dependent study variable. These findings show that financial resource competence had the strongest and highest relationship with organizational performance; this is followed marketing competence, research and development competence and lastly human resource competence.

## 4.7 Regression Analysis

This was done to evaluate the effects that core competencies have on performance of firms in the service industry by considering the case of Micro Cap Holdings. The regression analysis results of Model Summary, ANOVA and Regression Co-efficient are as shown in the next sections.

### 4.7.1 Model Summary

The findings of the coefficient of correlation and coefficient of determination were done by the researcher and the findings are as indicated in Table 4.10

**Table 4. 10: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 <sup>a</sup>	.742	0.727	1.23866

a. Predictors: (Constant), Marketing Competence, Human Resource Competence, Research and Development Competence Financial Resource Competence

**Source: Survey Data (2021)**

Table 4.10 results reveal that coefficient of correlation at 0.863 shows a strong positive correlation, while the adjusted coefficient of determination was 0.727 and in percent it is 72.7% meaning that the variations in the dependent study variables can be traced by the independent variables of marketing competence, human resource competence, research and development competence and financial resource competence. The residual effect of 27.3 would be explained by other competencies and factors that are outside the scope and limits of this present study.

This can be interpreted to mean that the value of R which was 0.863 mean that core competencies were positively and strongly related to performance of Micro Cap Holdings. This finding is supported by the study by Jabouri, and Zahari, (2014) who shares that marketing competence, R&D competence and financial resource competence as part of core competencies influence firm performance in a positive and significant manner. The R square value was 0.727, inferred to mean that 72.7% changes in performance at Micro Cap Holdings can be explained by the core competencies adopted by the firm and this included marketing competence, human resource competence, research and development competence and financial resource competence.

#### 4.7.2 ANOVA

The study performed ANOVA at 5% significant level so as to compare F values between F Calculated and F Critical. The findings are as indicated in Table 4.11

**Table 4. 11: ANOVA**

<b>Model</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	794.550	4	198.638	53.422	.000 <sup>b</sup>
Residual	278.150	52	5.349		
<b>Total</b>	<b>1072.70</b>	<b>56</b>			

a. Dependent Variable: Performance of firms

b. Predictors: (Constant), Marketing Competence, Human Resource Competence, Research and Development Competence Financial Resource Competence

**Source: Survey Data (2021)**

The results of Table 4.11 show that  $F_{\text{Calculated}}$  was 53.422 and  $F_{\text{Critical}}$  was 2.537 (at a degree of freedom of 4, 52) an indication that  $F_{\text{Calculated}} > F_{\text{Critical}}$ , this indicates the fitness of the overall regression model in estimating the interaction between core competencies and firm performance. Results of p-value was 0.00 which is less the standard level of 0.05 showing that at least one of the independent variable significantly influences performance of Micro Cap Holdings.

### 4.7.3 Regression Coefficients

To determine the individual factor influencing core competencies and performance of Micro Cap Holdings; the following coefficient was generated

**Table 4. 12: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	14.840	3.791		3.941	.000
Marketing Competence	4.124	1.130	.149	3.655	.005
Human Resource Competence	.212	.122	.324	2.155	.036
Research and Development Competence	.259	.047	.207	3.835	.000
Financial Resource Competence	.364	.139	.380	2.062	.004

a. Dependent Variable: Firm Performance

**Source: Survey Data (2021)**

The resultant equation becomes;

$$Y = 14.940 + 4.132X_1 + 0.262X_2 + 0.259X_3 + 0.364X_4$$

Where; Y= Performance of Micro Cap Holdings,  $X_1$  = Marketing Competence,  $X_2$ =Human Resource Competence,  $X_3$ =Research and Development Competence and  $X_4$ =Financial Resource Competence

Table 4.12 shows that when all variables were held constant (marketing competence, human resource competence, research and development competence and financial resource competence), the performance of Micro Cap Holdings would be held at 14.840. When there is a unit increased in marketing competence when the other variables are held constant would mean that Micro Cap Holdings performance will be at 4.12. When all variables are held constant and there is a unit increment in human resource competence, the performance will be at 0.212. When research and development competence increases by a single unit and the other variable are held constant, the performance of the firm will be at 0.259 and when financial resource competence increases by a single unit and the other variables are constant, the performance of Micro Cap Holdings will be 0.364.

The p-value of marketing competence was  $0.005 < 0.05$  showing that this variable had a significant influence on Micro Cap Holdings Performance. This is in agreement with Dzisi and Ofosu (2014) who revealed that marketing competence positively impacted on the SMEs' performance in Ghana and the marketing competencies are used within the enterprises to improve its performance. At the same time, Sultan and Srivastava (2018) concur that marketing competence is an important influencer of firm performance and this is based on the quality of the

marketing team and their aggressiveness to push the organizational products. Kyengo, *et al.* (2019) revealed that information sharing among the marketing team increases their competencies that result in high performance. At the same time, Njoroge (2015) noted that making innovative products increases market performance of the firm by meeting tastes of the consumers and the market.

The p-value of human resource competence was  $0.036 < 0.05$  which is an indication that this variable positively impacted on the Micro Cap Holdings' performance. This is in line with the sentiments held by Awad (2018) who shared that human resource competence was linked to firm performance and the competencies were based on organizational culture, the communication channels and systems in training and learning for the staff, managing changes, sharing knowledge and inspiring new leaders that are competent to lead the organizations and leadership competencies. Holding the same idea, Gakenia, *et al.* (2015) concurs on the basis that human capital significantly influences the performance in organizations.

While Coff and Kryseynski (2011) mention that better educated employees are likely to be more productive and increase organizational performance. Ogaji (2019) note that employees are paramount and a key element in service-based companies, hence calling for investment in their trainings and development to equip the staffs with necessary skills that help them deliver on the organizational objective. At the same time, Kaleli (2016) concentrated on managers as an important element of the human resource of an organization and looks at their skill-set, technical knowledge and capabilities to lead others and handle their tasks which includes directing the entire workforce to improve organizational performance.

The p-value of research and development competence was  $0.000 < 0.05$  which shows that the variable significantly impacts on the performance of Micro Cap Holdings. This is in agreement with Arasa and Gathinj (2014) noting that research and development had led to growth of businesses and an increase in their performance. Jabouri and Zahari (2014) also noted that bank's performance was closely associated to research and development. Organizations engage in research and development activities that lead to innovative products, as further shared Ahuja (2011) that the only way for a firm to make and maintain a competitive edge through increased performance is doing research that leads to development of new innovation products.

There is value in doing research to know the market situation and also to be able to analyze the economic value of different organizational activities. This is similar to what Ko and Chen (2017) shared that the research and development staff must have knowledge on the product, the company and the market and exhibit positive attitudes and also develop new products that respond to market demands and increase gains to the organization.

The p-value of financial resource competence was  $0.004 < 0.05$  which indicates that this variable significantly impacted on Micro Cap Holdings performance. This result is similar to Brinckmann, *et al.*, (2011) who shared that financial competence through acquisition of external financial resources, proper financial resource planning, its control and competence in using cash flows to finance activities of the firm like marketing, advertising and inventing new products and services, led to improved firm performance.

Godwin-Opara (2016) also noted that entrepreneurs with little financial resources suffer in terms

of their performance since they lack funds to market their business ventures, conduct proper research on the products, market needs and consumer tastes and preferences and the funds is insufficient for catering for salaries for people that can help the organization. Gakenia, *et al.* (2015) revealed that organizations needed financial resources to acquire valuable and unique skills in their employees and be able to pay their salaries and wages. Experienced employees will only stay in an organization if they can receive regular salaries as per their employment contract, which makes emphasis on the need for organizations to have sufficient financial resources.

#### **4.8 Qualitative Data**

The researcher asked the respondents which department they worked in the responses showed that the respondents were drawn from the marketing department (17.5%), human resources department (21%), finance department (31.5%) and research and development departments (29.8%) of the organization. These findings show that four key departments produced the study respondents hence have in-depth information on the study variables. At the same time, collecting views and responses from staff who work in different departments will result in differences of opinion hence having better quality of responses.

On the question on impact that marketing competence has on firm performance in the service industry? The respondents shared that marketing competence increases the performance of the organization through enhanced market share, high sales volume and huge returns. The service industry relies on marketing since it has products that are intangible and often rated based on customer experience and tastes. Similarly to what Dzisi and Ofosu (2015) shared that use of

marketing strategies like the 4Ps of marketing increased the competencies of the marketing team which led to high performance exhibited as huge market share, high profit margins and increased brand awareness. Since marketing is about positioning the organization for better visibility and creating awareness, then it results in high sales volume and improved performance.

On the question: What have you gained from your involvement in the questionnaire? The respondents mentioned that by participating in this study, they gain more knowledge and information on core competencies and how to adopt them in their operations for purposes of increased performance at individual level that together reflects the performance of the firm. The aspects of core competencies that were discussed also gave them more information and knowledge on how they have been applied at Micro Cap Holdings and how better to put to use these core competences like marketing, human resource, research and development and financial resource competence so as to improve on their performance.

The researcher asked the respondents if they believed that financial resource competence can affect firm performance; majority of the respondents at 83.45% stated that they believed that financial resource competence affected the performance of the firm. This is based on the fact that profit making organizations make a lot of emphasis on financial performance. Just like the results by Brinckmann, *et al.* (2011) who shared that when an organization acquires external financial resources it can be used for research and development activities that leads to new innovative products that increase revenue income for the firm.

Effective planning for financial resources within organizations and controlling elements like cash

flows and using available financial resources prudently leads to investment in marketing, advertising and sales activities for the firm that leads to high sales volume and overall high performance for the firm. While Godwin-Opara (2016) shared that availability of funds to do research, market firm products and develop products as per market needs will lead to growth of the business and improve its performance.

On the question of human resource competence influence and performance of firms; 89.4% of the respondents agreed on the fact that human resource is paramount in the service-based industry. The human resources is viewed in terms of the quality of service they offer, skills, knowledge and experiences, while their personality also plays a big role in increasing the performance of an organization. Like what Awad (2018) stated on human resource competence that are based on communication, organizational culture, training and sharing knowledge and information that increases the skills and experiences of staff and enables them to deliver high quality services.

Organizations must be able to identify staff skills that will improve the quality of service delivery and improve firm performance during the recruitment, selection and placement phase. While Njoroge *et al.* (2015) share that HR managers must be able to motivate their staff through trainings and empowerment so as to realize high organizational performance. The trainings increase the skill level and competencies of the employees which result in high productivity and enhanced organizational performance.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

Chapter five presented summaries of the study results, the conclusions and recommendations in practice and for future academicians. These conclusions were based on study findings and addressing the core purpose of this study.

#### **5.2 Summary**

The study sought to investigate on core competencies and firm performance for service industry and the case of Micro Cap Holdings. The specific objectives included the effect of marketing competence, human resource competence, research and development competence and financial resource competence on performance of Micro Cap Holdings. The study was anchored on the resource-based theory and balanced score card model and core competency model and cross-sectional descriptive research design was adopted. The study targeted employees of Micro Cap Holdings and used questionnaires that were semi-structured to give both qualitative and quantitative data. The collected data was then analyzed using descriptive analysis, correlation and regression analysis and content analysis and findings presented in charts, tables and prose for the discussions.

The core competencies under the study were marketing competence, human resource competence, research and development competence and financial resource competence. It was

established that marketing competence positively and significantly affected the performance of Micro Cap Holdings based by the correlation analysis results obtained from r values and p-values as such the correlation analysis showed  $r=0.736$  and the p-value is 0.000 and the regression analysis revealed that p-value was at  $0.005 < 0.05$  showing that marketing competence had a significant influence on Micro Cap Holdings Performance. The marketing competence is based on quality of marketing team, the range of products and customer satisfaction of the products sold and marketed by the firm.

The study established that human resource competence had a positive and significant effect to Micro Cap Holdings performance. The correlation analysis results showed that human resource competence positively influenced the performance of Micro Cap Holdings. The correlation analysis found out that human resource competence had a strongly positive and significant at  $r=0.631$  and p-value of 0.000 and the regression analysis had p-values of 0.036 that is less than the standard of 0.05 an indication that this variable positively impacted on the Micro Cap Holdings' performance. The human resource competence was based on the recruitment program adopted, employment contract, career development programs for staff and functional management that led to improved performance of Micro Cap Holdings.

The study also established that research and development impact was significant and positive on performance of Micro Cap Holdings. The correlation analysis showed that R&D competence significantly influenced the performance of Micro Cap Holdings. The correlation analysis revealed that research and development competence had  $r=0.709$  and p-values of 0.000 an indication of a significant and positive relation between the two variables. The regression

analysis showed p-values at  $0.000 < 0.05$  indicating that research and development significantly influenced the performance of Micro Cap Holdings. Research and development competence led to development of new products, conducting economic value analysis and market analysis.

The study further established that financial resource competence had a positive and significant impact on performance of Micro Cap Holdings. From the correlation analysis, its findings showed that  $r=0.812$  and p-values of  $0.000$  meaning it had a positive relationship to organizational performance. The regression analysis results show that p-value was at  $0.004$  which is less than the standard set of  $0.05$  an indication that financial resource competence significantly affected the Micro Cap Holdings performance. Financial resource competence is viewed through ability of the Micro Cap Holdings firm to pay salaries, fund marketing activities, conduct research and development activities and have sufficient budget to cater for all its expenses.

### **5.3 Conclusion**

Companies seek to improve their performance based on profits, market share and customer satisfaction hence the need to adopt core competencies. To improve its performance, Micro Cap Holdings has adopted core competencies including marketing competence, human resource competence, research and development competence and financial resource competence. These competencies have led to improved performance of the company through researching and coming up with innovative products, the marketing team increasing awareness of the products and using qualified and experienced staff to improve organizational effectiveness.

Micro Cap Holdings also has sufficient financial resources to cater for all expenses of the firm that aim at delivering high quality services that have improved their organizational performance. The study noticed that these core competencies led to improved performance of the firm as their profit margins increased, high market share and satisfaction among the customers. In conclusion, the core competencies led to improved performance of Micro Cap Holdings.

#### **5.4 Recommendations**

The implication of this study is such that marketing competence, human resource competence, research and development competence and financial resource competence significantly influenced the performance of Micro Cap Holdings. Therefore, recommendation made is that the management of Micro Cap Holdings should include core competencies in its strategic plans and the organizational structure to ensure continued high performance. Other service-based profit making organizations should adopt core competencies when seeking to improve their performance.

The study identified that financial resource competence had the biggest influence on performance hence advocating for the managers to seek and acquire external sources of funds that will be spent on marketing, research and development activities and retaining skilled human capital. Moreover, the study identified marketing competence as the second in its influence in organizational performance and thus recommends that profit-making organizations should concentrate on marketing activities to increase company visibility, product awareness and market recognition that increases sales volume and hence performance of the firm.

Research and development competence was also identified as significantly impacting the performance; thus the study recommends that the managers conduct market analysis, economic value analysis and product analysis. Since human resource competence led high performance, the recommendations are that the management of the firm to focus at its recruitment, motivation and career advancement policies so as to improve its overall performance.

### **5.5 Suggestion for Further Research**

This study used primary data, for in-depth analysis, future scholars can also use secondary data. This study was a case of Micro Cap Holding and findings may not apply to other sectors, as such the study recommends carrying out future studies by considering other companies and industries like banking, manufacturing and hospitality firms.

The adjusted coefficient of determination was 0.727 which is 72.7% variations in Micro Cap Holdings' performance explained by the independent variables. Future researchers should focus on the residual effect at 27.3% of other factors that accounted for performance of the firm and was not explained by this study.

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## **APPENDICES**

### **APPENDIX I: LETTER OF INTRODUCTION**

Dear Respondent,

I am Sarah Kaly-Esah Moga, Kenyatta University study of MBA (Strategic Management option).

I am, doing research on the topic “Core Competencies and Performance of firms in the Service Industry: a case of Micro Cap Holdings”. Kindly note information collected will be used for academic purpose and kept confidential and anonymity prevailed.

Thank you.

## APPENDIX II: QUESTIONNAIRE

This questionnaire consists of sections A and B.

### SECTION A: GENERAL INFORMATION

1. What is your gender?

Male       Female

2. Which level of management do you belong to?

Top Management

Middle Management

Support Staff

3. What is your age bracket?

18 - 25 years

26 - 35 years

36 - 45 years

Above 45 years

4. For how long have you worked in the current organization?

Less than 2 years

2 - 5 years

6 -8 years

Above 8 years

5. What is the highest level of education you have attained?

Secondary

Diploma

University

Postgraduate

6. How long have you served in your current position in the organization?

1 year

2 years

3 years

4 years

Above 5 years

7. Which department do you represent?

**8.** What effect do you believe marketing competence has on performance of firms in the Service Industry?

**9.** What have you gained from your involvement in the questionnaire?

**10.** Do you believe financial resource competence can affect firm performance?

**11.** What influence does human resource competence have on performance of firms

**SECTION B: MARKETING COMPETENCE**

These are statement on marketing competence, kindly mark with a tick (√) or cross (×) the extent to which you agree with each of the statement.

Use the Likert scale that ranges from 1-5 where 1=strongly disagree, 2 =disagree, 3= neutral, 4 = agree and 5 = strongly agree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Customers view us as a reputable firm					
The firm comes up with products and services that have broad market appeal					
From time to time the proper positioning of products is done					
There is efficient and effective product line					
The firm focus on consumer needs and integrating all activities of the organization to satisfy those needs					
The company possesses highly skilled and dynamic sale team					

**SECTION C: HUMAN RESOURCE COMPETENCE**

The statements below relate to the HR competence, please rate the extent of agreement with each statement using the scale that ranges from 1-5 where 1=strongly disagree, 2 =disagree, 3= neutral, 4 = agree and 5 = strongly agree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The firm has effective recruitment program.					

Terms and conditions of employment are clear and precise					
There is efficient management of human resource functions					
Incentives are provided towards innovations and creativity					
Employees are committed to quality					
The company has attractive career development programs					
Human resource competence affects firm performance					

**SECTION E: RESEARCH AND DEVELOPMENT COMPETENCE**

The statements below relate to the R&D competence, please rate the extent of agreement with each statement:

Use the Likert scale that ranges from 1-5 where 1=strongly disagree, 2 =disagree, 3= neutral, 4 = agree and 5 = strongly agree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The firm engages in the research and development of new products					
Analysis of market situation is done from time to time so as to improve products					
Multidisciplinary task force is used for the coordination of research and development					
Economic value analysis is carried out from time to time					
Research and development is key in achieving improved firm					

**SECTION F: FINANCIAL RESOURCE COMPETENCE**

The statements below relate to the financial resource competence, please rate the extent of agreement with each statement using the scale that ranges from 1-5 where 1=strongly disagree, 2 =disagree, 3= neutral, 4 = agree and 5 = strongly agree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The firm has a yearly budget on all expected revenues and expenses					
There is sufficient financial resources for research and development					
There is sufficient financial resources for marketing activities					
There is adequate finances to cater for the salaries and allowances of employees					
Financial resource competence is vital in realizing improved firm performance					


**SECTION G: PERFORMANCE**


This section assesses the performance of Micro Cap Holding. Marketing strategies have influenced performance in terms of the following. Mark with a tick or cross and state the extent to which you agree with the statements.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Increased Profitability					
Increased Market share					
Increased Customer satisfaction					

Thank you for your time


**APPENDIX III: RESEARCH PERMIT**

  
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