THE ROLE OF ORGANIZATIONAL CAPABILITIES IN THE
REALIZATION OF ORGANIZATIONAL OBJECTIVES AT HELB IN
KENYA

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DECLARATION

This Research project is my original work and has not been presented for a degree in any other University.

Signed................................................Date.9th November, 2012

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This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

To my children Zachary, Brian and Narrele whose presence and needs constituted a source of my continued struggle and fulfillment as a parent and to my family members.

“Education is an ornament in prosperity and a refuge in adversity.”
ACKNOWLEDGEMENT

I wish to thank God for the strength of purpose he accorded me to not only start but also finish this project. Special thanks go to my parents and supervisor Jeremiah Kagwe for his guidance and encouragement and for being available whenever I needed him. My sincere thanks goes to all those who supported me especially the HELB staff and colleagues in the MBA programme for their advice and suggestions. Lastly I wish to thank all my family members and friends who in any way assisted me and cheered me on in this very noble endeavor.

God bless you all.
ABSTRACT

The study aimed at establishing the role of organizational capabilities in the attainment of organizational objectives at the Higher Education Loans Board in Kenya. Organizational capabilities of a company form an important role to create value and improve business performance and the realization of objectives. The competitive advantage of companies in today's economy stems not from market position, but from difficulty to replicate organizational capabilities and the manner in which they are deployed.

In attempting to get the objectives, a case study research design was adopted. An interview guide was used to collect data on organizational capabilities used by the organization in gaining realization of its objectives. The data obtained from the interview guide was analyzed qualitatively with the use of content analysis.

The study established that HELB had several internal strategic capabilities that gave it a edge in being able to realize its objectives set in the strategic plans. These organizational capabilities range from a strong human resource pool that is well trained, technologically advanced systems and astute leadership that is able to effectively combine these internal resources. The study also established that organizational capabilities have kept on changing depending on various factors.

It was concluded that for the organization to achieve desired performance results, the firm’s capabilities and the resources available to it; must interact positively with the requirements of the firm’s markets and their requirements must be defined clearly and explicitly. As a result of the constant change in the world, it was also found out that the organizations capabilities must continuously adapt to the changing operating environment and the human resources plays an important role to achieve this objective.
# TABLE OF CONTENTS

Declaration............................................................................................................................................. ii  
Dedication ............................................................................................................................................. iii  
Acknowledgement ................................................................................................................................ iv  
Abstract ............................................................................................................................................... v  

## CHAPTER ONE: INTRODUCTION ................................................................. 1  
1.1 Background of the study ................................................................................................................... 1  
   1.1.1 Organizational Capabilities ................................................................. 2  
   1.1.2 Organizational Objectives .............................................................................. 3  
   1.1.3 Organizational Capabilities in Realization of Organizational Objectives ............... 4  
   1.1.4 Higher Education Loans Board (HELB) ............................................................. 5  
1.2 Research Problem ............................................................................................................................. 7  
1.3 Research Objectives .......................................................................................................................... 9  
1.4 Value of the study ............................................................................................................................. 9  

## CHAPTER TWO: LITERATURE REVIEW ............................................................. 10  
2.1 Introduction ................................................................................................................................. 10  
2.2 Organizational Capabilities ............................................................................................................ 10  
2.3 Organizational Objectives ............................................................................................................. 11  
2.4 Organizational Capabilities in Organizations ............................................................................. 12  
   2.4.1 Learning Capability ................................................................................. 13  
   2.4.2 Human Capability .................................................................................... 14  
   2.4.3 Managerial Capabilities ........................................................................... 16  
   2.4.4 Strategic Intent ....................................................................................... 17  
   2.4.5 Technical Capabilities ............................................................................. 18  
2.5 Role of Organizational Capabilities in the Achievement of Organizational Objectives ............ 19  

## CHAPTER THREE: RESEARCH METHODOLOGY .............................................. 23  
3.1 Introduction ................................................................................................................................. 23  
3.2 Research Design ........................................................................................................................... 23  
3.3 Data Collection ............................................................................................................................ 24  
3.4 Data Analysis ............................................................................................................................... 25
CHAPTER ONE
INTRODUCTION

1.1 Background of the study

A key concern in the present day emerging business environment is the need for organizations to implement systems and frameworks that not only deliver performance, but also the ability to control them against top level targets (Chau and Witcher, 2008). Managers in these organizations face an increasingly dynamic, complex and unpredictable environment, where technology, globalization, knowledge and changing competitive approaches impact on overall performance of the firm. As a result, the degree and complexity of the current changing environment is driving firms, both large and small, to seek new ways of conducting business to create wealth and increase the shareholder value (Johnson et al., 2008).

According to Teece et al. (1997, p.19) organizational capabilities are the “firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments”. On his part, Fiol (2001) agrees and further observes that both the skills/resources and the way organizations use them must constantly change and this move will lead to the creation of continuously changing temporary advantages. This therefore suggests that it is the way resources are configured and not the capabilities as such that is the source of competitive advantage. In HELB the management has been able to achieve its objectives due to the investment in its human resource through staffing, training, compensation, communication and other practices and these resulted to increased organization capabilities like attracting, motivating, and retaining competent and committed people, increased speed on the distribution
and collection, performance accountability as the employees know that it’s unacceptable not to meet their goals, collaborating with other institutions to ensure that all students who benefited from the loan are identified and repay the loan, continuous learning and efficiency in collection and distribution of loans.

1.1.1 Organizational Capabilities

Chandler (1990) describes a firm’s organizational capabilities as the collective physical facilities and skills of employees, especially the abilities of the top and middle management. Organizational resources are involved in achieving corporate objectives. At a local level organizational capability is the synergy of human, physical and structural resources of an entity around the defined strategic objectives. Therefore, dynamic capabilities act as a buffer between firms’ resources and the shifting business environment by helping a firm adjust its resource base and thereby maintain the sustainability of its competitive advantage, which otherwise might be eroded. So, while the resource-based view emphasizes resource choice, or the selection of appropriate resources, the dynamic capabilities view focuses on resource development and renewal. More specifically, organizational capabilities can be thought of as marketing skills, distribution skills, product development skills, organization skills, and so on. They are general capabilities that potentially are applicable to different industries. They represent the ways that people and resources are brought together to accomplish work.

Winter (2003) claims that organizational capabilities are those that operate to extend, modify or create ordinary capabilities, while Johnson et al., (2008), building on Teece et al., (1997), state that organizational capabilities are an organization’s abilities to renew and recreate its strategic
capabilities to meet the needs of a changing environment. A rapidly changing environment requires an organization to rapidly adapt to keep its competitive advantage. Teece et al., (1997) argue that the strategic capabilities that achieve competitive advantage in such dynamic conditions are organizational capabilities. Capability approach implements an organizational diagnosis only based on how entities acquire what organization consider as relevant knowledge and how they share it at different levels. This knowledge based assessment allows anticipation in performance management: by evaluating the capabilities of resources, future performance they generate can be estimated, and identified weaknesses can be corrected. Nevertheless, it depends on how organization defines and models the relevant knowledge: if the transferred practices are not enough accurate or adapted to the entities, the organizational diagnosis can be warped, and performance can be not improved even if the evaluation is good.

1.1.2 Organizational Objectives

An organization's objectives offer specifics of how much of what will be accomplished by when. An objective is a desired result or outcome of what an organization do or intend to do. It is something connected with the future; what they want to achieve in the future. According to Koontz and O’Donnel (2002, p.147) “Organizational objectives are those end results toward which the organizational activities are directed”. They serve as the goals for management in achieving the organizational mission and hence, management is ultimately directed for the achievement of organizational objectives (as well as individual and group objectives of the people working in the organization).

As Drunker (2005) points out, a successful business organization sets objectives in following key result areas; Market standing, innovation, productivity, physical and financial resources,
profitability, manager performance and developments, worker performance and attitudes and public responsibility. The organizational capabilities like talent, speed, Shared mindset /brand identity, accountability, collaboration, learning, leadership, strategic unity, innovation and efficiency has led to the achievement of organizational objectives like increased loan recovery, efficiency in loan disbursement, employee satisfaction and collaboration with other institutions in loan recovery.

1.1.3 Organizational Capabilities in Realization of Organizational Objectives

Realizing strategic direction requires organizational capability. It is increased capability ultimately that provides the bridge from current reality to the desired destination and is driven by individual competency. Focusing on increasing organizational capability requires developing the collective capabilities of various groups and teams in the organization. Corporate success is not the realization of visions, aspirations, and missions – the product of wish-driven strategy but it is the result of a careful appreciation of the strengths of the firm and the economic environment it faces (Newbert, 2007). The strategy of successful firms is adaptive and opportunistic. Yet in the hands of a successful company an adaptive and opportunistic strategy is also rational, analytic, and calculated. Adaptiveness does not mean waiting for something to turn up. Opportunism is only productive for a firm which knows which opportunities to seize and which to reject. Corporate success derives from a competitive advantage which is based on distinct capabilities, which is most often derived from the unique character of a firm's relationships with its suppliers, customers, or employees, and which is precisely identified and applied to relevant markets (Kay, 1993, p. 4).
Deploying resources into separate activities of the organization and into the processes of linking these activities together creates competence. The emphasis is on the activities of an organization and the processes within the organization and overlapping organizational boundaries, not so much on resources (Johnson and Scholes 2002, p. 149). Bessant et al. (2000) argue that competencies are made up of abilities which are results of behavioral routines. These routines create and are reinforced over time by artifacts such as organizational structures, procedures and policies. Thus, competencies are highly firm-specific combinations of behavioral routines and artifacts. For an organization to be successful, its leaders must not only act as architects of the strategy, setting the best course for the company in the marketplace, but must also continually work to implement strategic directives while also acting as translators of the strategy to the rest of the organization – the leaders who will actually be the doers of the work. Of course, this occurs at different leadership levels within the organization, but underscores the fact that leadership is needed throughout an organization for strategic and business success.

1.1.4 Higher Education Loans Board (HELB)

The Higher Education Loans Board (HELB) is a state owned corporation which was established in 1995 by an Act of Parliament (Annual report, 1996). In its mandate, HELB administers the student loan scheme. This entails disbursement of loans, scholarships and bursaries to Kenyan students. It is also charged with loan recovery from past loanees. The board has the responsibility of establishing a revolving fund that would see it refinance itself from repayments and funds drawn from other sources. The loan advances to students’ dates back to 1973 when the government introduced the university students’ loans scheme. The scheme however was not successful. The defunct scheme was mandated to extend loans to students at Makerere, Dar es
Salaam and Nairobi universities. The failure of this loans scheme was associated with the manner in which it was constituted, as it lacked legal basis to pursue its major objective. This meant that recovery was not easy making it difficult for the fund to self-sustain as there was no continuous source of finance.

The government in 1995 established HELB in a bid to address the shortfall of the previous scheme and to pursue its fresh mandate. The board has had tremendous success but a fair share of challenges too. The successes of the board are evident in its improved loan recovery. At inception, the recovery rate was 3.3% as compared to the current over 30%. This is shown by the recovery outcome achieved during the 2009/2010 financial year when HELB recovered Kshs 1.93 billion. The board’s lending capacity has also seen it increase to the current standing of kshs 3.6 billion for the 2010/2011 financial year with privately sponsored students now also benefiting.

In the year 2003, HELB embarked on an ambitious corporate strategic plan intended to improve efficiency. The strategic plan set out the board’s long-term goals and priorities over a period of 5 years. During the plan period (2002-2007), the board experienced an upsurge in demand for its loans due to government reforms in the education sub sector. HELB is in the process of implementing strategic plan for the period 2009-2014. By providing loans for higher education, the board shall guide the management to strategically deploy resources to realize efficiency and effectiveness to enhance competitive advantage. The rising demand for university education raises challenges for HELB in its loan management making it necessary for the institution to work closely with its strategic partners in an effort to seek alternative funding in form of loans, bursaries and scholarships for deserving students. HELB is further seeking to raise funds from
the money markets as well as working together with other providers of loans for students to supplement its revolving fund.

1.2 Research Problem

An organizational strategy is seen by many as the main driver of competitive advantage. However, the development and successful implementation of the same strategy will be based upon the organization having adequate capabilities that will be able to reconfigure the internal resources in a way that will ensure that the organization achieves its intended objectives. An organizations capabilities aim at the articulation of the means by which an organization endeavors to convert its intentions into organizational capability in order to take advantage of its external opportunities and to minimize the threats that it faces (Winter, 2003). This involves configuration of resources as well as the development of an environment capable of supporting the intentions articulated in the strategic plan. Due to the different strategies, firms differ based on organizational capabilities it has and that such capabilities are used to “create and exploit external opportunities and develop sustained advantages” (Lengnick-Hall and Wolff: 1109). Therefore, the development of unique capabilities within an organization enables them to perform processes better and in a different manner compared with other firms.

The Higher Education Loans Board plays a critical role in administering the student loan scheme that entails disbursement of loans, scholarships and bursaries to Kenyan students. The institution is also charged with loan recovery from past loanees and the responsibility of establishing a revolving fund that would see it refinance itself from repayments and funds drawn from other sources. Towards the achievement of this critical task, HELB however has to ensure that they
have the necessary capability. It is upon the management to identify what their organizational capabilities are and which ones will enable them to achieve their mandate by putting in place mechanism to protect and enhance their capacity.

Studies that have been conducted locally on the area of organizational capabilities include; Wanyanga (2007) who undertook a research on the utilization of organization’s capabilities as an operation strategy in the hotel industry in Kenya and the findings were that most hotels in the country had not fully identified their capabilities and always scanned the external environment to identify the opportunities without identifying their internal non-imitable capabilities that will give them competitive advantage. Ngugi (2011) researched on the strategic capabilities for competitive advantage in British Broadcasting Corporation, Africa and found out that the strategic capabilities ranged from a strong human resource pool that is well trained, strong brand, credibility, technologically advanced equipment, wide audience coverage due to the presence of BBC Global News broadcasting in regional language. As observed above, the studies conducted on organizational capabilities have not considered the role being played by organization capabilities in the realization of the organizations objectives by government institutions. HELB being a non-profit organization which operates a revolving fund used to finance students higher education has to ensure that its capabilities will enable it to realize its intended objectives which are anchored in its mission and vision statements. This research will therefore seek to identify the role being played by organizational capabilities in the realization of organizational objectives by HELB. This problem statement is guided by the question: what role do organizational capabilities play at HELB towards the realization of organizational objectives?
1.3 Research Objectives

The study was guided by the following objectives:

i. To identify organizational capabilities at HELB.

ii. To establish the role played by organizational capabilities in realization of organizational objectives at HELB.

1.4 Value of the study

The study will be of value to:

The management and staff of HELB as they will find an invaluable source of material in developing and harnessing their organizational capabilities. This study will provide insight on some of the challenges that may be faced in the development and implementation of their strategic plans and how they can avoid them. The authorities will strive to avoid the pitfalls and capitalize on the strengths. Other government institutions as they will understand the role which organizational capability play in an organization thus putting in place measures which will ensure that they achieve the mandate which have been tasked to undertake. The government will also find invaluable information in how organizational capabilities can be adopted in order to realize organizational objective and as a result put in place policies that will guide and encourage other organizations in identifying the role which organizational capabilities plays in their respective institutions. For academicians, this study will form the foundation upon which other related and replicated studies can be based on. Education stakeholders can also gain an insight on the organization capability to achieve its mandate of collecting and dispersing loans to students and thus assist them to determine the organizations continued support to students in both public and private universities.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This second chapter reviews literature on related studies that contribute to an understanding to this study. This review focuses on the role of organizational capabilities in the realization of organizational objectives at HELB, to help point out issues that need further research to discover knowledge gaps which need to be filled through empirical findings of the study.

2.2 Organizational Capabilities

Organizational capabilities are defined as a firm’s capacity to deploy its assets, tangible or intangible, to perform a task or activity to improve performance (Lorenzoni and Lipparini, 1999). An organization's resources — including its assets and skills — represent the source of its foundation for sustainable competitive advantage (Bowman and Ambrosini, 2003). According to Pandza and Thorpe (2009) strategists should seek to shape, transform, and combine these resources into strategic capabilities, which in turn drive strategic success. Organizational capabilities are therefore key factors in optimizing the strategic course of the company’s future. An Organization’s capability needs to be assessed relative to its competitors, since a sustained competitive advantage, the aim of strategy, entails gaining and sustaining a competitive position over competitors. Capabilities are the building block for core competencies (Coulter, 2002) and are usually embedded in the firm and require both time and significant resources to change.
Winter (2003) suggests that a capability comprises a large chunk of activity that enables outputs that clearly matter to the organization’s survival and prosperity. Accordingly, firms can achieve temporary advantage, which can achieve a longer time frame by constant resource reconfiguration to meet the changing markets demands.

Ljungguist (2008) suggests that capabilities are important because they may help firms to avoid path dependencies imposed by their current lower-order competences. Therefore, a firm has to develop capabilities to learn and redefine its resource base in order to overcome the trap laid by their existing competences and create new sources of competitive advantage. Bowman and Ambrosini, (2003) highlighted organizational capabilities, to include: selective or strategic capabilities which enable companies to adapt to a rapidly changing environment and to hold their own in a globalizing economy, in which innovation becomes the key competition criterion; organizational or integrative capabilities, technical or functional capabilities, capabilities and understanding of market and demand characteristics and ability to learn, absorb, transform and reflect on acquired information and experiences, integrating and cutting through all these.

2.3 Organizational Objectives

Organizational objectives are long-range objectives that serve as the goals for management in achieving the organizational mission. Organizational objectives assist in planning the work centre objectives. The way the organizational objectives are designed determines their effectiveness. Effective organizational objective usually has the following characteristics: specific, measurable, achievable, relevant, and time framed (Teece, 2007). Organizational objectives need to be: achievable and realistic, concrete and measurable, time-determined, clearly defined and in
written and available to all employees. The organizational objectives need to be realistic in order to be achieved.

To be able to achieve all objectives including the key objective, the organization needs to be properly managed. The organizational objectives cannot be achieved by themself. The management needs to accomplish its management functions (planning, organizing, staffing, leading and controlling) and to be able to make decisions according to the organizational objectives. The planning process needs to be directed to achieve the key objective and everything has to be adapted to achieving the established organizational objectives. It is hypothesized that the strength of the organizational identity is related to the knowledge, attitude and behavior regarding the objectives of an organization. On the organizational level, if an organizational identity is the central, distinctive, and continuous core of a shared organizational scheme, it can improve the organizational effectiveness and performance and can act as a framing mechanism for organizational decision making (Barney and Stewart, 2000). These effects help the organization in achieving its objectives.

2.4 Organizational Capabilities in Organizations

Organizational capabilities emerge when a company combines (and delivers on) individuals' competencies and abilities. An employee may be technically literate or demonstrate leadership skill, but the company as a whole may or may not embody the same strengths. Additionally, a company’s organizational capabilities enable it to turn its technical know-how into results. It may possess a core capability in marketing, but if the organization does not have what it takes to make change happen, that capability does not add value. Hence, capabilities are seen as the
ability to coordinate and deploy resources in order to achieve the firm’s goals (McKelvie, Davidsson, 2009). This implies that while resources seldom lead to performance differences on their own, the application of resources (capabilities) is what causes performance differences. To create economic value, sustain competitive advantage and achieve superior organizational performance, an organization requires a wide range of capabilities. The main organizational capabilities are learning capability, competence of employees, managerial capability, strategic intent and technical capabilities. These capabilities are described in the next section.

2.4.1 Learning Capability

Learning capability can be conceived of as a principal means of attaining strategic renewal. Renewal requires that organizations explore and learn new ways while at the same time exploit what they have already learned. Teece et al. (1997) argue that learning is a very important process which through experimentation and repetition leads to the better and quicker resolution of specific problems and at the same time enables firms to identify new production opportunities. Learning processes are dynamic and multi-level. Although insight and innovative ideas may occur to individuals, the individually generated knowledge is shared within the organization’s context and then some of it becomes institutionalized as organization artifacts.

Organizations generate new ideas through benchmarking, experimentation, competence acquisition (hiring or developing people with new skills and ideas), and continuous improvement. Such ideas are generalized when they move across a boundary of time (from one leader to the next), space (from one geography to another), or division (from one structural entity to another) (Teece, 2007). The link between required and acquired competencies/capabilities
must be correctly and completely described, in assuming that the transfer and the learning of the competencies/capabilities are made without loss (the design is robust enough to take into account the context of use, and the transfer is independent from the learning entity and the local context where the entity acquired these competencies/capabilities)

2.4.2 Human Capability

Competent employees have the skills for today’s and tomorrow’s business requirements; committed employees deploy those skills regularly and predictably. Competence comes as leaders buy (acquire new talent), build (develop existing talent), borrow (access thought leaders through alliances or partnerships), bounce (remove poor talent), and bind (keep the best talent). Leaders can earn commitment from employees by ensuring that the ones who contribute more will in turn receive more of what matters to them. Means of assessing talent include productivity measures, retention statistics (though it’s a good sign when employees are targeted by search firms), employee surveys, and direct observation. If a resource or capability yields the potential to enable a firm to reduce costs and/or respond to environmental opportunities and threats, it is valuable, and to the extent that a firm is able to effectively deploy such a resource it will attain competitive advantage (Barney, 1991). Employee skills as core assets are vital and often require continual internal development. A core employee can be considered to be the worker who is specifying the core activity in the firm and performs the organization’s base operations related to making the product or providing the service (Lopez-Cabrales et. al., 2006). These skills must somehow contribute toward consumer-based perceptions of value. Thus employees can add value if they can help firms offer lower costs or provide increased benefits to consumers (Lepak and Snell, 1999).
Development of human capital consistently enables superior performance (Gimeno et al., 1997). Firms which attract highly educated and/or highly skilled workers provide skill-development and cross-training develop difficult to trade and imitate, scarce and appropriable specialized human capital assets (Amit and Shoemaker, 1993). Attracting and retaining high-quality personnel is considered a critical innovation strategy, particularly for high-tech firms (Branzei and Vertinsky, 2006). The human resource component of organizational capabilities usually includes the knowledge, expertise, talents, creativity, and skills of a firm’s personnel. The RBV asserts that the unique skills and experiences of internally-based personnel can give the firm a competitive advantage. This can be achieved by recruiting, and maintaining a well-trained labor force and managers whose knowledge, skills and abilities serve as a source of innovation (Zahra and Nielsen, 2002).

Employee human capital of the firm refers to the knowledge, skills and abilities that employees possess and use in their work. Studies of employee human capital have found direct positive effects on firm performance (McKelvie and Davidsson, 2009). Empirical studies have examined the role of employees as an enabling factor which allows the firm to acquire and apply new knowledge to allow other resources and capabilities to be developed fully (Ranft and Lord, 2002). Therefore, firms should base employment sourcing decisions on the degree to which skills contribute to the core capabilities of the firm. The resource-based perspective encourages a shift toward the employee skills and their relative contribution to value creation. This theory suggests that core employee skills should be developed and maintained internally specifically based on value-creating potential and uniqueness of employees (Lepak and Snell, 2009).
Managerial capabilities were defined as possessing the ability to create a strategic vision and identity for the company, communicate these throughout the organization, and encourage the workforce to achieve them (Lopez-Cabrales et al., 2006). Recent theoretical developments suggest that organizational capabilities evolve over time, and several organizational and environmental levers contribute to their founding, development, maturation and alteration. Managerial decisions are acknowledged as some of the most critical antecedents of capability transformation (Helfat and Peteraf, 2003). Suitable strategic choices help firms overcome the constraints of their existing resource endowments by guiding the development of extant skills and by facilitating the emergence of new capabilities (Branzei and Vertinsky, 2006). The literature suggests four main managerial capabilities: reinforcement of the organizational culture, strategic vision, obtaining employee potential, and flexible design.

The effective and efficient realization of coordination processes by the firm management is of particular importance. Coordination capabilities enhance the coordination and integration of tacit and codified knowledge allowing firms to more cost effectively deliver their products and acquire more information about their customers’ needs (Branzei and Vertinsky, 2006). Coordination capabilities are often related to new product development, where teams belonging to different firm departments work together combining their varied skills and backgrounds in order to design and develop the specific product. The implementation of new configurations of functional competences lies in the effective coordination of a variety of tasks and resources and the synchronization of different activities (Helfat and Peteraf, 2003). Coordination processes connect and interface single routines through communication, scheduling, task assignment and
other related activities. Teece et al. (1997) suggest that the lack of efficient coordinating and combining of different resources and tasks may explain why apparently slight technological changes have overwhelming effects on incumbent firms’ competitive positions in a market.

2.4.4 Strategic Intent

Strategic intent refer to the combination of strategic vision and performance aspirations which —envisions a desired leadership position and establishes the criterion the organization will use to chart its progress(Hamel and Prahalad, 2009). Strategy is seen by many as the main driver of competitive advantage (Larsen et al., 2008). A strategy, in essence, is the articulation of the means by which an organization endeavours to convert its intentions into organizational capability in order to take advantage of its external opportunities and to minimize the threats that it faces. This involves configuration of resources as well as the development of an environment capable of supporting the intentions articulated in the strategic plan. Organizational capability is the outcome of the implementation of the strategic plans. Strategy consists of five separate but interdependent phases: establishment of organizational intent, strategic analysis, strategy formulation (the strategic planning process), strategy deployment and monitoring/evaluation. The contention that the development of strategy consists of several interrelated phases is well supported in the literature (Dess and Lumpkin, 2003). The strategic planning phase, apart from the central role that it plays in the development and implementation of a robust strategic plan, lends itself more readily to the development of constructs suitable for use in questionnaires.

Strategic competitive response capability is based on the extended definition of dynamic capabilities to include the creation of market change as well as the response to exogenous change
This capability can be conceptualized as the ability of the firm to scan the environment, identify new opportunities, assess its competitive position and respond to competitive strategic moves. Even when a well-established firm is aware of a need for change to address shifting environmental requirements, it is often difficult to respond effectively. The capability to sense and strategically respond to environmental challenges is of utmost importance as it enables the firm to reconfigure certain competences before they become core rigidities (Eisenhardt and Martin, 2000). The external environment in which a company operates influences its strategic development in many ways by creating both opportunities and threats. In addition to this, successful strategies are also dependent on the company having the strategic capability to perform at the level that is required for success. There are two reasons why an understanding of strategic capability is important. First, it must be considered, whether the strategy of an organization fits the external environment and the opportunities and threats that emerge in this environment. Many of the issues of strategy development are dealing with changing the strategic capability of a company better to fit its changing environment (Johnson and Scholes 2002, p. 145).

2.4.5 Technical Capabilities

Technical capabilities concern the manufacturing processes, technology, new product development, production facilities in the industry. These skills are contained within the organization and are activated by market, competitor, and external challenges. These are organizational capabilities that contribute at the time of turning inputs into outputs. They refer to the technological aspects of the creation, production, and development of products and services.
The technical capability is key to carrying out new combinations of resources, methods, systems and processes to generate new products and services (Lopez-Cabrales et al., 2006).

Technologically competent firms develop systems and processes that allow them to engage in shared problem solving, implement and develop prototypes, and import and absorb technological knowledge from outside the firm (Leonard-Barton, 1995). Firms that fail to advance their technological capabilities may find that the product functions and features that embody these capabilities fail to create commercial success. Superior technical capabilities gives the firm the ability to transform inputs into outputs in an efficient and effective way and therefore meet an increasing variety of market expectations without excessive costs, time, organizational disruptions or performance losses. Learning processes that promote, enhance and renew technological knowledge is of critical importance for achievement of organizational objectives (Helfat, 2007). The ability to scan the environment and evaluate markets’ and competitors’ moves may have a significant impact on the firm’s capacity to redefine its technological and marketing competence and in consequence, result in an improved or refined product portfolio.

2.5 Role of Organizational Capabilities in the Achievement of Organizational Objectives

Organizational capability approach looks for optimally exploiting the internal resources to create significant assets for the organization. It aims at developing the aptitudes of organizations, more and more changing in a turbulent environment, by coordinating the progressive learning of corporate good practices by all the organizational entities. The capability approach is closely linked with the knowledge-based view of the firm. Organizational capabilities are identified with
the know-how of a firm of performing particular problem-specific activities (Dosi et al., 2003).

Core capabilities embody proprietary knowledge that is unique to a particular firm and superior

to that of the main competitors. It is widely agreed that firms’ competitiveness depends on the
development of only a few core capabilities. “Companies derive competitive strength from their

excellence in a small number of capability clusters, where they can sustain their competitive

dge. A fundamental implication of the approach is that ‘idiosyncratic capabilities’ persistently

shape corporate performance” (Dosi, Faillo and Marengo 2003: 20).

During the founding stage of the capability lifecycle, Helfat and Peteraf (2003) emphasize the

need for a team organized around a central objective —the achievement of which entails the

creation of a new capability. These points to the need for managerial leadership to span two
domains: cognition and action. In the same way that a firm’s strategy —exists in managers
‘minds... [and] is embodied, reified in a firm’s rules and routines. This dual role of cognition and

action in creating organizational capability is critical in the founding of a new business: the

founders must envisage the required functionality of the new business and take the actions

required to turn intentions into reality.

Helfat and Peteraf’s (2003) emphasis on the role of objectives in driving capability development

is supported by a broad literature that points to the motivation and direction provided by the

pursuit of strategic goals. Strategic intent is the principal means through which top management

shapes the future position of the firm. The implications for capability development are that:

strategic intent creates an extreme misfit between resources and ambitions. Top management

then challenges the organization to close the gap by building new competitive advantages.
Winter (2003) suggests that a capability comprises a large chunk of activity that enables outputs that clearly matter to the organization's survival and prosperity. Recent resource-based writings stress that the uniqueness of firm's resources and capabilities are not sufficient to sustain competitive advantage. Fiol (2001, p. 692) agrees and remarks that "both the skills/resources and the way organizations use them must constantly change, leading to the creation of continuously changing temporary advantages". This suggests that it is the way resources are configured and not the capabilities as such that is the source of objective achievement. Configuration is specific to each organization and will relate to their corporate strategic thinking. Accordingly, firms can achieve temporary objectives, which can achieve a longer time frame by constant resource reconfiguration to meet the changing markets demands.

The ability to build effective capabilities is a significant driver of organizational objectives (Teece et al., 1997). Capabilities are nurtured and developed within a firm in order to enhance its objectives. They can also be used to react or anticipate market movements. Accordingly, this paper examines organizational capabilities in terms of overall organizational objectives. An effective performance measurement system ought to cover all aspects of performance that are relevant for the existence of an organization and the means by which it achieves success and growth (Hillman and Keim, 2001). Andersen et al. (2001) suggest that linking strategic objectives with performance helps with the articulation of causality. They state that this approach has clear advantages such as helping small- and medium-sized organizations to gain a thorough understanding of strategy by raising the awareness of strategy throughout the entire organization and by providing a focus to enhance the achievement of the strategic objectives. To achieve desired performance levels, a firm's capabilities and the resources available to it must interact...
positively with the requirements of the firm's markets. Both capabilities and market requirements need to be clearly defined and explicit. Arguably, both need active consideration during the strategy formulation stage.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, the target population, sampling design, data collection instruments and procedures, and the techniques for data analysis.

3.2 Research Design

The research design was a case study. Cooper and Schinder (2005) stated that case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The merit of using a case study is that it allows an in-depth understanding of the behavior pattern of the concerned unit. Additionally a case study allows a researcher to use one or more of the several research methods depending on the circumstances. The study was used to identify the role of organizational capabilities in the realization of organizational objectives.

The study used a case study as a strategy research in order to understand or explain the phenomena, which is the role of organizational capabilities in the realization of organizational objectives, by placing them in their wider context, which is the specific company within the banking industry. The reason for this choice is based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena.
3.3 Data Collection

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents to be interviewed were those involved with formulation and implementation of HELB's strategies who are the top managers in charge of planning, administration, human resource management and development. These are considered to be key informants for this research. Key informants are also a source of information that can assist in understanding the context of an organization, or clarifying particular issues or problems. The selection of key informants is usually not random, and accordingly the issue of bias arises. The informants' views need to be balanced to obtain an impartial view on the investigated phenomenon.

In-depth interviews reduce the "distance" between interviewer and interviewee. This method should be considered more often by researchers since it provides more qualitative information, more depth, more representation, more efficiency, more statistics, and more value (Stokes and Bergin, 2006). The choice of the respondents is very important, as senior executives are the head of the organization and the ones who can foster organizational objectives. Furthermore, they may provide access to more significant and useful secondary data as documents, and other valuable information. The interviews were semi-structured so that some questions can be omitted or added if some new and useful information come up through the whole procedure, which were "face to face" interviews. The order of the questions was also varied depending on the flow of the conversation.
3.4 Data Analysis

The data obtained from the interview guide was analyzed using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). It involves observation and detailed description of objects, items or things that comprise the object of study.

Content analysis, as a class of methods at the intersection of the qualitative and quantitative traditions, is used for rigorous exploration of many important but difficult-to-study issues of interest to management researchers (Carley, 2003). This approach is more appropriate for the study because it allows for deep, sense, detailed accounts in changing conditions. This is relevant because organizational objectives usually occur in myriad of circumstances. Furthermore, one of the unique characteristics of qualitative research is that it is usually conducted in the environment where the events occurred. This provides the ideal opportunity to trace the process and sequence of events in the specific settings. Thus the qualitative method is suitable for this research because this research was conducted within the environment where the implementation initiatives occurred.
CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

The research objective was to establish the role of organizational capabilities in the realization of organizational objectives at the Higher Education Loans Board. This chapter presents the analysis and findings with regard to the objective and discussion of the same from the interview guide distributed to the respondents.

4.2 Respondents Profile

This part of the interview guide was intended to assess the capacity of the respondents to answer the questions on the interview guide and also whether they are versed with the subject matter of the study. The researcher aimed at interviewing six senior managers at HELB but one of the respondents had travelled out of the country on official duties and was therefore unavailable for the interview. Therefore five respondents were finally interviewed and this represented 83% response rate. The respondents had different academic backgrounds and had worked in various departments both within and without the organization. All the respondents were either pursuing their postgraduate studies or had finalized the same while one was pursuing a doctoral study. In addition, the views of both genders were represented in the respondents interviewed because two of the respondents were female against three men. This meant that the views expressed by the respondents were not gender biased since the study looked at how organizational capabilities which includes staff output was used up in the attainment of organizational objectives.
The specific respondents in the interview were the Assistant Managers in Finance, ICT, Loan Recovery and managers in Human resource department and manager Business development. The respondent’s academic and professional background varied from economics and business, administration, human resource and Information and Communication Technology. Further, they all had rising through the ranks in the organization by virtue of their competence and experience and among them, there had all an accumulative working experience of 56 years. With their solid background and qualifications in the affairs of the organisation, the respondents were found to be knowledgeable on the subject matter of the research and therefore will help in the realization of the research objective.

4.3 Extent of Organizational Capabilities at the Higher Education Loans Board

The set of question under this area of the interview guide were tailored in establishing whether the organization has in place effective mechanism of identifying, developing and maintaining its organizational capabilities in a sustainable manner and therefore help the institution in the realization of the organizations objectives. This is in the recognition of the role that an organizational capabilities play in the present changing business environment.

The respondents were unanimous that until only five years ago, HELB did not have in place and elaborate mechanism of identifying and managing its organizational capabilities towards using the same to achieve its objectives. They pointed out that until around ten years ago, HELB was being supported by the government to the tune of 3.5B towards funding the higher education in the country. However, the recovery process of the loans from the beneficiaries was low. They pointed out that the organization was only recovering around 100M pm; way below the target of 400M per month target is targeted in the strategic plan. However, the respondents pointed out
that in the last five years, the Treasury has reduced significantly its budgetary support to only 0.8B p.a and with the scaling down of the financial support; HELB had to look inwardly to bridge the deficit. In addition, coupled with the ever increasing loan demand from students both from the public and private sector, organizational resources needed to be mobilized to source for funding.

Further, to the financial challenges that faced HELB, the changing operating environment required the organization to change its culture and modernize its operation through automation of its services that had become synonymous with too much paper work right from application of loans by students to disbursement of the same. In addition to the automation of the organizations process, the respondents also noted that the organization had to improve its customer service with all the stakeholders especially with the students. As a result, four of the respondents, 60% of the population, noted that the organisation took a deliberate move to put in place a mechanism of identifying and utilizing effectively its strategic capabilities as a source of competitive advantage.

In recognition of the need of developing its unique and non-imitable capabilities that will be necessary for the organization to achieve its objectives, one respondent noted that the HELB staff have come up with regular meetings that are done twice a month for the management and once a month for departmental meeting. In such meetings the staff share the challenges they face in for example recovering the loans from the beneficiaries and in such gatherings do they share how the challenges can be overcome. In addition, the researcher noted that HELB has employed staff from various backgrounds and in the recovery section for example, the organization has tended to deploy staff in the sections that they are versed with. For example, two of the
respondents noted that in the loans recovery section the organization has deployed financial debt collectors to oversee the collection of loans while in the education sector, staff with education background have been earmarked to spearhead the in schools and all education institutions. This observation by the respondent can be noted to be in line with the study by Walker (2002) who concluded that for an organization to achieve desired performance results, a firm’s capabilities and the resources available to it must interact positively with the requirements of the firm’s markets and their requirements be defined clearly and explicitly. In addition one of the respondents further noted that HELB has a well structured framework of getting the best ideas and implementing them and ensuring the staff are recognised for their ideas.

The backbone of the present day organizations, both public and private is the state of information technology it is employing in its operations. The respondents by majority pointed out that by the organization automating its operations, it has been able to cuts costs, increases efficiency and interconnectivity with customers and partners. In cognizance of this important role that IT plays, the respondents pointed out that HELB has over the years invested in a state-of-the –art information system that has given it ability to match the demands of the market and the challenges that come with it. They pointed out that the administration cost for example before fully automating its operation in the year 2000 was around 260M p.a and yet this has reduced to around 200M p.a despite the organization increasing its work force over the years. This findings on the importance of the adoption of IT by an organization was found to be in line to the observation made by Abrosini (2003).

Other strategic capabilities that were identified by the respondents to exist in the organization include, skilled human resources, improved collaboration with financial institutions and revenue
collection bodies such as the KRA as well as local authorities. Two of the respondents pointed out that as a result of the deliberate move by the organization to improve their linkage with other institutions, HELB has been able to increase its monthly loan recovery from 45m per month five years ago to the present average of 125m per month. As a result of the improved loan recovery, the organization has expanded the loan disbursement to privately sponsored students in both public and private universities, salaried students besides masters and PhD studies. As one respondent noted, with the continued improvement in the loan recovery over the years, the organization is planning to be completely independent of the parent ministries for funding in the next 4 years. Further, the respondents noted that the organization has taken a deliberate effort to reinforce these gains by encouraging all staff to have a development plan for their career aspirations. These findings are similar to the study of Teece et al (1991) in which they concluded that for core competencies to be useful to the organizations, they should be differentiated and continuously developed in order to provide the basis of the firms competitive capacities and sustainable advantage.

Organizational capabilities are not static nor can’t they be copied or acquired by other organizations. In cognizance of this, HELB has come up with what is considered as an elaborate mechanism to recruit and retain staff with these skills who will in turn help it to maintain and foster the capabilities. One of the respondents did observe that organizational capabilities within HELB are structures which have been developed over a long period and while they may be replicated elsewhere, they may not be easily copied. These structures have become part of the organizations culture and perhaps the best way of passing such skills to other organizations (competitors) is to have transferrable skills. This view was shared by other respondent who noted that much of the strategic capabilities within HELB is within the culture of the organization. As
a result of the possibility of the organizations strategic capabilities being imitated by competitors, the respondents were in agreement that both the skills and resources and the way the organization use them must constantly change, leading to the creation of continuously changing temporary advantages. This view is shared by Fiol (2001) when he observed that organizational capabilities should always adapt to the changing operating environment that an organization is in.

Effective management and utilization of strategic capabilities in an organization requires employee participation and willingness to participate in the all exercise. All the respondents pointed out the important role that the organizations employees play in the enhancement of its core competencies and the realization of the objectives. However, two of the respondents observed that in some instances, the value placed by the organization on internal service providers by way of rewards has not been to par with other organizations in the same cadre though they at the same time noted that after review of terms of service two years ago, a good measure of improvement has been achieved. However, the respondents were in unanimity that for the organization to be able to deliver on its strategic results, all the stakeholders will need to work together. They also noted that the top management have lately been inviting staff output on how the same objectives can best be achieved. The teamwork exhibited by the management and employees in HELB is in tandem with the observation by Teece (2007) who noted that softer components of organizational resources, such as staff and skills should be managed in operational team work against top-level targets.
4.4 Preservation of Organizational Capabilities at HELB

The questions under this section area of the interview guide were tailored in establishing whether HELB has in place effective mechanism of developing and maintaining its organizational capabilities that will make it to continue realize its objectives now and into the foreseeable future. This is in recognition of the need of organizations capabilities to change and adapting to the changes in the operating business environment.

Majority of the respondents appreciated that HELB recognized the need for it to continue recruiting and maintain the present level of capabilities to and in the organization. These capabilities should be unique and not easily be imitated or breached by competitors. They all noted that HELB invests heavily in training and development of its personnel both within and outside the country. On being asked whether they consider the present level of training to be adequate, they responded in affirmative. The training and development being undertaken is tailored to all cadres of employees since it is recognized that for the human resources function to act as a synergy, then all members of staff will need to acquire necessary skills to perform their functions. It was also noted that HELB has an elaborate policy of recruiting staff from all backgrounds, has an informative induction process and remunerates staff above the market rates. These findings are similar to the study of Teece et al (1991) in which they concluded that for core competencies to be useful to the organizations, they should be differentiated and continuously developed in order to provide the basis of the firms competitive capacities and sustainable advantage.

The Higher education Loan board has also made a deliberate move to shape, transform and combine these resources to achieve sustainable advantage. This step was exhibited through a
number of moves that were taken by the organization including documenting the organization's strategic capability. During this documentation, a lot of critical thinking is applied, that ensures, these resources are examined for their full potential. Management of talent has been made a priority in the organization in which it has made a deliberate deliberative move to recruit, develop and retain all the staff through such exercises as recognition and rewarding them to feel appreciated for their input. There has been training programs and upgrading of core organizational system to leverage on IT to drive/enhance customer service.

The level of technology adopted by HELB in the course of its business has been identified as one of key organizational capabilities. Three of the respondents pointed out that as an organization with a clientele of over 250,000 students, it has to embrace technology to serve the large customer base and make the process both cost effective and efficient. The respondents noted that all the loan processing, appeals and disbursement can at present be made electronically with minimal staff input. This they appreciate has lead to a drop in operational cost and complains from the student fraternity. However, the respondents did point out that the system still faces some minor challenges such as the speed of processing a request might at times be low especially during opening of new semesters but they noted that the organization has endeavored to check on the problem by using more lately a higher version. The organization was pointed out as having developed governance and compliance policy that is simplified and set in a manual and electronic system that can be accessed by all staff to give guidance on particular situation. In addition one respondent noted that the change in technology has meant that staff have had to be trained continually and so the organization has had to quickly adapt to provide content that is compatible with the new media. The ability of the organization to do this has increased its strategic capability offering material in a multimedia format.
4.5 Role of Organizational Capabilities in the Realization of its Objectives

This section of questions in the interview guide seeked to establish how the organizational capabilities identified by the respondents were being used in the realization of organizational objectives. The researcher in the section wished to determine specific organizational objectives that have been realized, as a result of the organization identifying and harnessing its capabilities.

From the results obtained, the respondents showed that they understood the concept of organizational capabilities and its role in the strategic planning process. The organization capabilities have kept on changing depending on the challenges that keep facing the organization. This adaptability of the organizational capabilities has come about from the need of the organization to change with the challenges that face it with time. The respondents identified these factors to include changes in the technology base of the organization, changes in the customers’ expectation, declining financial support from the Treasury, stringent prudential guidelines issued by the education ministry and also changing stakeholder requirements. With this turbulent operating environment, HELB has been able to configure the adaptability of its resources meet the above challenges. For example, the respondents pointed out the increased monthly loan recovery to the average 250B has been able to make the organization less dependent in the government and instead be self sufficient in sourcing funding internally to be disbursed to the students. The organization has kept in pace with the changes and with this adaptation, it has been able to stay ahead of competition, renew its staff by continually investing in new talent, investing significantly in intelligence gathering of loan defaulters as well as expanding loan paying beneficiaries.
The respondents further identified that for the organizational competencies to successfully meet the strategic objective, the leadership of the institution should also be in a position to combine the resources in a manner that will lead to maximum benefit to the firm. Two of the respondents pointed out that HELB leadership can be described to offer strategic leadership, creativity; resilience and necessary direction to meet the organizational challenges. For example, one of the respondents pointed out that due to the guidance and leadership of the organizations, the Kenyan model of student loan disbursement has received several international awards and also foreign countries have borrowed the same model. They pointed out African countries such as Rwanda and Ghana as some of the countries that have borrowed the model, of which HELB has greatly borrowed from Botswana. It therefore came out from the study that for organizational capabilities to be used in to achieve organization objectives, then the management should offer effective leadership since on their own, organizational capabilities cannot function in absence of the necessary leadership. Thus as Jiang (2002) pointed out, it is not enough for a firm to have only the capability of selecting strategic alternatives and organizing marketing resources to deliver a sustainable competitive advantage – these resources must be deployed to the right segment of an organization and managerial leadership comes in handy.

However, it was noted by the respondents that the utilization of the organizational capabilities has not been devoid of challenges. Two of the respondents observed that some employees especially with specialized knowledge have been reluctant to share their capabilities with the rest of the staff and whenever they leave the organization, their accumulated knowledge and experience is usually lost with them. They suggested among others that to mitigate the challenge, the organization should develop and implement a knowledge management interface and also come up with a rotation program of the employees.
4.6 Discussion

Organizational capabilities as enabled HELB to developed and nature a number of organizational competences such as a qualified work force, advance IT platform, a leadership with a long term view and also a good working relationship among both the internal and external stakeholders and these was in tandem with Ljungguist (2008) who suggested that capabilities are important because they may help firms to avoid path dependencies imposed by their current lower-order competences and therefore a firm has to develop capabilities to learn and redefine its resource base in order to overcome the trap laid by their existing competences and create new sources of competitive advantage. Teece et al., (1997) also noted that capabilities are nurtured and developed within a firm in order to enhance its objectives and that they can also be used to react or anticipate market movements.

Organizational objectives assist in planning the work centre objectives. The way the organizational objectives are designed determines their effectiveness. Barney and Stewart (2000) noted that to be able to achieve all objectives including the key objective, the organization needs to be properly managed. The management needs to accomplish its management functions (planning, organizing, staffing, leading and controlling) and to be able to make decisions according to the organizational objectives. The accomplishment of the management functions has enabled the management of HELB to achieve many of its objectives including increase in loan recovery, reduction in cost, spreading the loan to more students and having a workforce that is motivated.
CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This final chapter summarizes the findings of the study. It also encompasses a discussion of these findings and the implications and recommendations of the study. The results centered on determining the role of organizational capabilities in the realization of firm objectives. The research therefore wished to determine how the organizational capabilities at HELB have helped it in achieving its objectives.

The finding results showed that HELB over time has developed and nature a number of organizational competences such as a qualified work force, advance IT platform, a leadership with a long term view and also a good working relationship among both the internal and external stakeholders. These organizational capabilities have helped the organization to achieve many of its objectives including increase in loan recovery, reduction in cost, spreading the loan to more students and having a workforce that is motivated. The Higher education loans board prides itself as one of the government institutions established through the Act of parliament that has become more self reliant and all these can be attributed to the effective harnessing of the internal capabilities. HELB has over time appreciated the key role that its employees play in making the organization self sufficient and meet the expectation of its customers. Thus, in cognizance of the important role their employee play, the organization has endeavored to pursue the policy of
recruiting staff from all backgrounds, developed an informative induction process and in addition remunerates the same staff competitively.

HELB recognizes that for it to develop and implement its strategies effectively and as a result build future competitiveness, they will have to identify and utilize its strategic capabilities. These capabilities should be unique and not to be imitated easily by competitors and towards this, the organization has invested heavily in training of its personnel in order to gain the necessary expertise in the appropriate fields. The organization has been steadily increasing the budget allocation on training and development over the years and the respondents appreciated this move by the management. In addition, it was also found out that for the organization to benefit more on its organizational competencies, a strong leadership is required since these resources on their own cannot combine to bring a competitive advantage.

It was also noted that the organizational capabilities currently in place need to change and adapt to the changing operating environment. The operating environment that HELB works on has continuously changed partly from the shifting demands of the customers as well as the government. As a result, there has been a need for HELB to be flexible enough and adjust to the changes. In addition towards the maintaining of the same organizational capabilities, HELB has maintained employee participation and encourages their willingness to participate in all the exercises of developing and maintain effective capabilities that will provide the attainment of organizational objectives. Technological advancement has also been pointed out as an area of strategic capability that needs to be updated continuously.
5.2 Conclusion

An organization's strategy follows a defined process and the success of the same strategy will depend on the innate and non-imitable capabilities that the organization has developed over time. More importantly, organizational staff, right from the managers to the lower level staff, has a greater role to play in combining the resources available to gain a competitive advantage over other players or realize its objectives. In the case of HELB, it was found out that it has a team of qualified and experienced staff who are committed to their work and the researcher felt that it is important for the organization to have in place adequate mechanism of incorporating the views of stakeholders especially the ones that will be affected by the implementation of some strategies such as students.

The organizational capabilities play an important strategic role of creating value and improve the firm's performance. As such the competitive advantage of companies in today's economy stems not from market position, but from difficult to replicate strategic capabilities and the manner in which they are deployed. The generated value is the result of an organization's ability to manage its business processes and, on the other hand, the effectiveness and efficiency of performing organizational processes based on organizational competencies. Management of organizational capabilities enables an organization to grow and develop the appropriate organizational competencies. Therefore, the fact that organizational competencies are based on the effective and efficient management of strategic assets puts it at the heart of business performance and value creation.

However, there is need to ensure that the organizational core capabilities may not become core rigidities and this will therefore require the organization to understand the processes of creation...
of capabilities and its development. At the same time, while implementing programmes on organizational capabilities, managers need to be aware of the challenges that might delay or affect the implementation of the same programmes. They need to consider what value the capabilities will generate, determine how the firm can exploit the special characteristic of the organization to obtain a niche in the market, establish how the firm can avoid being imitated by other firms and also establish how the firm can organize the exploitation of resources in order to utilize the organizations strategic capabilities.

5.3 Limitations of the Study

The study focused on the role of organizational capabilities in the realization of organizational objectives at HELB in Kenya, which is one of the many government parastatals.

Data was collected from a few respondents based on the institution, whose population sample may not be a representative of all government institutions. However, the limitation did not have any adverse effects on the findings of the study.

5.4 Recommendation for Policy and Practice

The study was able to clearly demonstrate the need to have organizations understands the concept of core capabilities and how to appropriately harness and leverage on these core assets to attain competitive advantage or achieve its objectives. It was demonstrated that internal competencies is far much critical in determining the competitiveness of the firm that any external factors and therefore it is recommended that organizations should first look at its internal resources and be able to configure them in a way that it will generate maximum benefits.
The organizational structure and culture need to be aligned in a manner that will be able to effectively identify and harness its strategic capabilities. This therefore requires that an organization constructs an innovation-oriented organizational structure and an innovation-friendly organizational culture to support and enhance their strategic capabilities. In developing a new business segment, an organization should transfer its staff from its existing core business to the new business unit and also by recruiting new personnel and forging a strategic alliance with an existing major player in the business. All these efforts should be focused on cultivating, enhancing or reconfiguring the firm’s organizational culture, human resources and organizational structure.

At the same time, the process of harnessing the organizations capabilities should be backed by the support of the organizations top management and the staff level of awareness of knowledge management is critical to the success of implementing the same core competencies in an organisation. Further, to improve on the core competencies emanating from the organizations human resources, the organization need to institute performance management system and train key staff on administration of the system, review the job descriptions, personnel policies and reward system. All such steps are aimed at motivating the staff to get the best out of them in order to achieve the organizations objectives.

5.5 Suggestion for further research

Since it is not infrequent that studies find more questions that it set out to answer, this study makes some suggestion for further research. A similar study of this nature should be carried out covering other government parastatals and especially more than one institution should be considered for more generalizable findings.
REFERENCES


APPENDICES

APPENDIX I: INTERVIEW GUIDE

The interview guide will seek to achieve the following objective;

1. To identify organizational capabilities at HELB.
2. Determine the role of organizational capabilities in the realization of organizational objectives at Higher Education Loans Board (HELB).

Background Information on the interviewees

- What current position in the organization do you hold?
- For how long have you been holding the current position?
- What is the highest level of education?

Organizational Capability

- What organizational capabilities do HELB have?
- Does the organization learn and explore new ways of managing while at the same time exploiting what they have already learned?
- How does the organization generate new ideas?
- Has there been a deliberate effort by the management of HELB to nature and develop human resource capabilities? Please explain further.
- Does the management of HELB ensure that employees who contribute more receive more of what matters to them in order to earn commitment?
- Do the organization employees add value by helping the firm provide increased benefits to consumers?
- Does the organization attract and retain a well-trained labor force and managers whose knowledge, skills and abilities serve as a source of innovation?
- Does HELB base employment sourcing decisions on the degree to which skills contribute to the core capabilities of the firm?
• Do practices such as team-based production and unique operational procedures lead to enhanced social complexity and the development of tacit knowledge in HELB?

• Does HELB management create a strategic vision and identity for the company, communicate these throughout the organization, and encourage the workforce to achieve them?

• Does the organization have effective and efficient coordination to ensure it delivers its services and acquire more information about their clients’ needs?

• How is the strategic intent of HELB?

• Has the change in technology affected the organizations strategic capabilities?

• Has superior technical capabilities given the firm the ability to transform inputs into outputs in an efficient and effective way and therefore meet an increasing variety of market expectations without excessive costs, time, organizational disruptions or performance losses?

Organizational Capabilities in Realization of Organizational Objectives

• Has the organization used its capabilities in order to improve its performance?

• Have the HELB strategists shaped, transformed, and combined organization resources into strategic capabilities, which in turn drive strategic success?

• Does the organization recognize existence of organizational capabilities that facilitates the achievement of the organizational objectives?

• Has there been a deliberate move HELB to shape, transform and combine these resources to achieve organizational objectives? What are some of the steps taken?

• What role has HELB strategic capabilities had in the management of the risk in the organization?

• Does HELB constantly reconfigure its resource to meet the changing markets demands?

• Does HELB replicate routines in order to achieve its organizational objectives and maintain organizational performance?

• Have the organization routines been reinforced by artifacts such as organizational structures, procedures and policies in order to achieve its objectives?
• Does the organization leadership continually work to implement strategic directives while also acting as translators of the strategy to the rest of the organization?

• Does the organization capability coordinate the progressive learning of corporate good practices by all the organizational entities in order to achieve organizational objectives?

• Does the HELB managerial leadership span the two domains of cognition and action in order to achieve its objective?

• Does the organization leadership guide the employees in pursuit of the strategic intent in order to achieve its objectives?

• Does the organization configure its resources and not the capabilities as such that is the source of objective achievement?

• Does HELB leadership link strategic objectives with performance so that it helps with articulation of causality in order to achieve its objectives?