

**ORGANIZATIONAL CAPABILITIES AND THE PERFORMANCE OF  
COMMERCIAL STATE CORPORATIONS IN KENYA**

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## **DECLARATION**

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### **Approval by the Supervisor**

I certify that the student has prepared the research project report with my approval as the appointed university supervisor.

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## **DEDICATION**

This research project is dedicated to my entire family, who have been steadfast in their words of encouragement and prayers that have propelled me towards the completion of my project.

## **ACKNOWLEDGEMENT**

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## **ABBREVIATIONS AND ACRONYMS**

<b>B2B</b>	Business to Business
<b>BSC</b>	Balance Score Card
<b>HRM</b>	Human Resource Management
<b>IDB</b>	International Development Bank
<b>PTPR</b>	Presidential Taskforce on Parastatal Reforms
<b>RBV</b>	Resource Based View Theory
<b>UAE</b>	United Arab Emirates

## OPERATIONAL DEFINITION OF TERMS

<b>Commercial State Corporations</b>	A body corporate established under Section 3 of the State Corporations Act, Cap 446, or by an act of Parliament, or under the Companies Act, Cap 486 where the Government controls majority or all of the Shares with the aim of earning a surplus to accomplish other societal goals, produce goods and services deemed necessary for development, engage in projects which require large capital outlay, are necessary for development (State Corporations Act, 2012)
<b>Coordination Capabilities</b>	Ability to change, harness and develop new organizational capabilities to counter and control the dynamic business environment form the basis for sustainable competitive advantage for firms (Okwemba, 2018)
<b>Innovative Capability</b>	Firm's ability to identify new ideas and transform them into new/improved products, services or processes that benefit the firm (Aas & Breunig, 2017)
<b>Management Capability</b>	This refers to the firm's management capacities and processes that firms possess in order to plan and implement programs and activities to achieve superior performance
<b>Organization</b>	These refer those intangible, unique combination of

<b>Capabilities</b>	skills, processes, technologies, and human abilities that organizations utilize to execute their business strategy in a manner that satisfies a wide variety of stakeholders and binds all the part of the business together (Dev, Gill & Singh, 2018).
<b>Organization</b>	The organization,s capacity to accomplish its goals
<b>Performance</b>	effectively and efficiently using available human and physical resources (Kaplan & Norton, 2001)
<b>Resource Capability</b>	This refers to the firm’s ability to combine its unique resources and renew its core competencies in order to gain a competitive edge (Edwards, 2014)

## ABSTRACT

The commercial state corporations in Kenya have faced a turbulent period that has seen previous blue-chip companies such as Mumias Sugar, Kenya Airways, Telkom Kenya, and National Bank falter in terms of their performance. Despite the restructuring of state parastatals and the continuous government bailout, there has been little improvement in the performance of state-owned corporations. The current study sought to establish the effect of organizational capabilities on the performance of commercial state corporations in Kenya. The study specifically sought to establish the effect of innovative capabilities, managerial capabilities, resource capabilities, and coordination capabilities on the performance of commercial state corporations in Kenya. The research was anchored on the resource-based view theory and supported by the dynamic capabilities theory and the theory of the firm. The research employed a descriptive cross-sectional research design with the unit of analysis being the 50 commercial state corporations in Kenya. The sample was 150 respondents. Data were collected by the use of semi-structured questionnaires and administered by use of drop and pick methods as well as google forms to collect the data. The collected data was analyzed using descriptive, inferential and correlational statistics. The results were presented using frequency tables. Correlation tests established there is a positive association between innovative capabilities, resource capabilities, management capabilities, coordination capabilities, and performance of commercial state corporations. The study established that there is a positive and significant effect of organization capabilities on state corporations' performance in Kenya. Specifically, the study revealed that innovative capabilities, resource capabilities, management capabilities, and coordination capabilities had a positive and statistical significant effect on the performance of commercial state corporations in Kenya. The study recommended that the commercial state corporations would also institute attractive employee compensations and rewards to encourage innovative ideas from employees in different departments. The study recommended that the management should ensure that they have adequate qualified personnel to improve strategy execution within their respective firms. The study also recommends that coordination functions be centralized to ensure timely detection of unexpected events.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Organisations operate in a market that is highly competitive, and they must overcome several obstacles to survive. These obstacles have a negative impact on their performance. A key determinant of every organization's success or failure is its performance. Organisational performance is very important for businesses, particularly in a climate when businesses are struggling with increased competition (Cania, 2014). Organisational performance is measured both quantitatively and qualitatively, and it is accomplished through the efforts of both departments and individual employees (Rehman, Mohamed, & Ayoup, 2019). To achieve sustained competitive advantage and improve performance, organizations need to adapt to both internal and external environments to establish a position in their sector based on available resources, skills and capabilities, as well as focus on strategic behaviors that inform its approach to activity monitoring and performance achievement (Behl *et al.*, 2022; Tsai & Tsai, 2022; Adewunmi *et al.*, 2017).

Denrell and Powell (2016) affirm that firm performance as a concept has been investigated by a myriad of authors for several years, with the aspect of competitiveness and survivability being at the core of researchers' objectives. This is especially so in rapidly changing environments, advancements in technology, increased diversification of consumer demand and changes to the operating environment, unmanageable competition, increased regulatory demands, and globalization all impact organization performance (Pervan, Curak, & Pavic Kramaric, 2017). This rapid change in the business environment has led to a high uncertainty

level and a high degree of business failure. In response, businesses are having to consistently change how they reconfigure and utilize their resources to ensure they can consistently gain and sustain competitive advantage (Wilden, Gudergan, Nielsen, & Lings, 2013).

The development of production and productivity in many economies is commonly recognized to be largely dependent on organizational capabilities (Kiraka, Kobia, & Katwalo, 2013). According to Otuoma (2014), organizations must adapt their methods of using their resources and abilities regularly, which will result in the establishment of ever-evolving transitory advantages. This shows that the basis of competitive advantage is not capabilities as such but rather how resources are arranged. Organizational capacity is needed to implement strategic direction. In the end, increasing capability—which is motivated by individual competency—provides the link between the present situation and the desired outcome. Corporate success derives from a competitive advantage that is based on distinct capabilities, which is typically derived from the distinctive character of a firm's relationships with its suppliers, customers, or employees, and which is precisely applied to relevant markets (Otuoma, 2014).

Public sector in Kenya is differentiated by the breadth of scope, impact and public accountability or political character. In Kenya, state-owned commercial enterprises are established to accomplish specific goals. They function to increase operational autonomy, flexibility, generation of value for money, and improvement of transparency and accountability, targets that are usually difficult for the national government to attain due to bureaucracy and rigid form of leadership (Abang'a, Taurigana, Wang'ombe, & Achiro, 2022). They differ from government ministries and their associated departments in that they operate independently by virtue of their

amalgamation, financial goals, and their level of accountability (Linyiru & Ketyenya, 2017).

The issue of poor state performance has been investigated by a host of researchers from different countries, both developed and developing. As evidenced in Chen and Lin's (2021) study, Chinese state firms' business intelligence capabilities have been associated with increased operating efficiency and firm performance. In Germany, the education, qualifications and managerial capabilities of board members were identified as the main factors driving financial performance of German state-owned enterprises (Sidki, Boerger & Boll, 2023). Subramanian (2015) examined the performance among Indian state corporations with findings affirming that listed state firms have been able to leverage their ownership structures to enhance efficiency, accountability, and decision-making within the country.

Mbo (2017) examined the drivers of organizational performance of state-owned firms in Sub-Saharan Africa and noted that technical efficiency, conducive environment, stakeholder interactions, resource availability, and governance had significant positive effects on state-owned firms' performance. South Africa's Marweshe (2022), on the other hand, identified innovation capabilities as the main drivers of market competitiveness, calling on state firms to continuously improve their innovative strategy, market innovation and technological innovation capacity. Odindi, Magutu, and Nyaoga (2018) studied productivity among Kenyan state-owned corporations, with results indicating that unethical practices such as fraud, collusion, corruption, and manipulation limited firm productivity. It was also evident that a lack of accountability and transparency significantly impact firm performance.

Organizational capability need to be enhanced through the adoption of information technology, trained manpower and establishment of committees that are able to perform their duties successfully. Modern legislatures have created among other devices, committees through which they strive to achieve effective surveillance over the Executive arm of the government. However, while performing organizations are the bedrock of a country's sustained economic growth, it is important to note that since their formation, most Kenyan state firms have struggled to remain competitive and have burdened the government with debts leading to missed opportunities for development (Abang'a, *et al.*, 2022; Otieno, Ogutu, Ndemo, & Pokhariyal, 2020). This study therefore sought to explore the effect of organizational caabilities on the performance of commercial state corporations in Kenya.

### **1.1.1 Organization Performance**

An increase in globalization has led to an increase in interactions between firms, customers, and other non-financially invested stakeholders and Acquaah and Agyapong (2015) opine that firms can improve their performance through proper identification and implementation of strategies centered on improving the level of efficiency and effectiveness led to better performance among organizations. They argue that it is necessary that organizations explore more than the need to generate profitability and that they should increase diversification so as to meet the individual and heterogeneous demands of their suppliers, stakeholders, and customers. This notion is echoed in the balanced scorecard framework which stresses the need for firms to seek social, environmental performance outcomes alongside financial outcomes to remain competitive and sustainable.

According (Chesire & Kinyua, 2021) performance may entail an organization's success in achieving its set goals and targets through strong governance and sound management. Performance may also be termed as the rate and efficiency at which operations are undertaken in the organization. The initiative to measure the performance of a firm assists organization to mitigate against factors that may prevent it from achieving its mission and offer certainty. There is no standard measurement of an organization's performance due to the varied opinion on the theoretical and practice assessment of a well performing entity (Mensah, & Maponga, 2017). Organizational performance refers to the actual outcome of an organization's declared objective. Organizational changes that respond to shifting circumstances and provide businesses with multiple opportunities are necessary for planning their present geographic business operations. Knowing the variables that determine performance is crucial because it's the main criterion for choosing connection and training.

Organizational performance assesses a company's overall productivity by taking into account metrics such as employee turnover, revenue, visitors, and contact share (Obwogi, 2013). Developed by Neely *et al.*, (1995) As a set of criteria for assessing the efficiency and effectiveness of a task. Profitability, sales growth, inquiry share, new product launches, transaction return (ROS), return on investment (ROI), and customer satisfaction are important quantitative indicators of a company's success. Short-term indicators such as ROI, transaction growth, and operating profit can be misleading as they may suggest that innovative results are not working, even if the impact is not realized for a long period of time.

Kaplan and Norton's Balanced Scorecard (BSC) is a performance measuring tool that has been used extensively by manabers to assess firm performance. BSC was

developed in (1992) to assist in the measurement of an organization's financial and non-financial performance based on its mission goals. It provides managers with a framework from which they can assess performance from four perspectives; the customer perspective, the internal business perspective, innovation and learning perspective and the financial perspective (Erawan, Putra, & Sentanu, 2022). The customer aspect stresses the methods used to develop values that meet consumer requirements, the internal processes aspect identifies the methods and organizational practices to fully implement the expectations of customers and stakeholders, the learning and growth perspective stresses on the methods and organizational practices that fully implement customers and stakeholders expectations, as well as employee development. The financial aspect, on the other hand, focuses on the financial outcomes of business processes (Kaplan & Norton, 1992).

Although the original balanced scorecard was designed to help for-profit companies, its increased acceptance in the business community has made it become widely adopted by governments as well as non-for profit firms. The framework stresses on the need for managements to look beyond financial aspects of performance and helps management in tracking service and product quality (Pham, VU, Pham, & Vu, 2020). State owned firms serve to meet the expectations of multiple stakeholders and the BSC tool incorporates financial as well as other key performance drivers, customer perspectives, level of growth of the organization, innovative capacity and learning (Kaplan & Norton, 2008). This study will use the dimensions of the model (customer perspective, internal processes, efficiency and effectiveness) to assist in measuring the performance of Kenyan commercial state corporations.

### **1.1.2 Organization Capabilities**

Organizational capabilities are the antecedent strategic and organizational routines by which managers alter their resources base and to create new value-creating strategies, which are the drivers behind the creation, evolution and recombination of other resources into new sources of competitive advantage and the realization of its objectives (Otuoma, 2014). This definition implies that the firm is better able than its competitors at learning from customers, more adept at changing core business processes and routines and continually reconfigures, enhances and deploys resources in a manner that creates superior customer value and hence superior performance in the marketplace. Organizational capabilities are an intrinsic evolutionary process that can help facilitate problem solving, improve decision making, stimulate creative ideas, and help members of an organization effectively implement organizational objectives (Helfat and Peteraf, 2013).

Organization capabilities involve planning, coordinating, resource allocation, and information management (Casillas, & Feldman, 2011). Organizational capabilities are the organization's ability to convert assets and resources into capabilities that enable the firm to offer excellent services to clients and to regularly develop and deliver new innovative items. They are typically seen as operational, specialized capabilities organized into individual aptitudes or particular various leveled capacities (Ortega, 2010). The strategic management of the workforce and capital resource assets of the firm forms the premise for organizational capability and competitive advantage for the firm (Astrachan, 2010). Organizational capabilities include individual employee abilities, resource capabilities, and implied gathered knowledge that are installed in a firm's schedules, administrative procedures, advertising correspondences, and culture (Minna, Sanna, & Juhani, 2014).

Employment of organizational capabilities effectively leads to organizational performance (Rabah, 2015)). According to Dubihlela (2013), strategic organizational capabilities help to build up capabilities the firm may use to differentiate itself in the market in order to achieve customer satisfaction. They are very important, particularly in the dynamic business environment with volatile markets and environmental uncertainties. The organization's ability to develop and design new organizational capabilities to counter and control the dynamic business environment forms the basis for sustainable competitive advantage for firms (Srivastava, Franklin, & Martinette, 2013).

The capabilities allow the managers to cost-effectively exploit the available opportunities in the market and neutralize the threats in the external environment (Peters & Pearce, 2012). Similarly, the capabilities that the firm has acquired are key in enabling it to readjust its competencies, thus enabling it to adapt to the environmental changes (Teece, Pisano, & Shuen, 2007). Marketing capability, innovative capability, managerial capability, customer service capability, manufacturing capability, and new product development are all part of organizational capabilities (Acquaah & Agyapong, 2015). The current study reviewed how innovation capability, managerial capability, coordination capability, and resource capability influence the organizational performance of commercial state corporations.

Innovative capability is a multidimensional construct that shows an organization's ability to identify new ideas and transform them into new/improved products, services or processes that improve a firm's proposition to its consumers (Mendoza-Silva, 2021). An organization's capability to innovate is important in facilitating an innovative culture characterized by internal promoting activities and in facilitating organizational members to understand and respond appropriately to the external

market environment (Mohamed, Khalifa, Al-Shibami, Alrajawi, & Isaac, 2019). Innovation capacity extends the need for firms to acquire and utilize existing and emerging technologies to develop better products and update existing products to meet the broader needs of the market (Minna, Sanna, & Juhani, 2014). Tajeddini (2016), in their examination of public organizations, indicates that innovativeness was key to improving the performance of state corporations.

Graves and Thomas (2006) defines managerial capability as the expertise and capacities acquired by a firm to assist in the determination and execution of plans with the aim of realizing organizational goals and gaining sustainability. The proper deployment of an organization's social, human, and cognitive abilities in order to make use of its tangible and intangible resources involves managerial capability (Acquaah & Agyapong, 2015). Evidence points to the level of competency of the top management teams as one of the main determinants of productivity among all organizations (Abang'a, *et al.*, 2022). Makanga and Paul (2017) argue that to efficiently integrate the capabilities and use resources in an utmost way, managerial capability is crucial. The researcher further indicates that managerial capability positively influences productivity among firms. Barney and Hesterley (2006) contend that managerial capability can be used in controlling and observing hierarchical frameworks for the basic execution of strategic activities in organizations for effective management. Osei-Bonsu (2017) indicates that managerial capabilities, organization structuring, and marketing capabilities positively contributed to the competitiveness of state firms.

The resource-based view theory holds that although firms may operate in the same environment while facing similar risks and opportunities, among the factors determining their level of success is the quality and quantity of the resources and

capabilities that they possess (Barney, 2005). They are among the most valuable sources of competitive advantage for more organizations. Organizations are supposed to be able to learn resource combinations in order to advance their core competencies (Ramachandran, 2011). Research highlights the need for firms to acquire, develop, maintain and explore a variety of resources with the aim of converting them into capabilities that can be utilized to improve the firm's competitive positioning (Pavlou & El Sawy, 2011). Barbero, Casillas, and Feldman (2011) found out that having adequate human resources and a skilled labor force was key to firm performance. Bonsu (2017) notes that adequate financial resources and utilization of firm resources are key predictors of firm performance.

Coordination capability refers to the capability of the firm to utilize different forms of resources as a single unified group with the aim of generating value for the customers. Firms that seek coordination as a means of attaining organizational goals understand that operational synergy among different departments in the organization is key to generating value for customers (Tomaskova & Kopfova, 2011). Protogerou Caloghirou and Lioukas (2011) argue that it is necessary to define and make every employee understand their roles to sustain competitive advantage. Proper coordination can be realized with proper communication, task assignment, and other related activities (Koufteros, Rawski, & Rupak, 2010). Tiantian and Yezhuang (2015) consider coordination capability as one of the dynamic capabilities which firms can utilize to enhance firm performance due to their ability to renew the operational capability of the organization. Osioma, Nzewi, and Mgbemena (2016) note that coordination of the firm processes and internal competencies was key to enhancing organizational performance.

### **1.1.3 Commercial State Corporations**

The State Corporations Act, Chapter 446 of the Kenyan Laws, governs state corporations in Kenya. The parastatals are founded by an Act of Parliament and a presidential order to establish corporations to execute certain functions in the economy of the country (State Corporations Act, 2012). Commercial/manufacturing, public universities, regional, regional development authorities, training and research, regulatory activities, tertiary education, training education/training state and financial corporations are examples of parastatals that have been established to meet commercial and social functions (Parastatals Report, 2013). State corporations are government institutions formed for attainment of several objectives like to correction of market failure, exploitation of political and social goals, spreading the income and development in marginal areas and provision of education and health. They are government state corporations that generate earnings and may self-sufficiently manage their financial duties.

Kenya formed state corporations due to an increase in demand for social and commercial services by citizens. They were formed with the main aim of correcting market failures, providing basic services such as health and education, increasing the level of development and access to basic services in rural areas, and for the attainment of political promises (Linyiru & Ketyenya, 2017). Governments have full or partial ownership of commercial state corporations, and in Kenya, they are formed under the State Corporations Act (Njiru, 2010).

Currently, Kenya has 248 State Corporations, of which 46 are commercial enterprises (Omor, Aduda, & Okiro, 2015). Most of the commercial state corporations are concentrated in the transport and energy sectors while non-commercial firms include

those with social mandates to deliver core services to the citizens such as universities and vocational training colleges, water development agencies and national hospitals. In the financial year 2019-2020, commercial firms accounted for 85 percent of total revenues and 89 percent of total liabilities in the public sector. An analysis by the National Treasury (2021) on the fiscal risks arising from the state corporations sector reveals that major state corporations experience weak financial performance and have high levels of indebtedness, arrears, and contingent liabilities. Out of the 18 largest state firms, 11 were reported as loss-making, while 11 others were noted to face high liquidity challenges. Of the 18, 14 state firms accumulated arrears totalling KShs. 211 billion, an equivalent of 2.2 percent of GDP in 2021 (The National Treasury, 2021). This poor performance has impacted their ability to meet their mandates effectively (Odindi, Magutu, & Nyaoga, 2018).

## **1.2 Statement of the Problem**

Commercial state corporations play a vital role in the majority of economies. According to the Presidential Taskforce on Parastatal Reforms Report (2014), they are responsible for a wide range of activities, including manufacturing, service provision, environmental protection, education and training, research, and seafaring. They are expected to satisfy industrial demands, produce steady employment, and boost public engagement. On the other hand, the performance of the commercial State Corporations has been inconsistent resulting in substantial failures (Republic of Kenya, 2013). The overall productivity of Kenyan state-owned commercial corporations has been below par over the years, regardless of the billions of shillings allocated each year to enterprises owned by the government (Linyiru & Ketyenya, 2017).

A report by The Presidential Taskforce on Parastatal Reforms (2013) indicated that from one hundred and thirty (130) reports scrutinized by the Auditor General, only twenty three (23) State Corporations were viable. Poor performance persists in most state corporations, despite numerous bailouts (Otieno, Ogutu, Ndemo, & Pokhariyal, 2020). The major cause of this poor performance within state agencies has been blamed on the wastefulness of management, political interference, corruption, and low-quality service/product offering (Kabiru, Theuri, & Misiko, 2018). These challenges have made state firms less transparent and profitable than privately owned firms which have been minting billions in turnover every year (Gitundu, Kisaka, Kiprop, & Kibet, 2016). According to Obudo and Wario (2015), the inability of Kenyan state owned firms to meet their basic objectives has seen them come under increasing pressure to increase efficiency and improve service delivery.

Several studies on organizational capabilities in various organizations in Kenya, in both the private and governmental sectors, have been conducted. Bharadwaj, Chauhan, and Raman (2015) study observed that adequate management capabilities and knowledge management can be key to unlocking the performance of the firms. China's Aydiner, *et al.*, (2019) found a significant influence of information system capabilities on decision making and customer satisfaction rate while Kusumawati, Yulistiyono & Badrianto (2022) found that state owned corporations should implement strategic resource management and focus on human resources development to increase the profitability of state owned firms. Khalif, Deya and Noor (2022) revealed a strong and positive influence of sensing capabilities and resource capabilities on the performance of commercial state firms in Kenya while Nyangi, Wanjere, and Egessa (2015) marketing, leadership and resource capabilities can significantly improve the performance outcomes of state owned sugar firms in Kenya.

Githinji & Gachunga (2017) indicate that commercial state corporations have experienced dismal performance in the recent past, which has dampened their overall contribution to the attainment of the national economic goal.

Ultimately, research on organizational capabilities and its impact on organizational performance has not been investigated together with the need to get a better understanding, properly document and operationalize board variables and their effectiveness especially among state corporations. Although diverse literature suggests the many possible benefits of organizational capabilities to organizations, empirical work examining the relationship between organizational capabilities on organizational performance particularly in the public sector are scarce. This study thus sought to address this gap by establishing the influence of organizational capabilities on the organizational performance among commercial state corporations in Kenya.

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

This study aimed to investigate the effect of organization capabilities on the performance of commercial state-owned corporations in Kenya.

#### **1.3.1 Specific Objectives**

- i. To determine the effect of innovative capabilities on the performance of Kenyan commercial state corporations in Kenya.
- ii. To determine the effect of managerial capabilities on the performance of Kenyan commercial state corporations in Kenya.
- iii. To determine the effect of resource capabilities on the performance of Kenyan commercial state corporations in Kenya.
- iv. To determine the effect of coordination capabilities on the performance of Kenyan commercial state corporations in Kenya.

#### **1.4 Research Questions**

- i. What is the effect of innovative capabilities on the performance of Kenyan commercial state corporations in Kenya?
- ii. What is the effect of managerial capabilities on the performance of Kenyan commercial state corporations in Kenya?
- iii. What is the effect of resource capabilities on the performance of Kenyan commercial state corporations in Kenya?
- iv. What is the effect of coordination capabilities on the performance of Kenyan commercial state corporations in Kenya?

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

The research is expected to yield substantial information that can be relied upon in directing policy formulation, which can be aimed at ensuring that state corporations perform at the required standards and follow the set rules and guidelines. To the state corporation's inspectorate, the results of this study will foster the policy guidelines formulation.

To top management teams of the firms, findings were instrumental in decision making to assist in the adoption of various firm capabilities to foster the performance of their respective parastatals. Commercial state corporations will find the results of this study useful when designing key metrics for performance measurement. The results will also enable the organizations to review their internal practices and ensure a fit between their capabilities and performance.

These findings will aid other state parastatals in adopting internal practices that can be employed to foster their performance. The results will also be pivotal in addressing

the bottlenecks that face state parastatals in failing to leverage their firm capabilities as predictors of effectiveness and efficiency.

Findings will also enhance the available empirical knowledge on the productivity of state commercial corporations. The research results will further be key to fostering the available reference materials for scholarly utilization.

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

Geographically, the study scope was limited to studying companies operating within the Kenyan territorial borders. The methodological scope of the research adopted a quantitative approach in the examination of the research problem. The time scope for this study was between September and October 2021. Theoretically, the study was founded on the dynamic capabilities theory and the resource-based view theory and balanced score card, contextually examining organization capabilities, managerial capabilities, technological capabilities, and resource capabilities within state corporations. The firm's level of performance was the objective of the study. The study unit of analysis was the 50 state commercial corporations in Kenya.

### **1.7 Limitations of the Study**

The study was limited to commercial state corporations in Kenya; if we had compiled a larger sample size by incorporating other state corporations in Kenya, the analysis might have been more significant. Other state corporations who were not included in this study may have mentioned difficulties in implementing strategic management practices. The study included a 5-year timeframe from 2017 to 2022, a period during which organizational capabilities are transforming across all sectors and thus may not reflect the depth of implementation maturity across the board. The study's data collection was hampered by a time constraint, particularly when respondents took

their time filling out the questionnaires. During the data collection period, accessing these high-profile employees was difficult due to the COVID-19 restrictions and social distancing requirements, which saw many company officials working from home. However, the researcher made early visits and adopted online data collection tools to complement physical data collection strategies.

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

The study comprises five chapters. Chapter one comprises the background information, problem statement, general and specific objectives, research hypothesis, significance, and scope of the study, and the limitations and organization of the study. Chapter two comprises the literature review and empirical review sections where other studies related to the current study are critically reviewed. The chapter then presents a summary of the identified knowledge gaps and concludes with the conceptual framework. Chapter three comprises the research methodology, which presents the research design, target population, sample size, data collection instruments, data collection procedures, analysis, and presentation techniques. Chapter four presented the study findings. Chapter five presents a summary of the research findings, the conclusions, and recommendations that were drawn.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section identifies and analyzes the studies undertaken by other scholars and researchers pertaining the variables of the study. The reviews provide comprehensive discussions of what has been carried out and act as the basis upon which the results will be interpreted and also overcome the limitations of previous studies. The section commences by discussing the theories informing these concepts, the conceptual framework and empirical literature review on the variables depicting similarities, contradictions, critique of existing literature and finally stating the research gaps.

#### **2.2 Theoretical Review**

In order to address the objectives of this study, two underpinning theories were identified that anchor and inform this research work: RBV Theory and the dynamic capabilities theory underpins the independent variable whereas the Theory of the firm and Balanced score card supports organizational performance

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

This theory is the brainchild of Penrose (1959) and assumes that firms are composed of various resources and capabilities that are acquired, distributed, and exploited across the organization through the duration of its operations (Ambrosine & Bowman, 2009). Firms that attain valuable, rare, inimitable, and non-substitutable resources can exploit and implement them to create strategies aimed at generating high value for customers. Over the long term, these strategies enable an organization to become more competitive, thus sustaining competitive advantage (Arend & Bromiley, 2009). To

improve the capability of the management teams, it is necessary to have resources which are specifically useful to the firm, able to generate value for clients and customers, difficult to substitute, and unique (Barreto, 2010).

This theory is utilized when focussing on the effect of different resources and capabilities on the overall productivity of an organization (Basile & Faraci, 2015). The main assumption of the theory is that it is necessary for organizations to transform their resources into useful capabilities which can be manipulated to enhance productivity, improve performance and enable the firm to attain sustainable competitive advantage (Helfat & Martin, 2015). The theory purports that having better structures and systems of leadership leads to better profitability due to reduced costs incurred during the production process regardless of strategic investments made (Ambrosine & Bowman, 2009).

Critics of this theory opine that the theory is rigid and fails in developing a framework that companies could follow to attain and sustain competitive advantage in the modern world, which is characterized by a dynamic environment that is highly susceptible to technological changes (Priem & Butler, 2011). These critics are of the opinion that in addition to having valuable, rare, inimitable, and non-substitutable resources, it is necessary for firms to acquire complementary capabilities, which are useful when the firm needs to deploy certain resources to adjust the capabilities of the firm. This is important when the firm needs to adjust its operations to match market conditions and improve productivity in uncertain climates (Teece, Pisano, & Shuen, 2007).

In this study, the theory is applicable in the research due to its ability to inform resource capabilities and the coordination capabilities variables. The theory sought to

explain the effect of resource and coordination capabilities on the performance of Kenya state corporations. Firm capabilities should be unique resources and systems that the firm can utilize to drive its performance.

### **2.2.2 Dynamic Capabilities Theory**

This theory was advanced by Teece, Pisano, and Shuen (1997) who define it as the firm's ability to integrate, build and reconfigure internal and external competencies appropriately to enable the company to adapt to the changes occurring within the environment in which it operates. These capabilities are an indication of the innovative capability of an organization showing its ability to seamlessly implement innovative technologies, which are critical in ensuring that the company develops and sustains a competitive advantage in rapidly changing markets. It shows the management team's ability to identify and exploit critical opportunities, thus enabling it to appropriately respond to market demands (Teece, Pisano, & Shuen, 2007).

Dynamic capabilities are necessary when coordinating inter-functional strategic responses aimed at reinforcing competitive advantage in the marketplace (Jaworski & Kohli, 2013). Individual behavior or routine is an aspect of dynamic capabilities that determines organizational culture and enhances understanding of the competitive value management based on a dynamic capability's perspective (Inan & Bititci, 2015). Dynamic capabilities recognize the role that management teams play in enhancing dynamic capabilities (Helfat & Martin, 2015). Ambrosini, Bowman, and Collier (2009) note that dynamic capabilities are composed of reconfiguring, transforming, and recombining resources resulting in an increased ability of the firm to realize its goals. Eisenhardt and Martin (2000) are of the opinion that what determines the impact of resources acquired by the firms is the manner in which the

resources are acquired and deployed to match the environment within which the organization operates, showing that it is necessary for the organization to have visionary leadership which is able to exploit available resources to attain their goals.

Zollo and winter (2012) affirm that dynamic capabilities involve learned and stable patterns or routines that are systematically modified to increase the effectiveness of the firm. Arend and Bromiley (2009) were critical of the theory in stating that the theory fails to logically and consistently explain elements of successful change in the adoption of new organizational routines. David Teece's Dynamic Capabilities Framework defines dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments and has changed the way research looks at the innovation potential of companies. It claims that firms undertake expansion in a stepwise and orderly manner, increasing their commitment in markets as well as operations.

The dynamic capabilities theory was ideal in this study in highlighting how managerial and innovation capabilities help in the reconfiguration of firm processes. Furthermore, the theory was essential in the understanding of how innovative capabilities can be harnessed toward enhancing the coordination and innovative aspects within the organization. Therefore, this theory will anchor innovation capabilities, managerial capabilities and coordination capabilities which, according to the framework have a significant influence on organizational performance in changing environment.

### **2.2.3 The Theory of the Firm**

This theory forms a means of firm conceptualization (Holmstrom & Tirole, 1989), and attempts to explain the reason for firms' existence. It also tries to explain

relationships between firms and the external environments in which they reside (Drejer, 2004). Later on, firms were viewed as organizations that own and possess different types of resources. Their performance is dependent on the manner in which they utilize these resources to create value for their customers and to respond to the rapidly changing demands of the environment within which it operates (Bloch & Finch, 2010).

The growth of firms in the current environment is dependent on the continuous acquisition and development of resources, thus improving the innovation levels of the organizations. Firms seek competent managerial skills and leadership skills since this enables the firms to grow and attain sustainable competitive advantage, making the management the most important determinant of organizational growth (Bloch & Finch, 2010). However, critics note its inability to separate managers from owners who hold the ultimate power. Bolton and Scharfstein (1998) affirm that CEOs are the firm's principal agents (Khalil, Martimort, & Parigi, 2007).

The theory highlights the firm's life cycle and the impact of micro and macro-economic factors on the firm's internal setup (Stramaglia, 2010). This theory is key in assessing the organizational performance of commercial state corporations as it stresses the need for commercial firms to focus on financial capacity. The theory informed the research on the key objectives of the firm of achieving their performance targets which are dependent on how the firm interacts with the environment. The theory supported the dependent variable (performance) of the research.

#### **2.2.4 Balanced Score Card**

BSC is a method of planning and evaluating task performance to translate an organization's vision and overall strategy into a specific goal with metrics and specific

goals. It is a tool for emphasizing criteria for measuring performance and for generalizing the activities of important entities, including customer service, internal professional processes, employee training and development, and shareholder interests, among others (Kaplan & Norton, 1992).

A powerful tool for translating a company's vision and strategy into a tool that effectively communicates a strategic purpose and drives performance against particular strategic goals. Performance objectives and outputs for the BSC's internal processes, customers, and innovation make up the whole framework. It fosters reactions in the area of internal business practise outcomes as well as developing a feedback loop inside strategic intention outcomes. "Double-loop feedback" is a new feature of the balanced scorecard. Since each employee can see how they contributed to accomplishing the vision, the balanced scorecard enables a company to work tirelessly towards shared objectives while also developing a feeling of community. The model is very useful since it incorporates all of the dependent variables in the conceptual framework of the investigation.

## **2.3 Empirical Review**

The empirical review is concerned with a critical review of previous empirical literature and identification of the various gaps the research solved.

### **2.3.1 Innovative Capabilities and Organization Performance**

Mohamed, Khalifa, Al-Shibami, Alrajawi, and Isaac (2019) examined how innovation affects the organizational productivity of Public Sector Organizations in the United Arab Emirates - UAE. The study utilized questionnaires in collecting the primary data, and after analysis, it was evident that 41% of the variations in the organization's productivity are predicted by the level of innovation and creativity within the public

sector organizations. The study focused on public organizations in UAE, while the current study examines Kenyan commercial state corporations.

Tajeddini (2016) analyzed how innovative levels and learning orientations influence productivity among public organizations in Iran. Carrying out survey-based research on 127 managers drawn from major cluster companies in Iran, findings indicated that learning orientation and innovation are key predictors of performance among public firms. Further, innovativeness improves the speed, reduces the cost incurred, and increases the level of confidence of consumers in the capacity of state corporations. The research was based in Iran and not in Kenya.

Rajapathirana and Hui (2018) assessed how innovation capability and type influence performance among Sri Lankan insurance firms. Adopting an explanatory research design that focussed on 379 senior managers, findings indicated that effective management of the firm's innovation capability positively contributes to better firm performance. The study also indicates that innovation efforts and types of innovation moderate affect productivity. The research did not focus on state commercial corporations but on privately-owned insurance firms.

Ngando (2017) examined the effects of technology innovation on the performance of Tanzanian firms. Adopting a descriptive research design and collecting primary data from 300 respondents drawn from public and private commercial banks, findings showed that technology integration is a challenge to most banks. Regression analysis indicated that expanding service and process innovation positively influences productivity among banks and other financial and commercial institutions. The study focused only on commercial banks, while current research examines state corporations in all sectors.

Shisia, Sang, Matoke, and Omwario (2014) sought to determine how strategic innovation impacts productivity in public universities in Kenya. Adopting a descriptive research design that focussed on the public universities, structured questionnaires were the main data collection tools. Findings indicated that strategic innovation positively influences performance among Kenyan public universities. The study showed that research and knowledge creation, product innovation, process, marketing, and organization innovation were key to sustained performance. The study focussed on public universities.

Chege, Wang, and Suntu (2020) focused on the impact of information technology innovation on firm performance in Kenya. The study focussed on 240 enterprises drawn across the country and adopted structural equation modeling in the analysis. The result suggested that technology innovation capacity was positively related to greater performance within the enterprises. The study showed managing technological externalities, improving ICT resources availability and innovative strategies are key to better performance. The study was limited to enterprises, while the current survey examined the performance of commercial state corporations and incorporated more organization capability dimensions.

### **2.3.2 Managerial Capabilities and Organization Performance**

Vanhala and Stavrou (2013) researched how effective HRM practices influence relationship management among public and private firms. The research adopted the international cranet HRM survey data instrument. The findings of the analysis indicated that effective managerial practices and involvement of employees positively contributed to employee performance within the organizations. The study analyzed the HRM performance of organizations which is not a factor of analysis in this study.

Mary, Enyinna, and Ezinne (2015) examined how talent management influenced performance among firms operating in the public sector in Nigeria. Survey research was adopted, with 364 questionnaires being distributed to collect the data. Descriptive and regression analysis was useful in analyzing the data that was collected. Research findings indicated that effective talent management led to improved performance among employees. The study further indicates that the management should put in place an elaborate talent management system and adopt employee attraction and retention practices. The study failed to assess productivity among commercial state corporations.

Osei-Bonsu, (2017) studied how organizational capabilities influence performance among Ghanaian SMEs. Adopting a survey research design, both primary and secondary data sources were collected with analysis involving qualitative and quantitative techniques. The findings indicate that adopting marketing and managerial capabilities fosters the competitiveness of the firm, which is a predictor of better financial and operational performance. The study failed to assess state corporations.

Makanga and Paul (2017) examined how strategic management practices impact performance in KPLC, Kenya. Descriptive research was applied to 135 managers operating within the firm, and the researcher relied on correlation and regression analysis of the collected data. Findings were that e-procurement management, strategic planning, and effective management skills positively influence organizational performance. The research focussed on a single parastatal while current research examines state commercial corporations.

Muthoka, Oloko, and Obonyo (2017) studied how change management drivers affect performance among state corporations operating in the Kenyan tourism industry. The

research utilized a cross-sectional research design and applied a census survey to the collected data. Semistructured questionnaires were instrumental in collecting the required data. It was determined that change management drivers (17%) positively influence the performance of state-owned corporations. The study indicates that organization structure, change execution, consistency, and decision-making positively affect firm performance. The study focussed on state corporations that were operating within the tourism industry.

Kasimu and Datche (2018) examined the extent to which human resource factors influence performance among employees operating in state corporations. A descriptive research design was adopted in the collection of primary data from 126 Kenya Power and Lighting Company employees in Mombasa County and from reports and other financial statements. The research found that organization leadership was the most influential determinant of employee performance. Further, participatory leadership should be emphasized within the firms since it promotes better employee participation in the firm. The research targeted one firm and not all corporations.

Mbithe (2021) examined the effect of organizational capabilities on the perceived performance of microfinance institutions in Kenya. The survey adopted a descriptive research plan and targeted all the 50 microfinance institutions in the country. Structured research data was utilized in the survey. The findings established that managerial, technology, and resource capabilities were significant determinants of the performance of the institutions. Results showed that management's ability to delegate, train, and support employees leads to better-perceived performance. The study was not focused on the state corporations, which is the aim of the current survey.

### **2.3.3 Resource Capabilities Organization Performance**

Uddin and Arif (2016) assessed how talent management influenced performance among firms based in Bangladesh. Adopting a descriptive research design and collecting data using structured and open-ended questions, findings indicated that employee attraction, selection, engagement, and retention of a firm's human personnel were key to the positive performance of retail sector firms. The research was, however, not limited to state commercial corporations in Kenya.

Ngah, Tai, and Bontis (2016) studied how knowledge management capabilities influence the organizational performance of the Dubai roads and transport authority. A survey research design that focussed on 255 managers composing executives, senior managers and directors at the authority was carried out. Correlation and regression analyses were applied to the data, and conclusions indicated that knowledge management capabilities positively and significantly influence the performance of the firm. The study focused on a Dubai state authority and not on Kenyan state corporations.

Mwamuye (2017) examined selected determinants of strategy implementation and their influence on Kenyan parastatals' outcomes in the energy industry. Descriptive research was adopted to assess the population, which consisted of seven state parastatals. Qualitative and quantitative data analysis techniques indicated that the availability of adequate personnel, resources, and coordination ability of firm activities was key in determining the performance of the organizations. Further, the researcher determined that effective utilization of available resources is also a key indicator of the performance of the firm. Commercial corporations were not assessed in this study.

Linyiru and Ketyenya (2017) studied the influence of organizational factors on the performance of Kenyan state corporations. An explanatory research design that focused on 55 state commercial corporations was adopted, and primary sources of data were utilized. Findings ascertained that organization factors are a key determinant of the firm performance of state commercial corporations. The research indicates that adequate lobbying for government funding, a competent workforce, and efficient resource utilization are key to fostering performance. The study, however, did not focus on how firm capabilities influence the organizational performance of state commercial corporations.

Mwai, Namada, and Katuse (2018) examined how organizational resources influence the effectiveness of different organizations. A descriptive research design was used in the collection of primary data. Correlation and inferential analysis methods were applied to the data. Staff capacity, financial resources, and operational efficiency were all positive predictors of organizational effectiveness. The study was, however, limited to non-governmental organizations, while the current research examined commercial state corporations.

Muthigah, Kiragu, and Sang's (2022) survey analyzed the effect of human resource capabilities on customer relationship management in private hospitals in Kenya. The focus of the study was on the 161 hospitals accredited by the National Health Insurance Fund. The research used structured questionnaires in the data collection. Analysis of data indicated that human resource capability was instrumental to better customer relationship management in the hospitals. Findings showed that having highly skilled staff, adequate employees, and better recognition systems can lead to better productivity. The study focuses on customer relationship management, while this research analyzed the performance of state corporations.

### **2.3.4 Coordination Capabilities and Organization Performance**

Bharadwaj, Chauhan, and Raman (2015) studied how knowledge management capabilities influence the effectiveness of knowledge management among organizations in India. The study collected data from 156 organizations and relied on structural equation modeling in data analysis. The results of the research indicate that process capabilities, knowledge sharing, and infrastructural capabilities are key to fostering the knowledge management effectiveness of the organizations. The research was based on Indian firms and not on Kenyan firms.

Osioma, Nzewi, and Mgbemena (2016) assessed how dynamic capabilities are associated with performance among selected Nigerian banks. A descriptive research design was adopted, and structured questionnaires were instrumental in collecting the required data. The study relied on product-moment correlation and regression analysis, with findings indicating that sensing capability and coordination competencies improved firm performance. Recommendations of the study were that the firms leverage on creating synergy between coordinating firm capabilities and the emerging opportunities and threats facing the firms in their day-to-day operations since these determine the firm's long-term performance. The study, however, focuses only on commercial banks and not on state corporations.

Chege (2018) investigated how administrative management practices influenced the performance of the South Sudanese oil industry. A descriptive research design was adopted with 300 personnel members selected from 6 oil companies. Inferential statistics techniques were used to assess the collected data. Findings indicate that decision-making within the firm, coordination and resource allocation positively influenced the performance of the oil firms. The influence of firm capabilities such as

managerial and innovative capabilities on organizational performance was not explored in the study.

Njiru and Nyamute (2018) assessed the impacts of organizational structure on the profitability of Kenyan commercial state corporations. A survey research design focusing on 34 registered commercial state corporations was adopted, and semi-structured questionnaires were used as the main sources of data for the study. Findings indicated that the size of the organization, its structure, methods of integration, and interoperability positively influence profitability among state corporations. The study focuses on financial performance, while the current study examines organizational performance.

Githinji and Gachunga (2017) examined how organizational climate and environment affect the performance of employees in Kenyan state corporations. The research applied a descriptive research design focusing on 172 employees drawn from the Kenya Industrial Estates Limited and used questionnaires to collect the required data. Findings indicated that a positive organizational climate and environment led to improved productivity and satisfaction among employees. Effective job management, job autonomy, and strategic alignment positively influenced employee performance. The study focuses on employee performance, while the current study examines the performance of commercial state corporations.

Hassan (2020) studied the effects of dynamic capabilities on strategy implementation in the dairy industry in Kenya. The focus of the research was 1064 management staff in the dairy industry in Kenya. The study relied on quantitative research data and dominantly used inferential and descriptive statistics in the analysis. Findings showed that coordination of managerial processes for future positioning affects strategy

implementation in the dairy industry in Kenya to a great extent. The study was limited to the dairy industry, while this survey examines the performance of state corporations, not strategy implementation.

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

The section presented multiple studies showing different evidences on the factors that contribute to organizational performance within different corporations. These studies present findings that either corroborate or contradict the impositions by the various theories that guide the current research. The studies have been carried out in different areas, were guided by different motivating factors, focused on firms that are not commercially owned, or investigated their datasets using methodologies that yield varied outcomes. The gaps that emerge from the empirical review section are thus explored more attentively below.

**Table 2.1 Summary of Research Gaps**

<b>Author</b>	<b>Title</b>	<b>Findings</b>	<b>Research Gap</b>
Githinji and Gachunga (2017)	Influence of Organizational Climate on Employee Performance In State Corporations in Kenya	A positive organizational climate (job autonomy, and strategic alignment) led to improved productivity and satisfaction among employees.	The study focuses on employee performance, while the current study examines the performance of commercial state corporations.
Makanga and Paul (2017)	Influence of strategic management practices on performance of Kenya power and lighting company ltd, Nairobi County, Kenya.	Managers' e-procurement management, strategic planning, and effective management skills positively influence organizational performance.	The research focussed on a single parastatal while current research examines state commercial corporations.
Mohamed, Khalifa, Al-Shibami, Alrajawi, and Isaac (2019)	The Mediation Effect of Innovation on the Relationship between Creativity and Organizational Productivity: An Empirical Study within Public Sector Organizations in the UAE.	An organization's productivity is predicted by its level of innovation and creativity.	The study focused on public organizations in UAE, while the current study examines Kenyan commercial state corporations.
Mwai, Namada, and Katuse (2018)	Influence of organizational resources on organizational effectiveness.	Staff capacity, financial resources, and operational efficiency were all positive predictors of organizational effectiveness.	The study was, however, limited to non-governmental organizations, while the current research examined commercial state corporations.
Mwamuye (2017)	Influence of selected determinants of strategy implementation on performance of parastatals in the energy	Firm's resource utilization and sourcing capacity are key indicators of banks performance.	The study did not address performance within commercial state corporations.

sector in Kenya.

Kasimu and Datche (2018)	Effect Of Human Resource Factors On Employee Performance In State Parastatals: A Case Study Of Kenya Power Limited–Mombasa.	Organizational leadership capacity contributes positively to firm performance.	This was a case study while the current study will explore performance from multiple firms.
Muthigah, Kiragu, and Sang's (2022)	Effect of human resource capabilities on customer relationship management in private hospitals in Kenya.	HRM capability improves employee performance which positively contributes to organizational outcomes.	This study investigated private doctors' performance while the current will source the effect from commercial state owned firms.
Ngah, Tai, and Bontis (2016)	Knowledge management capabilities and organizational performance in roads and transport authority of Dubai: The mediating role of learning organization.	Knowledge management capabilities positively and significantly influence the performance of the firm.	The study based its findings on one study while the current will explore performance from multiple state firms.

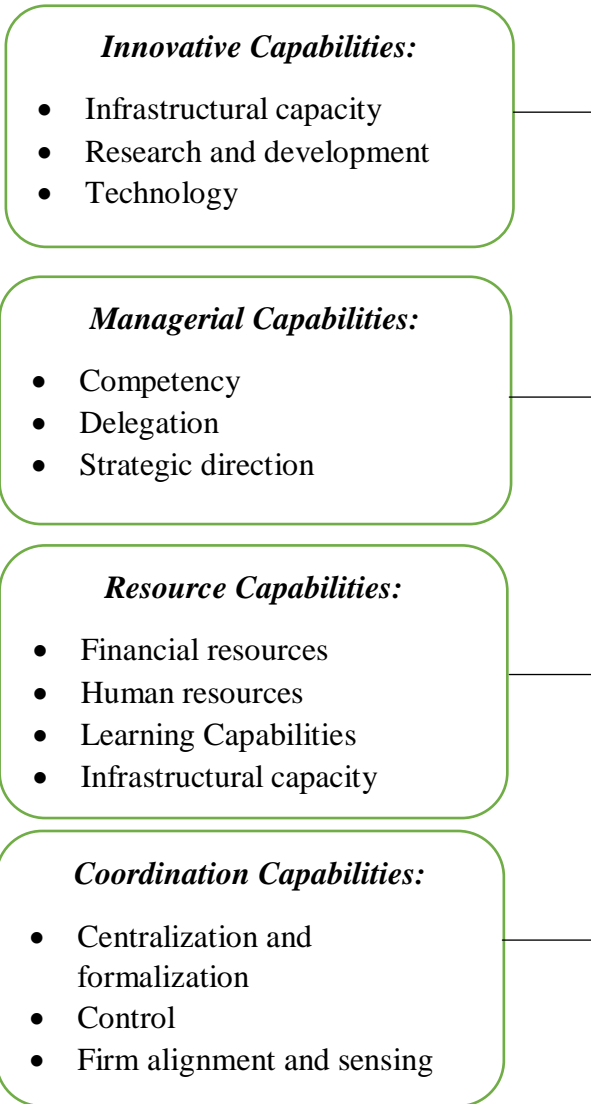
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**Source:** Researcher (2022)

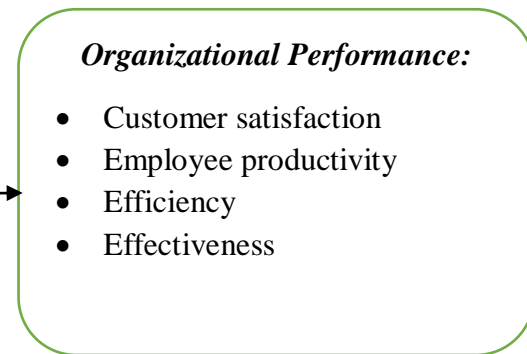
## 2.5 Conceptual Framework

This research defines a conceptual framework as a visual depiction of the relationships between the study variables

### Independent Variables



### Dependent Variable



**Figure 2.1 Conceptual Framework**

**Source:** Researcher (2022)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the footprint to be adopted in answering the research questions. The chapter presented the research design, the target population, the sampling technique and sample size, the data collection instruments and procedures, as well as the data analysis and presentation techniques.

#### **3.2 Research Design**

This is the overall approach selected to include the various components of the research in a comprehensible and logical way, thus making certain that the research problem is excellently addressed (Cooper & Schindler, 2012). The study employed a cross-sectional and descriptive research design. This research design was appropriate due to its ability to provide details on the relationship between the firm capabilities and organizational performance, according to the existing theories, to create a better comprehension of the research topic.

#### **3.3 Target Population.**

Creswell (2014) defined a population as a well-defined collection of individuals and objects that have similar characteristics that form the focus of a study. On the other hand, Mugenda and Mugenda (2003) explain the target population as that which a researcher wants to generalize the results of a study. This study targeted 150 individuals who work for the top management of 50 corporations that are owned by the Kenyan government as of 31st December 2018 (Government of Kenya, 2018). The respondents in each of the organizations comprise three members of top management that are; the human resources manager, the information technology

manager, and the finance manager. The study selected the participants as senior personnel within the corporations. They are expected to have an awareness of the various organization capabilities and the performance of the corporations.

**Table 3.1 Target Population**

<b>Job Category</b>	<b>No of Managers</b>	<b>Percentage</b>
Finance Manager	50	33.3%
Human Resource Manager	50	33.3%
Information Technology Manager	50	33.3%
<b>Total Population</b>	<b>150</b>	<b>100%</b>

**Source:** Inspectorate of State Corporations (2019)

### **3.4 Sampling Procedure and Sample Size**

A sampling design is a definitive plan for obtaining a sample from a given population. It refers to the procedure the researcher would adopt in selecting items for the sample. A sampling frame describes the list of all population units from which the sample was collected (Creswell & Creswell, 2017).

The sample frame consisted of 150 top-level managers drawn from the 50 commercial state corporations. The sampling techniques can either be probability or non-probability (Saunders, Lewis, & Thornhill, 2014). The probability sampling technique gives all members of the population an equal chance of representation (Cooper & Schindler, 2012). Simple random sampling was instrumental in selecting the 150 managers whose responses were collected and analyzed in the study. Simple random sampling ascertained that each member of top management had the same chance of being chosen, consequently ensuring that the results obtained were well represented and unbiased. The sample size for the study was a census of the 150 personnel members.

### **3.5 Data Collection Instruments**

Primary data was collected using semi-structured questionnaires. Questionnaires were preferred as a method of data collection due to their ability to cover wide geographical area, which was necessary when accessing the major state corporations in the country. Questionnaires are also relatively cheap and enable the researcher to avoid interview biases (Saunders, Lewis, & Thornhill, 2014). The study relied on both secondary and primary data Sources. The primary data was derived from the employees working for the different directorates at the state corporations, while the secondary data was extracted from reports and publications on scorecard of organizational capabilities and performance. On the questionnaire, Section A contained the bio-data about the respondents and their businesses; section B covered the different organizational capabilities while section C measured organizational performance at commercial state corporations. The questionnaires were based on a 5-point Likert scale.

### **3.6 Data Collection Procedures**

Questionnaires were used in collecting data from top management members of the state-owned commercial enterprises in Kenya. The questionnaire was constructed to solve the questions noted in the statement of the problem. Questions to respondents were posed using the questionnaire, and the answers were recorded. The structured questions involved the use of a Likert scale since it is apt for determining attitude values, behavior, and perception (Upagade & Shende, 2012). A sample size of between 10% and 20% of the total population was used in the pilot study (Kothari, 2004), thus increasing the validity of the questionnaire.

### 3.6.1 Reliability Tests

Reliability is an indication of the degree of consistency in results after repeated experiments (Mugenda & Mugenda, 2006). The Cronbach Alpha was adopted in this study. Cronbach's Alpha tests the internal uniformity among the study items. The pilot test improves the reliability of the research instrument (Nunnaly, 1978). The study employed all constructs which recorded Alphas, which were higher than 0.7. (George and Mallery 2003)The results of the pilot test are presented in Table 3.2 below shows that all the study constructs had an alpha score of above 0.7 and hence were adopted for the examination.

**Table 3.2 Reliability Results**

Variable	Number of items	Cronbach's Alpha	Judgement
Organization performance	6	.755	Reliable
Innovative capabilities	6	.840	Reliable
Managerial capabilities	7	.750	Reliable
Resource capabilities	6	.910	Reliable
Coordination capabilities	6	.779	Reliable

**Source:** Researcher Data (2022)

The reliability tests yielded a Cronbach alpha score as follows; organization performance ( $\alpha = .755$ ), innovative capabilities ( $\alpha = .840$ ), managerial capabilities ( $\alpha = .750$ ), resource capabilities ( $\alpha = .910$ ), coordination capabilities ( $\alpha = .779$ ). This was an indication of internal consistency in the research variables.

### 3.6.2 Validity Tests

Validity is concerned with whether the research question is valid for the intended result, whether the methodology is suitable for addressing the research question, whether the design is suitable for the methodology, whether the sampling and data

analysis are suitable, and whether the findings and conclusions are suitable for the sample and context (Leung, 2015). A pilot study will be conducted with fifteen participants chosen from the target population. According to Mugenda and Mugenda's (2003) advice, the goal of the pilot study is to determine the questionnaire's face and content validity as well as to solicit input from professionals and experts in the relevant subject.

Construct power was determined using several methods of correlation analysis based on pretest findings. To guarantee the clarity and relevance of the questionnaire, necessary updates and alterations were implemented. CFA was used to validate the instrument.

**Table 3.1: CFA**

<b>Model</b>	<b>Default Model</b>	<b>Saturated Model</b>	<b>Independent Model</b>
NPAR	27.000	78.000	12.000
CMIN	637.029	.000	1651.849
DF	51.000	.000	66.000
P	.000		.000
CMIN/DF	12.491		25.028
RMR	.046	.000	.126
GFI	.946	1.000	.308
AGFI	.459		.182
PGFI	.422		.260
NFI Delta1	.614	1.000	.000
RFI rho1	.501		.000
IFI Delta2	.634	1.000	.000
TLI rho2	.522		.000
CFI	.970	1.000	.000
RMSEA	.027		.394
LO 90	.254		.377
HI 90	.291		.410
PCLOSE	.000 .000	.000	.000

**Source:** Pilot data, 2022

At p 0.001, the chi-square test was 637.029. Goodness-of-fit (0.946) was higher than the proposed 0.9, the comparative fit (0.970) was higher than the 0.95 standard, and the RMSEA (.027) was lower than excellent and sufficient. As a consequence, the

model was acceptable, and no indicators with low loadings less than 0.7 or large standardized covariance's with other components were deleted.

### **3.7 Data Analysis and Presentations**

Descriptive and inferential techniques were key when analyzing the quantitative data collected. This was carried out with the use of the Statistical Packages for Social Sciences (SPSS Version 23) software. The data was presented in the form of percentages, frequencies, means, and standard deviations. Inferential statistics were conducted using multiple regression analysis and correlation analysis to determine the extent to which the constructs are related. After analyzing the data, it was presented as charts and tables, and other forms of infographics. The regression model was as shown below;

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

### **3.8 Ethical Considerations**

The researcher sought permission from the various authorities before embarking on the research. During the research process, the respondents were informed of the project particulars through an introduction letter and told that their participation was voluntary and they could withdraw their consent at any time. Further, the respondents were assured that the information would be used for academic purposes with assurances of complete confidentiality. The study ensured that research approval was obtained from the Graduate School of Kenyatta University (Appendix I). The study also obtained a research permit from National Commission for Science Technology and Innovation before conducting the fieldwork (Appendix IV). Lastly, the study sought permission from each individual organization before engaging employees in the data collection process to ensure there is authorization to proceed with data collection in the corporations.

## CHAPTER FOUR

### RESEARCH FINDINGS

#### 4.1 Introduction

This chapter is vital to the research process as it contains the findings of the data analysis of the collected study data. The chapter focused on the presentation of the demographic results of the respondents, the descriptive results, and the inferential analysis derived from the survey.

#### 4.2 Response Rate

The study administered 150 questionnaires on state owned commercial corporations in Kenya. The study made use of physical questionnaires and googled forms in the data collection process. Findings revealed the research was able to obtain a 71 percent response rate (n=105), with 29 percent (n=45) of the sample respondents not being able to respond. Further, the response rate was in accordance with Cooper and Schindler (2012), who posit that a representation of above 60 percent is reliable for quantitative surveys.

Questionnaire		Percentage
Administered	150	
Returned	105	1.05
Not returned	45	0.45

### 4.3 Background Profile of Respondents

The research was interested in understanding the demographic profile of the participants who were included in the survey, and their responses are analyzed and presented in this section.

#### 4.3.1 Demographic Profile of Respondents

The study reviewed the age, gender, education, and length of service of the respondents, and the results are shown in Table 4.1 below.

**Table 4.1 Demographic Profile**

<b>Characteristics</b>	<b>Grouping</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age of the respondents</b>	36-45 years	29	27
	46-55 years	76	72
	56 and above	1	1
	<b>Total</b>	<b>106</b>	<b>100</b>
<b>Gender of employees</b>	Male	61	58
	Female	45	42
	<b>Total</b>	<b>106</b>	<b>100</b>
<b>Education of the respondents</b>	Graduate degree	68	65
	Postgraduate	33	31
	Postgraduate diploma	5	4
	<b>Total</b>	<b>106</b>	<b>100</b>
<b>Length of service</b>	Less than 3 years	18	17.1
	3-5 years	35	33.3
	6-9 years	49	46.7
	Over 9 years	3	2.9
	<b>Total</b>	<b>106</b>	<b>100</b>

**Source:** Researcher Data (2022)

The analysis established that the majority of the respondents, 71 percent (n=75), were between the age of 46-55 years, while only 1 percent (n=1) of the respondents was above 56 years of age. The findings demonstrated that there was no youth representation within the senior positions in the commercial state corporations in Kenya. The findings of the study revealed that the majority of the participants, 56 percent (n=59), were male staffers within the commercial enterprises, with women

only accounting for 44 percent (n=46). The results reveal there is increasing gender balance in the senior positions within commercial state corporations, which is vital to gender equality in public sector jobs.

The research explored the education of the participants, and the analysis showed that the majority, 65 percent (n=68), had a graduate degree, 31 percent (n= 33) had a postgraduate degree, with only 4 percent having a postgraduate diploma. The results revealed there is a high professional qualification among the senior managers within commercial corporations. The results indicate that most of the respondents, 47 percent (n=49), have worked for 6-9 years, 33 percent (n=35) have worked for 3-5 years, with only 3 percent (n=3) having worked for over nine years. The findings establish that the participants who took part in the study have varying experiences, which can expose them to reliable information and knowledge that is key to answering the research questions.

#### **4.4 Descriptive Statistics**

The survey relied on a quantitative structured instrument in the data collection process. The summary of the Likert scale statements was analyzed using descriptive measures and presented in this section. The study made use of means and standard deviation in the analysis.

##### **4.4.1 Performance of Commercial State Corporations**

The dependent variable for the study examined the performance of the state corporations in Kenya. The study sought to examine the extent to which respondents rated the following statements using the following scale; 5= *very large extent* 4= *large extent* 3= *moderate extent* 2= *small extent* 1= *not at all*

**Table 4.2 Performance of Commercial State Corporations**

<b>Statement</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
The organization is able to attain high customer satisfaction in service provision	106	1.00	5.00	3.2453	1.16954
The organization is able to achieve increased employee productivity	106	1.00	5.00	3.6792	1.20749
The organization has been able to attain better social performance in service provision	106	1.00	5.00	2.2264	1.14877
There is increased efficiency and effectiveness within the organization	106	1.00	5.00	3.4906	1.37491
The organization has been able to enhance its competitive position within the firm	106	1.00	5.00	3.4528	1.18025
There is improved service quality within the organization	106	1.00	5.00	3.5094	1.31833
<b>Aggregate</b>				<b>3.267</b>	<b>1.233</b>

**Source:** Researcher Data (2022)

The findings showed that respondents strongly agreed the organization is able to achieve increased employee productivity, as revealed by a mean of 3.679 with a high variation of 1.207. The results noted to a large extent that there is improved service quality within the organization as noted by a mean of 3.509 and a high deviation of 1.318. Findings indicate that to a large extent among respondents that there is increased efficiency and effectiveness within the organization, as indicated by a mean of 3.491. Respondents also to a large extent agree that the organization has been able to attain better social performance in service provision, as noted by a mean of 2.226 and a deviation of 1.149.

The finding is consistent with Kamaku, Ndegwa & Mbugua, (2021) and Okwemba (2019) statistical evidence that a positive and significant influence exists between

organizational capabilities as key strategy implementation dimension and organizational performance of the commercial state corporations.

#### 4.4.2 Innovative Capabilities

The first independent variable evaluated the innovative capabilities of the state corporations. The study sought to examine the extent to which respondents rated the effect of innovative capabilities on performance of Commercial State Corporations in Kenya using the following scale; 5= *very large extent* 4= *large extent* 3= *moderate extent* 2= *small extent* 1= *not at all*.

**Table 4.3 Innovative Capabilities**

	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
There is improved adoption of new technologies within the organization	106	1.00	5.00	3.5189	1.22848
The organization has improved the digitalization of its services offering and product development	106	1.00	5.00	3.1698	1.48306
There is increased innovativeness within the organization	106	1.00	5.00	3.0283	1.37638
The organization has fostered the knowledge management within its ranks	106	1.00	5.00	3.4245	1.41386
There is improved learning and growth within the organization	106	1.00	5.00	2.9623	1.35874
The firm has fostered the research and development capacity in institutional departments	106	1.00	5.00	2.2925	1.26466
<b>Aggregate</b>				<b>3.066</b>	<b>1.354</b>

**Source:** Researcher Data (2022)

The study noted that to a large extent among participants that there was improved adoption of new technologies within the organization, as shown by a mean of 3.5189 and a high variation of 1.228. Findings revealed to a large extent that the

organization has fostered knowledge management within its ranks (mean = 3.4245, dev = 1.413). The respondents also to a large extent agreed that the firm has fostered the research and development capacity in institutional departments, as indicated by a mean of 2.2925 and a deviation of 1.265. The study indicated to a large extent (mean = 2.962, dev = 1.358) that there improved learning and growth within the organization. These findings are consistent with Mohamed et al. (2019), who noted there is improved research and development, creativity and innovativeness in the public sector in UAE, which contributes to better productivity in the firms.

The results agreed with Linyiru & Ketyenya (2017) study that indicated that innovativeness is a key determinant of firm performance for commercial state corporations in Kenya and that that firms can increase the innovative capability of their firms by paying more attention towards learning orientation and entrepreneur orientation to improve performance.

#### **4.4.3 Managerial Capabilities**

The second variable posed questions to the participants on their managerial capabilities. The study sought to examine the extent to which respondents rated the following statements using the following scale; *5= very large extent 4= large extent 3= moderate extent 2= small extent 1= not at all.*

**Table 4.4 Managerial Capabilities**

	N	Min	Max	Mean	Std. Deviation
There is improved delegation of duty within the firm	106	1.00	5.00	2.4528	1.45492
The firm has enhanced its decision making through improved employee involvement	106	1.00	5.00	2.4151	1.38611
The management team has the adequate education and professional skills needed for their duty execution	106	1.00	5.00	3.0472	1.59393
The organization sends the management for external trainings to foster management competency	106	1.00	5.00	2.5660	1.42106
Employees contribute ideas and thoughts to the organization through management roundtable discussions	106	1.00	5.00	3.3774	1.33419
The management is able to interact freely with all stakeholders within the organization	106	1.00	5.00	3.5472	1.34612
The management team is able to build good relations with government officials	106	1.00	5.00	3.3962	1.32147
<b>Aggregate</b>				<b>2.972</b>	<b>1.408</b>

**Source:** Researcher Data (2022)

Participants to a moderate extent agreed that the management is able to interact freely with all stakeholders within the organization (mean = 3.547, dev = 1.346). Results noted that to a moderate extent that the management team is able to build good relations with government officials (mean = 3.3962, dev = 1.321). The survey showed disagreement in regard to the employees contributing ideas and thoughts to the organization through management roundtable discussions, as noted by a mean of 3.377 and a deviation of 1.334. Findings also noted to a large extent that the firm has enhanced its decision-making through improved employee involvement, as shown by a mean of 2.415.

These findings are aligned with Vanhala and Stavrou (2013), who revealed that better involvement of employees and enhancing managerial capacity are critical to driving organizational performance. Osei-Bonsu, (2017) is of the view that fostering managerial capacity is critical to building relations, enhancing teamwork, and improving the professional skills of the team.

#### 4.4.4 Resource Capabilities

The research also focussed on the resource capabilities exhibited by the firms and reviewed the extent to which respondents rated the following statements using the following scale; 5= *very large extent* 4= *large extent* 3= *moderate extent* 2= *small extent* 1= *not at all*.

**Table 4.5 Resource Capabilities**

	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
The organization has adequate personnel within all the units	106	1.00	5.00	3.2830	1.39901
The organization has been able to enhance its financial resource mobilization	106	1.00	5.00	3.3962	1.21639
There is improved financial resource utilization within the organization	106	1.00	5.00	3.4717	1.41561
There is improved learning capacity within the organization personnel	106	1.00	5.00	3.4151	1.41332
There is improved acquisition and utilization of infrastructural facilities within the firm	106	1.00	5.00	3.4528	1.43515
The organization allocates adequate resources (e.g. financial, employees) to achieve the firm's goals	106	1.00	5.00	3.5000	1.48163
<b>Aggregate</b>				<b>3.419</b>	<b>1.394</b>

**Source:** Researcher Data (2022)

The findings noted to a large extent among respondents that the organization allocates adequate resources (e.g., financial, employees) to achieve the firm's goals (mean = 3.50, dev = 1.481). Findings also showed that to a moderate extent there is improved financial resource utilization within the organization, as indicated by a mean of 3.471 and a deviation of 1.4156. The analysis revealed that to a large extent there is improved acquisition and utilization of infrastructural facilities within the firm, as noted by a mean of 3.452 and a deviation of 1.435.

These results are consistent with Uddin and Arif (2016), who posited that having adequate human resources and improved selection and recruitment of staff is key to fostering firm productivity. Ngah, Tai, and Bontis (2016) are of the view that improved knowledge management is central to enhanced organization growth.

#### 4.4.5 Coordination Capabilities

The fourth variable reviewed the coordination capabilities in the state corporations; The study sought to examine the extent to which respondents rated the following statements using the following scale; 5= *very large extent* 4= *large extent* 3= *moderate extent* 2= *small extent* 1= *not at all*.

**Table 4.6 Coordination Capabilities**

	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
The organization has the ability to coordinate different areas of the business to achieve results	106	1.00	5.00	3.1792	1.56020
The organization is able to forecast and plan for the success of the business	106	1.00	5.00	3.5094	1.41586
The organization is able to respond to unexpected opportunities arising from change in operational activities	106	1.00	5.00	3.3868	1.50283

Business functions are integrated in serving the needs of the organization	106	1.00	5.00	2.7170	1.35755
The organization emphasizes the need for coordination between various units of the firm	106	1.00	5.00	2.4340	1.30215
Employees collaborate with each other to achieve organizational goals and foster firm results	106	1.00	5.00	2.9623	1.51138
<b>Aggregate</b>				<b>3.0315</b>	<b>1.442</b>

**Source:** Researcher Data (2022)

The results noted that to a large extent among respondents that the organization is able to forecast and plan for the success of the business as noted by a mean of 3.509 and deviation of 1.415. The study established that participants to a large extent that the organization is able to respond to unexpected opportunities arising from a change in operational activities (mean = 3.386, dev = 1.502). The analysis indicated to a large extent that the organization emphasizes the need for coordination between various units of the firm (mean = 2.434, dev = 1.302). Osisioma, Nzewi, and Mgbemena (2016) reported that creating synergy and coordination within the firm improves the operational efficiency of firms.

#### 4.5 Correlation Analysis

The study sought to determine the correlation between the study variables and applied correlation analysis. The study employed the test at a 95% confidence level, and the findings are shown in Table 4.8.

**Table 4.7 Correlation Analysis**

Performance	Innovation Capabilities	Managerial Capabilities	Resource Capabilities	Coordination Capabilities
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Performance	Pearson Correlation	1				
	Sig. (1-tailed)					
	N	106				
Innovation Capabilities	Pearson Correlation	.666**	1			
	Sig. (1-tailed)	.000				
	N	106	106			
Managerial Capabilities	Pearson Correlation	.392**	.607**	1		
	Sig. (1-tailed)	.000	.000			
	N	106	106	106		
Resource Capabilities	Pearson Correlation	.696**	.570**	.592**	1	
	Sig. (1-tailed)	.000	.000	.000		
	N	106	106	106	106	
Coordination Capabilities	Pearson Correlation	.541**	.622**	.685**	.805**	1
	Sig. (1-tailed)	.000	.000	.000	.000	
	N	106	106	106	106	106

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

**Source:** Researcher Data (2022)

The results showed a positive and statistical significant correlation between innovation capabilities ( $r = .666$ ,  $\text{sig} = .000 < .05$ ) and the performance of state corporations in Kenya. The findings are similar to Mohamed et al. (2019), who concluded that innovation positively enhanced the performance within public sector organizations. Tajeddini (2016) revealed that innovation and creativeness were central to improving productivity within public sector firms. The study by Rajapathirana and

Hui (2018) also determined that effective management of the firm's innovation capability positively contributes to better firm performance.

The results showed a positive and statistical significant correlation between resource capabilities ( $r = .696$ ,  $\text{sig} = .000 < .05$ ) and the performance of state corporations in Kenya. Ngah, Tai, and Bontis (2016) contend that resource capabilities are critical to the attainment of better outcomes within firms as they allow organizations to expand their competitiveness. The analysis revealed a weak positive correlation between managerial capabilities ( $r = .392$ ,  $\text{sig} = .000 < .05$ ) and performance. Vanhala and Stavrou (2013) showed that managerial practices and involvement of employees positively led to better performance within the organizations. Osei-Bonsu, (2017) study showed that managerial capabilities were key to strengthening the operational and financial performance of firms.

The results showed a positive and statistical significant correlation between coordination capabilities ( $r = .541$ ,  $\text{sig} = .000 < .05$ ) and the performance of the commercial corporations. Similar observations were made by Osisioma, Nzewi, and Mgbemena (2016), who revealed that coordination capacity within firms was associated with improved performance within institutions. Bharadwaj, Chauhan, and Raman (2015) study found that the effectiveness of process capabilities and knowledge sharing enhanced the effectiveness within the organization.

#### **4.6 Regression Analysis**

The study applied a multiple linear regression to determine the effect of organizational capabilities on the performance of commercial state corporations. The results of the multiple linear regression are shown in Table 4.8

**Table 4.8 Regression Summary for Organization Capabilities and Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 <sup>a</sup>	.632	.617	3.27749

a. Predictors: (Constant), Coordination Capabilities, Innovation Capabilities, Managerial Capabilities, Resource Capabilities

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1862.420	4	465.605	43.344	.000 <sup>b</sup>
	Residual	1084.939	101	10.742		
	Total	2947.358	105			

a. Dependent Variable: Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.289	1.251		4.228	.000
	Innovation Capabilities	.517	.082	.519	6.330	.000
	Managerial Capabilities	.145	.068	.188	2.145	.034
	Resource Capabilities	.417	.081	.660	5.148	.000
	Coordination Capabilities	.153	.076	.185	2.013	.002

a. Dependent Variable: Performance

b. Predictors: (Constant), Coordination Capabilities, Innovation Capabilities, Managerial Capabilities, Resource Capabilities

**Source:** Researcher Data (2022)

From the table 4.8 the adjusted regression results revealed a coefficient of determination (R-sq = .617). The findings indicated that 61.7 percent of the performance of the commercial state corporations is jointly determined by the organizational capabilities examined in the study. The findings showed that 38.3 percent of changes in the performance of commercial state corporations are determined by other factors not considered in the study. The findings of the ANOVA test showed an F- value = 43.344, Sig = .000<.05, which implied that the model used was statistical significant and could be used for further stastical analysis.

From table 4.8 above, the regression coefficient for innovative capabilities was 0.517 with a p-value of 0.000<0.05. This means that innovative capabilities had a positive

and statistical significant effect on the performance of commercial state corporations in Kenya. These findings imply that a unit increase in innovative capability will lead to a 0.517 increase in the performance of commercial state corporations. The results in table 4.8 above also show that the regression coefficient for managerial capabilities was 0.145 with a p-value of  $0.034 < 0.05$ . This means that managerial capabilities have a positive and statistical significant effect on the performance of commercial state corporations in Kenya. These findings imply that a unit increase in managerial capabilities will lead to a 0.145 increase in the performance of commercial state corporations.

Table 4.8 further shows that the regression coefficient for resource capabilities was 0.417 with a p-value of  $0.000 < 0.05$ . This means that resource capabilities have a positive and statistical significant effect on the performance of commercial state corporations in Kenya. These findings imply that a unit increase in resource capabilities will lead to a 0.417 increase in the performance of commercial state corporations. The results in table 4.8 further show that the regression coefficient for coordination capabilities was 0.153 with a p-value of  $0.002 < 0.005$ . This means that coordination capabilities have a positive and statistical significant effect on the performance of commercial state corporations in Kenya. These findings imply that a unit increase in coordination capabilities will lead to a 0.153 increase in the performance of commercial state corporations. The above results were summarized using the following equation model where;

$$Y = 5.289 + .517X_1 + -.145X_2 + .417X_3 + .153X_4 + 1.251$$

#### 4.6.1 Analysis of Objectives

**Objective one:** To determine the effect of innovative capabilities on performance of Commercial State Corporations in Kenya.

The regression findings revealed a  $\beta_1 = .517$ , Sig =  $.000 < .05$ . This signified a positive and significant effect of innovative capabilities on the performance of commercial state corporations. A change in the innovative capabilities of a unit will lead to a .517 change in the performance of the corporations. Consistent with these results, Ngando (2017) found out that service and process innovation was vital to better performance within organizations. Shisia, Sang, Matoke, and Omwario (2014) concluded that improving production processes and marketing innovation significantly enhanced organization productivity.

**Objective two:** To determine the effect of managerial capabilities on performance of Commercial State Corporations in Kenya.

The results indicated a  $\beta_2 = -.145$ , Sig =  $.034 < .05$ . This signified a positive and significant effect of management capabilities on the performance of commercial state corporations. A change in the management capabilities of a unit will lead to a .145 change in the performance of the corporation. These findings do not resonate with Muthoka, Oloko, and Obonyo (2017), who noted that management drivers had a positive effect on the performance of state-owned corporations. Kasimu and Datche (2018), in their study, contend that organizational leadership and participatory leadership were key to the performance of state corporations. Further, according to Makanga and Paul (2017), managers' strategic planning capacity and financial and human resource management capability have a significant effect on state firms' performance.

**Objective three:** To determine the effect of resource capabilities on performance of Commercial State Corporations in Kenya.

The regression findings revealed a  $\beta_3 = .417$ , Sig = .000<.05. This signified a positive and significant effect of resource capabilities on the performance of commercial state corporations. A change in the resource capabilities of a unit will lead to a .417 change in the performance of the corporations. The analysis is in line with Mwamuye (2017), who revealed that the resource capabilities of the firm were key in determining the performance of state parastatals. Linyiru and Ketyenya (2017) noted that improving the workforce and fostering resource utilization helped to drive positive improvement in the organizational performance of state commercial corporations. Mwai, Namada, and Katuse (2018) similarly opined that adequate staff capacity, financial resources, and operational synergy were central to organizational effectiveness. Muthigah, Kiragu, and Sang's (2022) also determined that at having highly skilled staff, adequate employees, and better recognition systems can improve employee productivity.

**Objective four:** To determine the effect of coordination capabilities on performance of Commercial State Corporations in Kenya.

The regression findings revealed a  $\beta_4 = .153$ , Sig = .002<.05. This signified a positive and significant effect of coordination capabilities on the performance of commercial state corporations. A change in the coordination capabilities of a unit will lead to a .517 change in the performance of the corporations. In their study, Chege (2018) found out that coordination and administrative processes positively led to better organization performance. Njiru and Nyamute (2018) found out that integration of the firm competencies was vital to improved outcomes within state corporations in Kenya. Githinji and Gachunga (2017) concluded that job autonomy and strategic

alignment positively influenced employee performance of state corporations in Kenya. Hassan (2020) made similar observations in the dairy sector, affirming that firm's ability to coordinate managerial processes and envision future positioning positively influences strategy implementation.

## **CHAPTER FIVE:**

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

#### **5.1 Introduction**

The fifth chapter of the study focussed on the presentation of the summary of the study. Further, the chapter presented the conclusions from the research and recommendation in line with the results. The chapter also highlighted limitations and areas for further research.

#### **5.2 Summary**

This study targeted 150 employees from the top management of 50 state corporations owned by the Government of Kenya. The study specifically sought data from 3 employees of top management. This list of respondents comprised a human resources manager, an information technology manager, and a finance manager. The research obtained a 71 percent response rate, which Cooper and Schindler (2012) determined to be adequate for generalizations. Most of the respondents were male, 56 percent, and most of the respondents were between 46 and 55 years old. A high number of the consulted managers had graduate degrees and postgraduate doctorate certificates. Further, the respondents showed an adequate length of service, with 46 percent of the respondents having an experience of between six to nine years. Most of the respondents were departmental personnel within the county, and the majority of the participants have been working within the county for more than five years.

The first objective sought to determine the effect of innovation capabilities on the performance of commercial state corporations. The study established that there was a positive and statistical significant effect of innovative capabilities on the performance of Commercial State Corporations in Kenya. The analysis determined that the commercial state corporations had been successful in improving employee service delivery and productivity levels in the workplace. However, the state corporations were unsuccessful in increasing efficiency and effectiveness. Further, they were unable to improve their social performance. Regarding the first objective, which reviewed innovative capabilities, participants demonstrated that the firms had improved the adoption of new technologies. However, there was a high variation in the responses, signifying a lack of uniformity in technology adoption. There was also enough evidence to suggest that the firms had failed to adopt and encourage research and development. The respondents also indicated that the firms had failed to improve learning which impacted their growth opportunities. From the review, innovative capabilities have a significant impact on firms' competitiveness, effectiveness, and growth.

The second objective sought the effect of managerial capabilities on the performance of commercial state corporations and determined that managerial capabilities have a positive and statistical significant effect on the performance of state corporations. The analysis showed that the organizations had developed communication channels that facilitate the free exchange of information between and among stakeholders. However, the respondents showed minimal involvement of employees in the decision-making process and a dearth of roundtable discussions on how to improve firm operations. Further, respondents disagreed that the management teams were able to develop sustainable relationships with the government. Research data had indicated

that superior managerial capabilities enhanced decision making and relationship management, but that there had to be a collaborative culture between the management and subordinates. Competent managerial competencies were reported to be essential for successful goal setting and realization.

The third objective sought to determine the effect of resource capabilities on state corporations' performance. The analysis determined that there exists a positive and statistical significant effect of resource capabilities on the firms' performance. The respondents were in agreement that their organizations allocate adequate resources to ensure that the organizations can attain their main objectives. However, respondents assert that there was less efficiency in the acquisition and utilization of infrastructural facilities within the organizations, which impacts the firm's efficiency. Further, the respondents were doubtful about the management's ability to adequately control and manage allocated funds in a sustainable manner. The results showed a positive and significant impact of resource capabilities on organizational performance.

Regarding the fourth objective, which sought after the effect of coordination capabilities on the performance of state corporations, the analysis determined that coordination capabilities have a positive and statistical significant effect on the performance of commercial state corporations. The respondents affirmed that the organizations had the capacity to forecast and formulate plans that would promote goal realization. However, respondents disagreed that the firms were able to spot and react to opportunities that may arise from environmental changes. Further, the respondents disagreed that the organizations had fostered a culture of coordination between internal units. The analysis determined that coordination capabilities are key drivers of goal realization.

### **5.3 Conclusions**

The study concluded there is a positive and significant effect of organization capabilities on state corporations' performance in Kenya. Innovation capabilities were reported to strongly influence the performance of state corporations. This implies that improving research and development and promoting an innovative culture through instituting incentives could improve the organizations' innovative performance and technologies' adoption and integration. A moderate positive relationship was also established between coordination capabilities and performance of the commercial corporations. These findings seemed to suggest that the management had failed to adopt proper coordination practices hence their low impact on the organization's overall performance.

The research concludes that managerial capabilities had a positive and significant effect on organizational performance. It was affirmed that the acquisition of highly skilled managers, improved delegation of duties, and managerial training would improve firm performance. The study also found a change in culture to encourage positive relationship management would improve the organizations' performance by fostering working relationships among different stakeholders. Regarding resource capabilities, the study also confirmed a positive impact on overall performance. The study reported that management played an important role in sourcing and allocating resources, thereby establishing that resource capabilities can be complemented by coordination capabilities. Efficient utilization of resources was associated with reduced production and marketing distribution costs which improved the firms' profitability.

#### **5.4 Recommendations**

The study recommends that from the analysis, innovative capabilities significantly impact the organizational performance of commercial state-owned enterprises. Based on this, the management should adopt practices that would improve innovation within the firms. This can be accomplished by adopting a culture of innovation, starting with the establishment of well-financed and equipped research and development teams whose main work would be to find new ways of carrying out operations and new technologies that would improve employee performance. The organizations would also institute compensation programs to encourage innovative ideas from employees in different departments.

Management capabilities were reported to significantly impact commercial state corporations' performance. The study recommendations were thus that state firms should invest significantly in their recruitment or employee development programs to ensure that they are able to identify and contract competent managers who will enhance relationship management, facilitate skills development and improve delegation of duties within the organization. Managers of state corporations were also recommended to attend training seminars to ensure that they keep up to date with emerging management practices among state corporations that are in operation all over the world.

The analysis also revealed that resource capabilities had a significant and positive impact on the performance of state corporations. The study recommends that the management ensure that they have adequate qualified personnel to improve strategy execution within their respective firms. The study also recommends that managers and CEOs leverage their competencies to lobby for secure sources of financing to

ensure that the firms can acquire the necessary material and financial resources to realize their main goals. The managements were also recommended to improve their learning capacity through training and involvement of employees in decision making since employees have different perspectives and experiences that could be valuable to organization plans.

The analysis further revealed that coordination capabilities have a positive and significant effect on the firms' performance. Managers were recommended to improve their resources coordination practices to ensure adequate and timely distribution and utilization of resources across the organization. Proper budgeting should be encouraged to ensure the proper allocation of financial resources to different departments. The study also recommends that coordination functions be centralized to ensure timely detection of unexpected events. Further, the study recommends for improved coordination between various units to improve technical efficiency.

### **5.5 Areas for Further Research**

The study recommends further research into the effect of external factors such as regulatory policies and fiscal decisions on the performance of commercial state corporations in Kenya to complement this study's findings. The study recommends a similar study, but with government policy as the moderating variable to determine the other factors that determine state corporations' performance. Further, another research should be carried out involving employees and associated stakeholders such as the ministers overseeing the various state corporations.

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## APPENDICES

### Appendix I: Kenyatta University Graduate School Authorization

  
KENYATTA UNIVERSITY  
GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke) P.O. Box 43844, 00100  
Website: [www.ku.ac.ke](http://www.ku.ac.ke) NAIROBI, KENYA  
Tel. 8710901 Ext. 57530

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Our Ref: D53EA/CTY/PT/25455/2018 DATE: 8<sup>th</sup> September, 2021

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

Dear Sir/Madam,

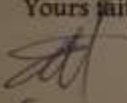
RE: RESEARCH AUTHORIZATION FOR AGABA SEDRICK ECHONGU - REG. NO. D53EA/CTY/PT/25455/2018.

I write to introduce Agaba Sedrick Echongu who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the Department of Business Administration.

Agaba intends to conduct research for a M.B.A Project Proposal entitled, "Organization Capabilities and the Organization Performance of Commercial State Corporations in Kenya".

Any assistance given will be highly appreciated.

Yours faithfully,

  
/ PROF. ELISHIBA KIMANI  
/ DEAN, GRADUATE SCHOOL

*EM/200*

## Appendix II: Questionnaire

Kindly tick what applies best to you below;

### PART One: GENERAL INFORMATION

1) Age Bracket

Below 35 years [ ]

36 – 45 years [ ]

46 – 55 years [ ]

56 and above [ ]

2) Gender

Male [ ]

Female [ ]

3) Education Level

O- Level [ ]

Postgraduate Diploma [ ]

Graduate [ ]

Postgraduate Doctorate [ ]

Others

(Specify).....

4) Number of years within the organization?

Less than 3 years [ ]

3-5 years [ ]

6-9 years [ ] Over 9 years [ ]

5) Which position do you hold within the company?

Finance Manager [ ]

Human Resource Manager [ ]

Information Technology Manager [ ]

**PART TWO: EFFECT OF ORGANIZATION CAPABILITIES, ON THE PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA**

Please tick the level of agreement of the following statements.

6) **The following statements sought to establish how the level of performance of commercial state corporations. Please indicate in the table with a tick (√) your level of agreement based on the below scale:**

*5= very large extent 4= large extent 3= moderate extent 2= small extent 1= not at all*

No	Performance of State Corporations	1	2	3	4	5
1.	The organization is able to attain high customer satisfaction in service provision					
2.	The organization is able to achieve increased employee productivity					
3.	The organization has been able to attain better social performance in service provision					
4.	There is increased efficiency and effectiveness within the organization					
5.	The organization has been able to enhance its competitive position within the firm					
6.	There is improved service quality within the organization					

7) **The following statements sought to establish how the level of innovation capabilities of commercial state corporations. Please indicate in the table with a tick (√) your level of agreement based on the below scale:**

5= very large extent 4= large extent 3= moderate extent 2= small extent 1= not at all

No	Innovation capabilities of State Corporations	1	2	3	4	5
7.	There is improved adoption of new technologies within the organization					
8.	The organization has improved the digitalization of its services offering and product development					
9.	There is increased innovativeness within the organization					
10.	The organization has fostered the knowledge management within its ranks					
11.	There is improved learning and growth within the organization					
12.	The firm has fostered the research and development capacity in institutional departments					

8) The following statements sought to establish how the level of managerial capabilities of commercial state corporations. Please indicate in the table with a tick (√) your level of agreement based on the below scale:

5= very large extent 4= large extent 3= moderate extent 2= small extent 1= not at all

No	Managerial capabilities of State Corporations	1	2	3	4	5
13.	There is improved delegation of duty within the firm					
14.	The firm has enhanced its decision making through improved employee involvement					
15.	The management team has the adequate education and professional skills needed for their duty execution					
16.	The organization sends the management for external trainings to foster management competency					
17.	Employees contribute ideas and thoughts to the organization through management roundtable discussions					

18.	The management is able to interact freely with all stakeholders within the organization					
19.	The management team is able to build good relations with government officials					

9) **The following statements sought to establish how the level of resource capabilities of commercial state corporations. Please indicate in the table with a tick (√) your level of agreement based on the below scale: 5= very large extent 4= large extent 3= moderate extent 2= small extent 1= not at all**

No	Resource capabilities of State Corporations	1	2	3	4	5
20.	The organization has adequate personnel within all the units					
21.	The organization has been able to enhance its financial resource mobilization					
22.	There is improved financial resource utilization within the organization					
23.	There is improved learning capacity within the organization personnel					
24.	There is improved acquisition and utilization of infrastructural facilities within the firm					
25.	The organization allocates adequate resources (e.g. financial, employees) to achieve the firm's goals					

10) **The following statements sought to establish how the level of coordination capabilities of commercial state corporations. Please indicate in the table with a tick (√) your level of agreement based on the below scale: 5= very large extent 4= large extent 3= moderate extent 2= small extent 1= not at all**

No	Coordination capabilities of State Corporations	1	2	3	4	5
26.	The organization has the ability to coordinate different areas of the business to achieve results					

<b>27.</b>	The organization is able to forecast and plan for the success of the business					
<b>28.</b>	The organization is able to respond to unexpected opportunities arising from change in operational activities					
<b>29.</b>	Business functions are integrated in serving the needs of the organization					
<b>30.</b>	The organization emphasizes the need for coordination between various units of the firm					
<b>31.</b>	Employees collaborate with each other to achieve organizational goals and foster firm results					

*Thank you for your time in filling the questionnaire*

### APPENDIX III: List of Commercial State Corporations

1.→	Kenya Investment Authority	
2.→	IDB capital	
3.→	Agricultural Finance Corporation	
4.→	Consolidated Bank	
5.→	Deposit Protection Fund Board	
6.→	Industrial and Commercial Development Corporation	
7.→	Industrial Development Bank	
8.→	Kenya Industrial Estates	
9.→	Kenya National Assurance Co.	
10.→	Kenya Post Office Savings Bank	
11.→	Kenya Re-Insurance Corporation	
12.→	Kenya Revenue Authority	
13.→	Kenya Roads Board	
14.→	Kenya Tourist Development Corporation	
15.→	National Bank of Kenya	
16.→	National Hospital Insurance Fund	

17.*	National Social Security Fund	
18.*	Agro-Chemicals and Food Company	
19.*	<u>Chemelil</u> Sugar Company	
20.*	East African Portland Cement Company	
21.*	<u>Gilgil</u> Telecommunications Industries	
22.*	<u>Jomo</u> Kenyatta Foundation	
23.*	Kenya Airports Authority	
24.*	Kenya Broadcasting Corporation	
25.*	Kenya Electricity Generating Company	
26.*	Kenya Literature Bureau	
27.*	Kenya Ordinance Factories Corporation	
28.*	Kenya Pipeline Company	
29.*	Kenya Ports Authority	
30.*	Kenya Power and Lighting Company	
31.*	Kenya Railways Corporation	
32.*	Kenya Civil Aviation Authority	

33.*	Kenya Safari Lodges and Hotels	
34.*	Kenya Seed Company Limited	
35.*	Kenya Wine Agencies	
36.*	Kenyatta International Convention Center	
37.*	National Cereals and Produce Board	
38.*	National Housing Corporation	
39.*	National Oil Corporation of Kenya	
40.*	National Water Conservation and Pipeline Corporation	
41.*	Numerical Machining Complex	
42.*	Nzoia Sugar Company	
43.*	Postal Corporation of Kenya	
44.*	Pyrethrum Board of Kenya	
45.*	School Equipment Production Unit	
46.*	South Nyanza Sugar Company	
47.*	Telkom Kenya Limited	
48.*	University of Nairobi Enterprises and Services Limited	

49.❏	New Kenya Co-operative Creameries Ltd❏	❏
50.❏	Kenya Electricity Transmission Company❏	❏

## APPENDIX IV: NACOSTI Research Permit

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Ref No: <b>916551</b>	Date of Issue: <b>01/October/2021</b>
<b>RESEARCH LICENSE</b>	
	
This is to Certify that <b>Mr. Agaba Sedrick Echongu of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: ORGANISATION CAPABILITIES AND THE ORGANISATION PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA for the period ending: 01/October/2022.</b>	
License No: <b>NACOSTIP/21/1311</b>	1 / 2
<b>916551</b> Applicant Identification Number	 Director General <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
	Verification QR Code 
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### THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

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

#### CONDITIONS

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

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 Website: [www.nacosti.go.ke](http://www.nacosti.go.ke)

## APPENDIX IV: WORKPLAN

Activity	Months						
	Apr	May	Jun	Jul	Aug	Sept	Oct
Proposal Writing	□	□					
Data collection			□	□	□		
Data analysis				□	□	□	
Report writing						□	□
Thesis submission							□

## APPENDIX V: Research Budget

<b>Item</b>	<b>Estimated Cost (Ksh)</b>
Proposal writing	26,000
Data Collection (printing of questionnaires and distribution)	32,000
Data analysis	21,000
Production of the final document	25,000
Miscellaneous	10,400
<b>Total</b>	<b><u>Ksh.114,400</u></b>