THE INFLUENCE OF COST LEADERSHIP AND DIFFERENTIATION STRATEGIES ON THE RELATIONSHIP BETWEEN PEOPLE ORIENTED CAPITAL AND COMPETITIVE ADVANTAGE OF KENYAN FIRMS CERTIFIED BY INTERNATIONAL STANDARDS ORGANIZATION

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION

I declare that the work contained in this thesis is my own and has not previously in its entirety or in part been submitted to any other university for a degree. All references cited in this text have dully been acknowledged.

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DEDICATION

This thesis is dedicated to my dear family members: My husband Engineer Stanley Kirimi, my children Gatwiri Kinya and Martin Nyori, Mwenda Kirimi and Karwitha Kirimi. My amazing grandchildren: Oliver Ngugi, Hugh Mutuma and Haydn Mwenda who I pray will grow to realize the importance of education and will strive to achieve the highest education level possible. I would also like to dedicate it to my parents Elizabeth M'mbijiwe and M'mbijiwe Mbogori who tirelessly encouraged me from childhood to soldier on with my education. I cannot forget my brothers and sisters who supported me emotionally and otherwise throughout the period of my study for this degree. Thank you and God bless you.

ACKNOWLEDGEMENTS

The doctoral study degree process is an experience I will never forget in my life. Equally I can never forget different people who played part in the process. First and foremost I cannot forget Professor Peter K'Obonyo and Professor Martin Ogutu of University of Nairobi, for their inspiring professional demeanor. I am really grateful for your tireless effort and the constructive criticism that have shaped the entire study. I owe much gratitude to all my course instructors at the University of Nairobi, who assisted me in reorganizing my work and thinking of various questions and issues especially concerning the research design. Your positive criticisms contributed to the realization of this thesis.

My appreciation goes to all the managers and staff of ISO certified firms in Kenya who allowed me to carry out this research and provided very useful information that was of relevance to the study. I would also like to extend my appreciation to Mucmar consultants for helping me with data collection, Ken Sawe for data analysis, and Mary Ndiangui and her team for offering secretariat services.

Finally I would like to thank everyone who emotionally, intellectually, spiritually and physically towards the co contributed mpletion of this study. My thanks go to the PhD colleagues who encouraged me in person, by phone, or otherwise. These included: Mary Musyoka, Angela Mwende, Cecilia Mutuku, Joyce Nzulwa, Leting, Mulabe, Rono Busienei, Peter Kiragu, Jemima Muturia, Mary Osoro, Stella Omari, and Purity Gitonga among others. Their presence during my proposal presentations appeased me immensely. May God bless you.

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ABBREVIATIONS AND ACRONYMS

CA	–	Competitive Advantage
C I	–	Confidence Interval
CEO	–	Chief Executive Officer
D	–	Differentiation
GDP	–	Gross Domestic Product
HC	–	Human Capital
HR	–	Human Resource
HRM	–	Human Resource Management
HRMS	–	Human Resource Management Strategy
HSP	–	Human Social Physiological
ISO	–	International Standard Organization
KEPHIS	–	Kenya Plant Health Inspectorate Service
PC	–	Psychological Capital
POB	–	positive organizational behavior
SC	–	Social Capital
SWOT	–	strengths weaknesses opportunities threats
QMS	–	Quality Management Systems
VIF	–	Variance Inflation Factor

ABSTRACT

The purpose of this research was to investigate the effect of cost leadership and differentiation strategy on the relationship between people oriented capital and competitive advantage of ISO certified firms in Kenya. This study had five objectives: The first objective was to determine the relationship between human capital and competitive advantage. The second objective was to establish the relationship between social capital and competitive advantage. The third objective focused on the relationship between psychological capital and competitive advantage. The fourth objective was intended to establish the relationship between people oriented capital and competitive advantage and the fifth objective aimed at determining the effect of cost leadership strategy on the relationship between people oriented capital and competitive advantage. The sixth objective was to determine the effect of differentiation strategy on the relationship between people oriented capital and competitive advantage of ISO 9000 certified firms in Kenya. The study was cross sectional survey of 67 ISO certified firms. Data was collected using structured questionnaires that contained measures of human capital, social capital, psychological capital, cost leadership, differentiation and competitive advantage. Data was analyzed using Pearson's correlation coefficient and regression analysis models. It was found that there are a significant relationships between human capital and competitive advantage, between social capital and competitive advantage, between psychological capital and competitive advantage, between people oriented capital and competitive advantage, and that cost leadership and differentiation strategies do not have a moderating effect on the relationship between people oriented capital and competitive advantage. The overall conclusion was that people oriented capital has a significant relationship with competitive advantage. The study concluded that cost leadership and differentiation strategies do not have a moderating effect on the relationship between people oriented capital and competitive advantage. This study has vital implications on policy, theory and practice in the management of organizations. The study recommended that future research focuses on a different setting particularly comprising non-ISO certified firms.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

People oriented capital refers to human, social and psychological capital (Pfeffer and Luthans 2002). People oriented capital plays a great part in the performance of organizations. What they offer to organizations is mainly what experts like Pfeffer and Luthans (2002) refer to as human, social and psychological capital. Organizations must therefore strategically manage people well for competitive advantage. It is also noted that despite the substantial support for the importance of the human factor in achieving sustainable performance, human resources continue to receive primarily lip service, partly owing to the commonly perceived difficulties of quantifying their impact on bottom-line performance and competitive advantage. There is need for support for three dimensions of human resources that leads to inimitability and sustainability for competitive advantage in organizations. These dimensions are human capital (explicit and tacit knowledge) and social capital (networks, norms/ values, and trust) and psychological capital (hope, optimism, and resiliency) (Pfeffer and Luthans, 2004).

The linkages between human, social and psychological capital, involves measurable, developable people oriented capacities that can be readily enhanced and managed for performance and competitive advantage. This study targeted Kenyan organizations that have achieved International Standards Organization Certification (Kenya Bureau of Standards and Bureau- Veritus 2010). This is because the role of people oriented capital has a lot of implications especially because the Kenyan Vision 2030 has underscored the importance of the quality of people working in organizations (The National Economic and Social Council of Kenya 2007). This study is critical given the strategic implication of this vision and therefore strives to investigate the influence of human resource management strategy on the relationship between people oriented capital and competitive advantage of International Standards Organization (ISO) certified firms in Kenya. Vision 2030 is the country's blue print covering the period 2008 to 2030. Its objective is to help transform Kenya into a middle level-income country providing high quality life to all its citizens by the year 2030.This is developed through an all inclusive and participatory stakeholder consultative process based on "3 pillars", the economic, social and political It is responsible for a country's Gross Domestic Product (GDP) growth from a low of 0.6% gradually to a rise of 6.1 %. One of its foundations is human resource development which encompasses education and training. This study targets ISO certified firms in Kenya because it is related to fundamental quality management systems and designed to help organizations meet the needs of customers and other stakeholders.

1.1.1 People Oriented Capital

People Oriented Capital comprises of human, social and psychological capital (Pfeffer 2000). The recognition of human capital as a management resource and power has led to increasing number of scholars and practitioners researching on the management of human capital. The increasing contributions from academics and practitioners have focused on areas such as the field of identification of intangible assets or human capital. This ties with the strategic management of the resource based theories of the firm which contend that competition is based on the control of unique and inimitable resources (Abel and Oxbrow 2001).

Luthans and Youssef (2004) asserts that there is growing evidence that human resources are crucial to organizational success, and may offer the best return on investment for sustainable competitive advantage. Pfeffer (2003) observed that only about half of today's organizations and their managers believe that human resources really do matter. Moreover, only some those organizations act upon their beliefs beyond paying lip service to this vital resource. Few organizations have adopted high performance work practices, pay-for-performance, self-managed teams, employee empowerment, and other human-oriented initiatives. Furthermore, Pfeffer (2003) shows that about half of those who believe that human resources are their most important asset and do something about it actually stick to their beliefs and commit to these high performance work practices over time.

He notes that these organizations share worldwide superiority in profitability, productivity, innovation, quality, customer satisfaction, and bottom-line profitability. This is because they are aware that the most important ingredient in the transformed organization is people.

There seems to be the realization that human resources are no longer just a cost of doing business, but are an indispensable asset, and an investment that needs to be effectively managed so that they can yield the high return of sustainable competitive advantage. However, despite the fact that people are the most important assets, both strategic and everyday decisions are still based on risk-return financial assessments. To a large degree, the choice about which investment opportunities to pursue remains contingent on how financial outcomes are assessed and reported. In today's economy, executives who believe in the importance of human resources need to be able to objectively show how the investment in human resources can be measured, developed, and leveraged for a desirable return In other words, how the alternative investment in human resources can be capitalized upon as a source of competitive advantage that impacts the bottom line, not only in terms of short-term profitability, but also long-term survival and growth The need to treat human resources as a capital investment has never been more crucial, especially since downsizing, restructuring, outsourcing, and other lean-and-mean human resource slashing approaches have become the norm of meeting today's economic challenges (Pfeffer, 2003). Thus study examines how human capital, social capital and psychological capital as independent variables have an effect on competitive advantage of ISO certified firms in Kenya.

1.1.1.1 Human Capital

Human capital is usually equated with knowledge, skills, abilities or competencies derived from education, experience and specific identifiable skills. Although most widely recognized, we would argue that investment in human capital may not result in the greatest return for competitive advantage. This common view of human capital is referred to as explicit knowledge, and it has been the primary basis for investment in, or at least selection of, a large proportion of today's human capital. Although easily measurable, Wigg (1997) contends that the validity of explicit knowledge as selection criteria for human capital is quite limited. For example, based on many years of empirical studies, meta-analytical results by Huselid, (1995) show that, on average, education has a predictive validity experience and an unimpressive predictive validity for job performance.

Explicit knowledge an element of human capital is easily imitable. Education costs are not as prohibitive as they used to be, and tuition reimbursement is a common practice for many organizations, especially when it represents a competitive pull for qualified employees (Pfeffer 2004). Outsourcing technical training has resulted in almost identical skills being delivered to employees in competing organizations (sometimes in the same training venue, at the same time). Even work experience (Wigg 2000) can be copied or duplicated when organizations lure their competitors' competent employees, or when strategic differentiation and effective positioning give way to imitative, undifferentiated products and approaches and cut-throat, price-based competition.

Finally, in today's knowledge-based, high-tech environment, education, experience and skills become outdated very quickly, sometimes even before they are ever put to use. The other dimension of human capital that is often overlooked is tacit knowledge. Thoresen (2001) says that this type of knowledge is organization-specific and built over time as members become socialized into the organization, become part of its culture; understand its structure and dynamic processes, and learn how it operates as a whole. Tacit knowledge is the intangible but vital process of "learning the ropes."

This process includes a tremendous investment, especially in terms of time and effort, on the part of the organization and its managers and employees. Tacit knowledge is what HR professionals refer to when they talk of knowledge that walks out the door every night. But it is also what organizations lose when they are unable to retain their employees long enough for the returns on this type of human capital to pay off in terms of competitive advantage.

An organization is good not because of its structure. It's good because of the set of capabilities that are embedded in the firm. For example, although having very different structures, Microsoft is very adept at innovation. GE is good at global collaboration. Nike is very good at brand management These embedded capabilities are tacit knowledge. Competitors cannot benefit from this tacit knowledge because (Collins 1997) posits that it is organization specific and therefore non-transferable. Once an employee is lost, this investment in human capital is wasted, and thus retention becomes critical. Hawi, MCathy, Aronson and Richard (2005) agree with this argument and contend that although explicit knowledge has some definite limitations, tacit knowledge fulfills the widely recognized criteria of competitive advantage. First, tacit knowledge is long-term oriented and requires high commitment on the part of the organization, management, and employees. It is also unique, cumulative and interconnected.

Tacit knowledge can be created faster than it is depleted, and is therefore renewable. The challenge, however, Pfeffer (2004) expresses, is that tacit knowledge is difficult to measure, and its impact is manifested over an indefinite period of time. Careful human resource selection is a necessary precondition for building effective human capital (Collins 1997). However, careful selection depends on use of the right criteria. Collins (1997) notes that the adage 'people are your most important asset' turns out to be wrong. People aren't your most important asset; the right people are. Although education, previous experience, knowledge, skills and abilities, that is explicit knowledge, may be necessary, these factors may not be sufficient for leveraging human capital.

What organizations should be looking for is the potential of the person being hired or promoted Russel and Terborg (1985).Selection criteria should be focused on the ability of a candidate to absorb, retain and effectively utilize tacit knowledge over time. This is strengths-based approach that involves selecting employees based on their talents, and placing them where they get to do what they do best every day.

1.1.1.2 Social Capital

Social capital is recognized to include interpersonal, inter-group and inter-organizational relationships, networks and connections, as well as the underlying group and community resources, social structure, and cultural dynamics (Mueller1996). In other words, social capital is a multifaceted construct. There are three valuable aspects of social capital that have been identified as consequential for helping create sustainable competitive advantage. These dimensions are networks, norms and trust. Networks involve the contacts and ties that relate organizational members and units with each other and with the outside world. Tacit knowledge can create familiarity with the organization's unique culture, structure, and processes that can result in smooth operations and a unified sense of direction and purpose. On the other hand, social networks establish the inter-linkages that allow for the sharing and exchange of ideas and resources at the cognitive affective and behavioral levels. Tian (2011) concludes in his studies that corporate social capital has a correlation with positive competitive advantage. Freeman (2004) also observes that someone in an organization who has captured the minds, passions, and attention of 20 other people creates competitive advantage in organizations.

Research by Shi-Chia Chang (2010) in China, of 33 respondents suggests that such dynamic processes significantly impact long-term success and effectiveness, because pooled resources and synergies compensate for individual deficiencies and cushion against external inefficiencies and internal vulnerabilities. Norms and rules of behavior, as well as the underlying values and assumptions, provide the foundational infrastructure for the organizational strategies, structures and processes through which organizations achieve their goals.

Even rules and regulations that may seem to hinder creativity and flexibility have been deemed to be necessary for providing stability, identity and direction, especially in times of change and uncertainty. Norms create practical mutual expectations that interacting individuals, groups or organizations can understand and fulfill in order to maintain smooth, productive relationships. (Bandura 2000).

Trust acts as the bonding agent that allows for networks and norms to actualize and achieve their full potential. Trust can eliminate the barriers that hinder long-term relationships, open communication, knowledge-sharing, and continuous feedback, which can facilitate creativity, innovation and competitiveness (Guest 2003). Similar research findings in healthcare management Hoffman (2005) supports the significant role of inter-unit and inter-organizational trust in creating effective partnerships. In sum, Bandura (2003) argues that social capital is crucial for creating sustainable competitive advantage. Furthermore social capital contributes to the creation of human capital. The arguments presented here support this claim. For example, without trust-based psychological contracts, building tacit knowledge becomes problematic. Contrary to the common belief that relationships and networks are too volatile and thus unreliable sources of competitive advantage. It has been found that social capital underlies long-term relationships at least for norms, values and trust that are critical for sustained performance and effectiveness. Social capital dimensions also meet the criteria of competitive advantage, because they are unique, cumulative, interconnected, and largely renewable. Some specific guidelines for managing social capital are presented next.

1.1.1.3 Psychological Capital

Psychological capital refers to positive human resource strengths and capacities that can be measured, developed and managed for performance improvement in today's workplace. These positive organizational behavior capacities include self-efficacy/ confidence, hope, optimism, and resiliency, and this is collectively referred to as positive psychological capital, (Luthans and Homes, 2004).They can be developed through workplace interventions and proactive management. Moreover, Positive Organizational Behavior incorporates only psychological states that are validly measurable, and that can result in performance improvement. In other words, interventions can be developed for enhancing managers' and employees' confidence, hope, optimism, and resiliency. Thus, positive psychological capital can be managed and its effectiveness can be objectively assessed, both in terms of enhanced positive psychological capital and bottom line impact. Positive psychological capital can be assessed as to the return on investment and impact on competitive advantage (Pfeffer, 2000).

Just as the other forms of capital are made up of certain components, that is traditional (financial, structural/ physical, technological), human (explicit and tacit knowledge), and social (networks, norms/ values, and trust), positive psychological capital also contains some basic capacities. Those that best meet the POB criteria of being positive, unique, measurable, developable, and performance-related are self-efficacy/ confidence, hope, optimism, and resiliency, Luthans and Jensen (2006).

Self-efficacy draws from the extensive theory and research of Albert Bandura, (1990) and is defined as one's confidence in his or her ability to mobilize the motivation, cognitive resources, and courses of action necessary to execute a specific course of action within a given context People who are self-efficacious (self-confident) choose challenging tasks and endeavors, extend motivation and effort to successfully accomplish their goals, and persevere when faced with obstacles. Self-efficacy has substantial research backup as to its positive impact in organizational settings. For example, a study by Luthans (2004) meta-analytic research of 114 studies found that self-efficacy correlates with work-related performance The impact of self efficacy on performance is stronger than many established performance enhancement initiatives such as goal-setting and behavior modification, as well as widely recognized personality traits such as conscientiousness and attitudes such as job satisfaction. Moreover, a research by Bandura (2003) supports the relationship between self-efficacy and desirable attitudinal outcomes such as job satisfaction, organizational commitment, turnover intentions, and perceived organizational effectiveness.

Hope draws from the work of positive psychologist (Snyder and Lopez 2002) as being a motivational state that is based on the interaction between three factors: goals, agency and pathways. People are driven to accomplish their goals by their sense of agency, which provides them with an internalized determination and willpower to invest the energy necessary to achieve their goals. Those with high hope are also motivated by their sense of having the capability to develop ways to get the things they want, which provides them with the ability to generate alternative pathways towards the accomplishment of their goals if the original ones have been blocked. Research has shown that leaders' hope has a significant positive impact on business unit financial performance, employees' job satisfaction, and their retention. In a cross-cultural study, it is found, in a state-owned enterprise, Chinese workers' hope was related to their performance The results of this research suggest the utility of positive psychological capital in contributing to sustainable competitive advantage, (Luthans 2004).

Optimism, an element of psychological capital, was researched and applied by (Seligman 2000) and others. Optimism allows individuals to take credit for favorable events in their lives, boosting their self-esteem and morale. It also allows them to distance themselves from unfavorable life, shielding them from depression, guilt, self-blame, and despair. Unlike hope, optimism has been applied not only to clinical applications, but also in organizational settings. For example, Seligman's (2000) Metropolitan Life Insurance Co. experiments discovered that although agents are selected based on their scores on an industry test, agents who scored in the top half on his optimism measure outsold those who scored in the pessimistic half by 89 percent. Those who scored in the top 10 percent on optimism outsold those who scored in the bottom 10 percent by 88 percent. Next, applicants were given both the industry test and the optimism assessment, (Seligman, 2000) proceeded to hire a "special force" of agents who failed the industry test but scored in the top half on optimism.

He found that agents in the special force sold as much as optimistic agents who passed the Industry test, but outsold pessimistic agents who also passed the industry test by 21 percent in their first year, and by 57 percent in their second year. He also found that among those who passed the industry test, optimists outsold pessimists by 8 percent in the first year, and 31 percent in the second year. Consequently, Met Life incorporated optimism in its selection criteria.

Resiliency is the capacity to bounce back from adversity, uncertainty, failure, or even positive but seemingly overwhelming changes such as increased responsibility. Resiliency allows individual and environmental protective mechanisms to operate through enhancing the assets or reducing the risk factors within individuals or their environment (Conway 2005). However, similar to the previously discussed positive psychological capital dimensions, resiliency does meet the POB criteria. Moreover, recent analyses by organizational scholars suggest that resilient people can thrive and grow through setbacks and difficulties. They bounce back not only to their original but to even higher levels of performance, and find meaning and value in their lives in the process. The three recognized components of such resiliency are: a staunch acceptance of reality; a deep belief, often reinforced by strongly held values, that life is meaningful; and an uncanny ability to improvise and adapt to significant change. These criteria meeting components of positive psychological capital are not intended to be an exhaustive list. There are obviously other possibilities such as happiness, compassion, or even emotional intelligence. However, self-efficacy, confidence, hope, optimism, and resiliency at present best meet the POB criteria and are currently most relevant.

Most important from a psychological capital perspective, they can be most readily managed for competitive advantage (Luthans and Stajkovic, 1997). The most effective approach to developing employees' self-efficacy and confidence is to allow them to experience success, which self efficacy researchers such as Bandura (2003) refer to as mastery experiences. Actual performance attainments boost employees' confidence in their ability to accomplish the specific tasks that their jobs entail. However, in order for employees to experience frequent success that is conducive to their efficacy development, they need to work toward challenging but achievable, concrete, specific, proximal goals. Experiential exercises, on-the-job training, and coaching have been found to contribute to building self-efficacy through guided mastery experiences. Another approach that has been found to enhance self-efficacy is vicarious learning or modeling (Bandura 2003).

In situations when success experiences are unavailable or prohibitively too expensive or too risky to provide (for example, pilot flight training), shadowing a successful mentor or watching a relevant model (similar to the developing employee and dealing with a similar situation) effectively handling a realistic situation has been found to help in building the observer's self-efficacy, (DeVellis et al 1978). Even when actual role models are not available, "imaginable experiences," in which a person can imagine himself succeeding in effectively dealing with difficult situations and challenges, have been found to be effective substitutes, and to enhance self-efficacy. In other words, an imagined successful self can act as one's relevant role model! Other previously discussed approaches that have also been found to enhance self-efficacy are social persuasion, positive feedback, and psychological and physiological health, (Guest, 1996).

1.1.2 Cost Leadership Strategy

Wright and McMahan (1992) considered cost leadership strategy as the pattern of planned human resource deployments and activities intended to enable a firm to achieve its goals. Similarly Wright and Snell (1991) considered cost leadership strategy to be organizational systems designed to achieve sustainable competitive advantage through people. As a process Ulrich and Lake (1991) described cost leadership as a process of linking HR processes to business strategy. Moreover Bamberger and Meshoulam (2000) argued that cost leadership is a competency based approach to personnel management that focuses on development of durable, imperfectly, imitable and non tradable people resources. Considering both processes and outcomes together, Truss and Gratton (1994) defined cost leadership as the linkage of HR functions with strategic goals and organizational objectives to improve business performance and cultivate an organizational culture that fosters innovation and flexibility. However, in the absence of a consistent definition scholars broadly agree that the central feature of cost leadership strategy involves designing and implementing a set of intentionally consistent policies and practices to ensure that human capital contributes to achieving business objectives, Jackson & Schuler (1995).

For an organizational resource to become a core competence and advantage, it needs to be one that competitors can not readily duplicate, for example plant, equipment and technology. Then, when these costly physical resources no longer serve as barriers to entry, non-financial factors enter into the competitive advantage equation. In particular, strategic deficiencies such as lack of vision, short-term approaches to planning and decision making, inadequate resource utilization, complacent or risk-averse leadership, or inappropriate strategic-structural-cultural fit, to name a few, prevents organizations from

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being competitive. Besides high cost and the right strategic initiatives, other recognized sources of competitive advantage are the criteria of being rare and unique, cumulative, interconnected and renewable, Sanchez and Heen (2004).

1.1.3 Differentiation Strategy

Differentiation strategy sets out what the organization intends to do about different aspects of its human resource management policies and practices. They are integrated with the business strategy and each other. Differentiation strategies are described by Dyer and Reeves, 1995) as internally consistent bundles of human practices that provide a framework of critical ends and means. The degree to which differentiation may be considered a strategy is determined by the various factors involved. This study summarizes the factors based on previous works as follows: First Truss, 1994) suggested human resource professionals play an important part in strategy formulation since they develop policies and procedures to match the business strategy, and thus directly influence the development of the business. Additionally they may bring critical resources to enhance the departmental ability to implement human resource practices.

Second, strategically impacting firm performance requires aligning the human resource system (internal fit) with the operating and strategic goals (external fit). This alignment should establish a closer relationship between human resource and other functions. Third, the specific and formal requirements of human resource management planning and the extent of line manager participation in differentiation activities are potential influences on human resource management strategy implementation. These policies and strategies on the relationship between people oriented capital and competitive advantage is important in the fields of human resource management (Boudreau, 1991). An increasing body of research supports the argument that there should be use of high-performance work practices including comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems and extensive employee involvement and training. This can improve knowledge, skills, and abilities to firm's current and potential employees. It can also increase their motivation and enhance retention of quality employees while encouraging non performers to leave the firm (Wright, 1998)

Schular and Pawan, Budnwar and Florkwski, 2002) draws together and summarizes the large number of studies that are based on Porters (1998) generic strategic framework These are cost leadership, differentiation and focus. Lee, 1996 agrees with Porters (1990) generic strategic framework that for an organization to have a proper strategy it must concentrate on cost leadership which means explicit job descriptions that leave little room for ambiguity. It should design jobs and career paths to encourage specialized development of expertise and efficiency. Differentiation strategy also concentrates on administering results oriented appraisals focused on performance in the short term and closely monitoring pay comparisons and externally deciding pay awards. It also focuses on minimal levels of training and development and emphasizes on job specifications and skills Use of performance appraisal as a control device is the focus of cost leadership (Truss and Gratton, 1994).

Porters (1990) differentiation strategies emphasizes innovation and flexibility, broad job classes and loose work planning that has to be accompanied with external recruitment and team based training. It also emphasizes individual based pay and use of performance appraisal as a developmental tool. Differentiation strategy aims to promote behaviors by relatively having fixed and explicit job descriptions and high levels of employee participation in decisions relevant to immediate work conditions and to the job itself. It encourages a mix of individual and group criteria in performance appraisal with a mostly short-term and results-oriented focus. It also provides some guarantees of employment security and exclusive continuous training and development. Focus is a combination of overall cost leadership and differentiation and is directed at a more narrowly defined target audience or market segment. It creates a niche strategy that avoids competition with others (Porter 1990).

1.1.4 Competitive Advantage

Competitive advantage denotes a firm's ability to achieve market superiority (Evans and Lindsay, 2005). This concept is the core for strategic management as every organization searches for a vantage point that could deliver competitive edge against the rivals. One way of gaining competitive advantage over rivals has been identified as achieving a better cost advantage. Product differentiation the needs and wants of customers must be entrenched in the business process to ensure competitive advantage (Porter, 1985). The sources of competitive advantage are derived from resources that are difficult for competitors to imitate, because they are beyond their financial or strategic means, or because they are specific to or tightly intertwined with the organization's history, culture, structure, and processes. These criteria exclude many of the traditional sources of competitive advantage. For example, Quinines et al. (1995) posits, that fundamental strategies that solely revolve around accumulating short-term financial resources ignore the long-term impact on various stakeholders.

Financial gain from questionable and illegal practices can in no way replace lost trust from employees, customers, and shareholders. They can never undo the damage to corporate image, reputation, and competitive position. Likewise, structural capital, which includes physical resources as well as organizational resources such as systems, procedures, management decision-making models and techniques, has also lent itself to copying and imitation. Sometimes these imitations have been legitimately flown under the flag of "benchmarking," but too often through half-baked strategies. Information technology, which until recently has been the primary source of competitive advantage, is now readily available at exponentially decreasing costs. It is currently viewed as leveling the playing field, equipping all competitors with the same technological capacities to build upon. Outcomes of cutting-edge technology can be reverse-engineered, and within months, sometimes weeks, an organization can flood the market with products that are identical or even better than those introduced by its competitors at a lower price (Montegomery, 1979).

1.1.5 International Standards Organizations Certified Firms in Kenya

The increasing relevance of management strategy, organization competence on the relationship between people oriented capital and competitive advantage in Kenya presents unparalleled opportunities, innovation and strategies for the nation. In Kenya management of people is increasingly being adopted in many industries. In organizations people management is today widely used by firms that are leveraging their human resource assets for economic gain and effective management. Extensive use of human resources is now widely accepted by various firms and there has been a comprehensive human resource management policy in form of registration, regulations and guidelines covering for, instance, labor laws, terms and conditions of employment.

Kenya as a nation has continued to suffer human loss through brain drain to the developed world largely as a result of real and perceived higher returns in those countries (East African Regional Consultative Exercise 2004). It is ironical to note that Africa imports 100,000 international experts who do not deliver annually, and build capacities in a whole range of fields even after it looses more than 30,000 professionals to the developed countries (East African Regional Consultative Exercise, 2004).There are various bodies in Kenya that offer International Standards Organization certificates. Bureau Veritaus is one of the bodies that offer quality certifications. The other one is Kenya Bureau of Standards which is a government body that is owned and run by the Government of Kenya. By 2010, one hundred and ten (110) organizations had received ISO certificates. Kenya Bureau of Standards has over the years developed the necessary expertise to train the industry in areas of certification. Certification is a term used when a third party gives written assurance that a product, service, system, process or material conforms to specific requirements. It is based on excellent performance of the products and is superior to all quality marks. The ISO certified firms have been selected because they heavily focus their attention on the quality of health and health products, food items, construction industry and other various consumable goods (The Benchmark, Issue 2 April, 2009).

The Kenya Bureau of Standards and Bureau Veritaus is focused on the harmonization and alignment of standards at the national, regional and international level with a target of expanding their markets by ensuring market access of Kenyan products into the global arena.

The standards also assure access to a wealth of information and knowledge and help to breakdown trade barriers between developed and developing countries, Chabeda (2009).They create a level playing ground for manufacturers and provide reliability, responsibility and openness for customers. Clearly international standards results to increased economic activities and a rules-based global business environment and they act as facilitators for realizing the United Nations Millennium development goals. It provides practical instruments to enable scientists and players focus on environmental labeling management and communication. Certification and standardization are helpful tools and are important in guiding decisions and actions of governments and their agents in the creation and preservation of public goods such as safety, security, energy and environmental quality. This study therefore intends to find out if Kenyan firms certified by International Standards Organization are concerned with quality of people working in organizations for competitive advantage and determine whether cost leadership and differentiation strategy has any moderating effect.

1.2 Research Problem

Human resource management scholars and practitioners have put a lot of emphasis on the knowledge, skills and experiences that employees bring to the workplace. In social capital, organizations exploit networks to increase their economic value and gain competitive age. Psychological capital relates to employees attitudes and beliefs, which can be positive or negative. People oriented capital is a necessary but not a sufficient condition for competitiveness. Another essential condition is business strategy which in this study, consists of cost leadership and differentiation. These two generic strategies are critical in an organizations performance. They are complementary to people oriented capital

ISO certified firms operate within a system of well –established quality standards. In this respect, they operate from a similar platform. This implies that differences in their competitiveness may be largely due to differences in people oriented capital and business strategy. However it appears from the available literature that no study has been done linking people –oriented capital and business strategy in ISO certified firms in and outside Kenya.

Studies have been done in various countries linking competitive advantage to either human capital or social capital or psychological capital. Study done in Singapore by Khatri (2000) found that human capital had a significant effect on competitive advantage of the surveyed firms. Tian (2011) established a significant positive correlation between social capital and competitive advantage. Similar study by Luthans and Jensen (2006) found that psychological capital had a strong effect on competitive advantage The above studies, however, did not consider factors that influence the relationship between people oriented capital and organizational competitiveness. In particular, the previous studies did not address the role of cost leadership and differentiation strategies on the relationship between people oriented capital and competitive advantage. This is one of the gaps that the present study addressed.

Furthermore, previous studies focused on the link between competitive advantage and either human capital or social capital or psychological capital independently. This approach missed on a possible change in competitive advantage due to interaction effect among the variables. The same approach characterized studies on the effect of business strategy on competitive advantage. The current study addressed these issues by testing hypothesis on the joint effect of people oriented capital and generic business strategies on competitive advantage.

To address the knowledge gaps identified above ,the study answered the following broad research question: what is the relationship between people oriented capital and competitive advantage and how do cost leadership and differentiation strategies influence the relationship between people oriented capital and competitive advantage of Kenyan firms certified by International Standards Organization?

1.3 Research Objectives

The general objective of the study was to investigate the influence of human resource management strategy on the relationship between people oriented capital and competitive advantage of ISO certified firms in Kenya. The study was guided by the following specific objectives:

i) To assess the effect of human capital on competitive advantage of Kenyan ISO certified firms.

ii) To establish the effect of social capital on competitive advantage of Kenyan ISO certified firms.

iii) To determine the effect of psychological capital on competitive advantage of Kenyan ISO certified firms.

iv) To determine the effect of people oriented capital on competitive Advantage of Kenyan ISO certified firms

V) To establish the moderating effect of Cost Leadership strategy on the Relationship between People oriented capital and competitive advantage of Kenyan ISO certified firms.

vi) To determine the moderating effect of Differentiation strategy on the relationship Between people oriented capital and competitive advantage of ISO certified firms.

1.4 Value of the Study

The emerging literature on Human. Social and Psychological capital shows that appropriate people management is critical basis for a competitive advantage in organizations. Organizations need effective Human, Social and Psychological capital management strategies in order to conduct their core business profitably. In other words, dedicated effort to harness human. social and psychological capital is important for competitive advantage. Organizations should therefore put effort in people management and business strategy to enhance competitive advantage. It is also evident that there is a relationship between people oriented capital and competitive advantage. Managers will benefit from this study because they need to understand new forms of best practice in managing people so that they can manage and harness human, social and positive psychological capital to enhance their firm's competitiveness in human, social and positive psychological capital will increasingly be driven by the capabilities of organizations to manage them. A key objective of human, social and positive psychological capital management is to achieve higher levels of organizational effectiveness, efficiency and competitiveness. So the current study objectives have made significant contribution to the importance of human, social and psychological capital in relation to generic business strategies and their effect on competitiveness.

Secondly it is important for policymakers to learn the most important type of human, social and psychological capital techniques that work in the Kenyan context so that they can make sound policies. This study by addressing the linkage between human, social and psychological capital as well as generic competitive strategies in Kenyan organizations goes along way in providing information to policymakers in developing nations. Thirdly, this study by extending previous research on human, social and positive psychological capital and competitiveness to the Kenyan context has laid down the groundwork for other similar studies in developing countries.

The findings of this study have made a significant contribution to the understanding of theory informing people oriented capital and competitive advantage as well as Human Resource Management strategy and competitive advantage. Recommendations for further research are presented at the end of the study.

1.5 Organization of the Study

The study is presented in five chapters: Introduction, Literature Review, and Research Methodology; Data Analysis and Results, Conclusions, Interpretation and Recommendations. Chapter one, as the introductory chapter gives a brief overview of the literature pertinent to the various components of the conceptual framework that informed the study. This section gives the background to the study by exploring the basic aspects underlying the main themes of this research. In addition, the chapter identifies the research problem and outlines the objectives of the study. Finally, the value of the study is presented at the end of this chapter.

An extensive review of the empirical and theoretical literature that underlie major components of the study is presented in chapter two. A substantive review of each of the key variables is presented including background, goals and objectives, concepts, processes, techniques, tools and methods. A review of the empirical and theoretical literature pertaining to the relationship between knowledge management strategy, competency and competitiveness is also examined. An evaluation of the literature and future directions in research follows and a conceptual framework is developed from the foregoing discussion leading to six hypotheses that were derived from the conceptual framework

Chapter three lays out the research methodology that was used to execute this study. The various stages of research design, study population, census survey, data collection techniques, operationalization of the study variables, the data collection instrument, data analysis procedures and techniques are explained in detail. Data analysis and research results are contained in chapter four. The demographics and personal characteristics of the respondents are examined and tests of hypotheses carried out using correlation and regression techniques, tests for reliability and validity are done. The results of the tests of hypotheses and their interpretations are explained. The conclusions, interpretation and recommendations are given in chapter five. There is also a discussion on the implications and contributions of the findings for theory, practice and policy. The study limitations, suggestions and recommends and opportunities for further research are identified and explained

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews selected theoretical and empirical literature over the key study variables with the aim of highlighting the study research gaps. The chapter examines the literature on the human resource management strategy, people oriented capital and competitive advantage. A summary outlining research gaps warranting the conduct of the study is also presented. Finally, the study conceptual frame work and hypotheses are presented

2.2 Theoretical Foundation

Scholars in the field of strategic human resource management have generally focused on the pattern of planned human resource deployments and other activities that are intended to enable the firm achieve its goals. Wright and Snell (1998) in their contribution to strategic human resource management focused on two concepts- fit and flexibility. They suggested the relationships between the concepts of fit and flexibility from strategic Human Resource Management perspective and looked at it from orthogonal view and complementary view. Orthogonal view suggests that the two concepts cannot exist simultaneously and that they are opposite ends of the same continuum. Lengnick-Hall (1998:460) in his research shows that achieving fit is not always desirable, and focus on maximizing fit can be counter productive especially for firms operating in competitive environments.

The complementary view proposes that the two variables are independent of one another but are nevertheless essential for organizational effectiveness since the strategic management challenge is about coping with change by continually adapting to achieve a fit between a firm and its external environment (Miles and Snow 1978).The human resource management strategy has considered the concept of fit in human resource management strategy and advanced three generic conceptual variables to explain what needs to be fitted. These are HRM practices, Employee skills, and employee behaviors. A firm's strategy (defender, prospector, or analyzer) influences the choice of HRM practices. However, different firm strategies require different role behaviors from their employees. Therefore firms choose HRM practices based on their ability to elicit their behaviors required to implement a chosen strategy (Wright and Snell, 1991).

Different strategy requires different people/skills/competencies for effective performance. This is strategy-employee skills fit. Scholars have advocated fit between firm's strategy and skills or characteristics of various employees (Schuler, 1992). In the same vain researchers have empirically demonstrated the association between managerial characteristics and various types of strategies across human capital pool (Wright and Sherman, 1998). Strategy employee behavior fit or different strategies call for different role behaviors from employees. Some HRM scholars have called for fit between a firm's strategy and the types of behaviors exhibited by employees (Schuler and Jackson, 1987).

Wright and Snell (1998) have illustrated the concept of fit and flexibility consistent with the themes of HRMS. The model has two halves, the top half representing the fit aspects That is HRM practices, employee skills and employee behaviors to the immediate competitive needs of the firm as dictated by the strategy. The lower half illustrates the flexibility component which focuses on developing organizational capability, to respond to a variety of competitive needs other than those dictated by the current strategy.

The above model depicts a process where the firm's strategy dictates the required skills and behaviors as perceived by the top managers or those HR managers who are seeking to implement the strategy It also shows how strategic HRM promotes organizational fit and these explanations are derived heavily from the works of Schuler and Jackson (1987), Wright and McMahan (1992), Truss and Gratton (1994) strategy formulation process. Recent theoretical works on business strategy have indicated that firm competitive advantage could be generated from firm human resources (HR). According to the resource based view (Barney, 1991); the firm could develop sustained competitive advantage through creating value in a manner that is rare and difficult for competitors to imitate.

Traditional sources of competitive advantage such as natural resources, technology and economics of scale have become increasingly easy to imitate. They are invisible asset that creates value when it is embedded in the operational system in a manner that enhances ability to deal with a turbulent environment. Other theories have viewed strategic human resource management in different perspectives that are applicable and explain human resource management and competitive advantage and are explained below These theories are used to support the current study.

2.2.1 Universalistic Perspective

The universalistic scholars considered HRMS to positively influence firm performance (Martell and Carroll, 1995). They assumed that HRMS could help firms improve their human resources cost benefits, promote operating efficiency, increase innovation and revolution ability, and increase organizational performance benefits (Dyer and Reeves1995). The most influential best practice set is associated with 16 practices of Pfeffer (1994). He recently summarized these best practices into seven practices including security, selective hiring, self managed teams, provision of high pay contingent on company performance, extensive training, reduction of status differences and sharing information. Besides, Cook and Ferris (1993) asserted that HRMS is an efficient function that copes with environmental changes. Guest and Cornwall (2002) indicated that HRMS directly and indirectly benefits companies because it changes passivity into initiative, transmits organizational goals clearly and encourages the involvement of line-managers. Truss and Gratton (1994) argued that HRMS positively influences firm performance because it generates structural cohesion, and employee generated synergy that propels a company forward, enabling the firm to respond to its environment while still moving forward

Cook and Ferris (1986) investigated the HRMS practices of firms in declining industries and found that most high performance firms adopted HRMS measures. Huselid (1996) found a positive relationship between better HRM practices and firm financial performance.

This study is anchored on universalistic perspective but has failed to support the findings of the study that human resource management strategy has an effect on the relationship between people oriented capital and competitive advantage.

2.2.2 Contingency Perspective

In contrast with universalistic thinking, contingency scholars argue that HR strategy would be more effective only when appropriately integrated with a specific organizational and environmental context. Additionally, contingency arguments are more complex than universalistic arguments because they imply interactions rather than the simple linear relationships involved in the universalistic perspective (Legnick-Hall, and Legnick Hall, 1988). The contingency perspective argues that the relationship between the independent and dependent variables differs when the contingency variable is added, and most studies are concerned with the meaning of internal and external fit and with how to achieve them, such as the fitness of HR practices and various organizational and environmental factors.

For example some scholars have attempted to demonstrate how certain HR practices are consistent with different strategic positions and how these practices relate to firm performance (Schuler and Jackson, and Demarie, 1987). Moreover, other scholars have examined the effects of person-environment fit (Lado and Wilson1994), executive controls and local environment, unions, resource dependency and integration, administrative heritage and competency.

2.2.3 Configurational Perspective

Configurational theories are holistic and are based on typologies of ideal types and they explicitly adopt a systems assumption of "equifinality" (Sheppeck, 1998). In order to be effective an organization must develop an HR system that achieves both a vertical and a horizontal fit. Horizontal fit refers internal consistency of the organization, HR policies and practices. While vertical fit refers to the congruence of HR systems with other organizational characteristics such as firm strategy and an ideal configuration would be one with the highest degree of horizontal fit. This configuration represents non-linear synergistic effects and higher order interactions that cannot be represented with traditional contingency theories (Schuler, 1989). They incorporate the assumption unique configurations of the relevant factors that can result in maximal performance (Mueller, 1993).The configuration are assumed to be ideal types that are theoretical constructs rather than empirically observed phenomenon (Sheppeck,1998). Configuration theorists must device internally consistent configurations of HR practices or employment systems that maximize horizontal fit and link these employment systems to alternative strategic configurations to maximize the vertical fit. In this study the configurations are equivalent to people oriented capital best practices and cost leadership and differentiation strategies and competitive advantage that are the major variables of the study

2.3 People Oriented Capital and Competitive Advantage

A major way of gaining competitive advantage is focusing on human resources and meeting their human, social, and psychological capital needs. The developments discussed in the above sections present a strong argument that resources may no longer qualify as ideal sources of sustainable competitive advantage. This may come as unpleasant news for practicing managers, since these resources easily lent themselves to objective measurement and evaluation criteria. With inputs and outputs assessed using a common financial denominator, it is possible to compare alternative investments, monitor results, and objectively assess the impact of various initiatives and programs (Burt, and Ronald 1992) However, once the human factor is introduced into the competitive equation, many of the long-held assumptions get challenged.

Organizations with similar traditional resources have transformed themselves for better Compared to the traditional, physical, structural and financial resources, human resources are more inimitable by competitors. As Pfeffer (2004) pointed out, today's organizations need to close the gap through the recognition and management of human, social and psychological capital for competitive advantage. When a firm earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, then the firm has a competitive advantage in that market (Porter, 1980).

The source of this competitive advantage is an evolving strategy that cannot be easily duplicated by competitors. Pitelis (2002) contends that human and in particular managerial resources are of essence because expansion (firm growth) requires planning and managerial resources. She goes on to argue that these inimitable resources form a "cohesive shell of the firm" which in turn helps to create competitiveness.

Because this competitiveness is firm specific and cannot therefore be easily acquired into the marketplace, it offers distinct competitive differentiation renewable resources of competitive advantage, skills and capabilities (Burt, Ronald 1992). This view is reemphasized by Grant by arguing that the enterprise competitiveness base is quickly becoming the only sustainable competitive advantage. Seligman, (2000) posits that the crucial importance of distinctive competence and leadership fits with studies on firm's internal strengths and managerial capabilities. Penrose (1959) explained that growth and diversification is due to inherited resources for example, managerial capabilities of a firm (resource-based view).This were complemented by Chandlers (1962) findings on firm competitive advantage. Schuler and Jackson,(1987) focused on strategic decisions defined as decisions on what kind of business the firm should seek to be in and was more explicitly interesting understanding what was meant by "strategy" and took great care to develop his ideas. Andrew (1977) popularized a framework for strategic planning known as SWOT, an acronym for strengths, weaknesses, opportunities and threats and has since influenced both practice and research in the field of strategic management. It is however Pennings et al (1998) who is credited with originating the resource-based and knowledge-based theories of the firm. Her broad conceptualization of the knowledge set of the firm includes everything that resource-based theorists would consider except physical resources.

A core competency is something that a firm can do well and that meets the three conditions of providing customer benefits, difficult for competitors to imitate and can be leveraged widely to many products and markets, (Hieleki 2008). Positive psychological capital meets the established criteria of competitive advantage across the board. Positive psychological capital requires a transformed organizational ideology that views employees through a positive lens as confident, hopeful, optimistic and resilient. Importantly, this unique, largely untapped psychological capital can be developed and managed toward long-term success and competitiveness. Recognition of this new form of capital does not negate the traditional, human and social capital needs, but does require long-term commitment to a new vision, and a different strategic orientation.

To gain competitive advantage, every organization needs to adapt its psychological capital development and management approaches to its own situation and realities, making it unique and organization-specific. For example, Luthans and Holmes (2004) views self-efficacy as a domain-specific psychological capacity. New employees who may have been self-efficacious in their previous jobs will not necessarily be confident in their new jobs, unless proactive developmental efforts are extended on the part of themselves and their managers and peers to enhance their self-efficacy in their new job. Moreover, organizations that operate in turbulent or uncertain industries are likely to benefit more from using risk- and process-focused strategies to buffer the impact of change on their employees' resiliency than those operating in stable industries.

Many people bring considerable psychological baggage from life experiences with them to the workplace. Also, events that are currently occurring in an employee's social environment continuously shape their confidence, hope, optimism, and resiliency. Organizations should view psychological and social dynamics as a tremendous opportunity that, unlike their common resistance to structural changes, employees are flexible to positive psychological change and renewal. Once a new organizational and management ideology focused on positive psychological capital is established, and employees gain trust that their managers truly perceive them as the most important asset, a positive spiral is likely to develop, paving the road for a measurable return on the psychological capital and resulting competitive advantage.

Human resources are critical to sustainable competitive advantage in today's global economy (Thomson and Wheeler, 2004). The dimensions of the human factor are gradually lending themselves to more objective measurement and cost/benefit, investment analysis There are now enough examples that have started off or revive themselves to go through constant or revolutionary changes, and flourish through the development and management of their human, social and positive psychological capital, using practically applicable management approaches. (Pfeffer, 2004).The time has arrived for organizational decision making and human resource management to go through a transformation. Rousseau (1996) expresses that there is a need to move away from only narrow, selection-oriented techniques, primarily tailored to shield organizations against discrimination-related litigation, and toward developmental approaches that can consistently enhance performance over time.

The predominantly negative theories that we hold about human behavior and motivation in organizations need to give way to positively-oriented strength-based management that focuses on developing human, social and psychological capital to achieve their full potential. In order to develop managers and employees competitive advantage components of psychological capital need to be enriched. According to Herriot (1994) Positive psychological capital management in particular can effectively channel people's talents, strengths and psychological capacities towards achieving worthwhile productive, ethical sustainable outcomes and result in competitive advantage. The value of people oriented capital and human resource management strategy is to facilitate organizational competitiveness. Harvey and Drolet (1994) agrees that given organizations exist for the primary purpose of optimizing outcomes through performance whose engine is employees, human resource management has been profiled as the most important organizational factor. This means HRM is the center of organizational competitiveness.

For an organization to operate effectively it must have an absolute capacity to organize itself to achieve its mission effectively and efficiently. This requires competitive structures of management among others. Baanante et al (1993) argues that organizations require staff that would implement and manipulate systems to achieve the objectives of the organization. An organization can be said to be competitive if it has adequate resource capability to acquire and manage human resources. To acquire these resources, there is a need to use various organizational processes such as matching selection processes (Pfeffer. 1994) among others. Armstrong,(2001),agrees with Pfeffer that human resource management has been classified into Universalists and contextualists and argues that there exist some HRM practices that are universal by nature and which would position the organization against its competitors, give the practicing organization a competitive advantage as well as enhance its productivity and profitability irrespective of context

Pfeffer (2001) identified HRM practices that include employment security, selective recruitment, commensurate remuneration, acknowledgement through incentives, giving employees opportunity to own stock, information sharing, teamwork, lateral training, promotion from within, strategizing, appraisal systems and overarching philosophy. These practices and programs are crucial in organizational performance hence leading to competitive advantage

2.4 Cost leadership, differentiation strategies and Competitive Advantage

Lengnick (1985) proposed a reciprocal relationship between competitive strategy and cost leadership and differentiation strategies, in that if competitive strategy dictates the demand for skilled employees, coast leadership and differentiation strategies determine organizational readiness. In so doing human resource strategy both affects and is affected by organizational strategy. Schuler (1992) proposed the 5p model; linking strategic business needs with strategic human resource management activities. The 5ps stand for human resource philosophy, human resource policies, human resource programs, human resource practices, and human resource processes. The 5ps human resource management strategy model consists of all activities affecting the behavior of individuals in their efforts to formulate and implement the strategic needs of the business. Successful efforts at strategic human resource management begin with the identification of strategic business needs. If these needs are important to the success of the business and if human resource management strategy can be instrumental in meeting these needs then these needs must be systematically analyzed for their impact on HRM activities.

Moreover, job security is still another indispensable organizational best practice for world-class performance. Job security creates a stable organizational culture that is more conducive to the requisite long-term perspective for tacit knowledge development. It contributes to the creation and maintenance of effective psychological contracts based on trust, commitment and organizational citizenship. (Mehra 2001). On the whole, previous studies agree that cost leadership and differentiation strategies moderates between people oriented capital and competitive advantage. (Brown 2007). Russel, Coff and Krysevuski (2011) strongly support this by citing that proper business strategies must be recognized for an organizational competitiveness.

2.5 Human Capital and Competitive Advantage

This has been shown to result in employee engagement and satisfaction, with well documented positive impact on customer satisfaction, increased productivity and profits, and reduced employee turnover and accidents. Other key selection criteria for tapping and enhancing the tacit knowledge capabilities of human capital may include willingness and ability to continuously learn, desire for participation and involvement, and person-organization cultural fit (Huselid and Jackson,1997). For example, Southwest Airlines is known to hire for attitudes, and train for skills.

There is no doubt that widely used external training has its advantages. Many organizations resort to sending their executives and employees to outside specialized training programs, or hire renowned subject-matter experts and training consultants, in order to benefit from their expertise without having to incur the prohibitive costs of keeping training specialists on staff (Luthans and Youssef, 2004). For example, the big pharmaceutical Pfizer Inc in New York has training on every level from self-paced courses to study at Harvard University, and an on-site master's degree program. Added to that are the new perspectives that trainees gain from a dive rsified training portfolio.

However, the decision to outsource training is a strategic, rather than an operational one. Pepffer and Luthans (2004) argue that organizations should strike a balance between internal, customized training, and external, generic programs. Similar to education, generic training programs are not unique, and thus are easily imitable. On the other hand, internally tailored coaching and mentoring are more likely to develop the tacit knowledge of human capital and result in more long-term effectiveness and competitiveness (Quinones 1995).

However, one of the primary reservations regarding outsiders is their lack of tacit knowledge. Pepffer and Luthans (2004) argue that tacit knowledge cannot be outsourced. Youssef and Pepffer (2004) supports this argument by saying that it is built only through time, tenure, and organization-specific developmental efforts, which are most often unique to insiders. Collins (1997) posits that many organizations fall into the trap of assuming that tacit knowledge is given for anyone who "has been around long enough," and therefore invest minimal resources in developing their managers' and employees' tacit knowledge. This is a misconception that can destroy tacit knowledge, because it allows for discrepancies and conflicting perceptions among organizational members regarding the dynamics of the organization. On the other hand, building tacit knowledge requires a committed, proactive role on the part of the organization, to create the necessary quantity and quality of exposure. Das (2000) suggests that to make tacit knowledge competitive, it is important to discover new techniques for eliciting the knowledge that exists. Research in the area of employee socialization supports this idea.

It has been shown that socialization is a multidimensional construct that includes performance proficiency, politics, language, people, organizational goals/ values, and history, that is tacit knowledge. Furthermore, research indicates that these tacit knowledge dimensions better predict performance and attitudinal outcomes over time than traditional, tenure-related operationalization of socialization (Abel and Oxbrow 2001). One of the practical approaches to developing tacit knowledge is job rotation, effectively used at firms such as GE Insurance or State Farm, where employees spend sufficient amount of time with each department to gain exposure and formulate an overall perspective of the organization.

2.6 Social Capital and Competitive Advantage

In order to effectively manage social capital, organizations need to establish and maintain the structures and processes necessary for networks, norms and trust to develop over time. Such factors of social capital management include open communication channels; cross functional works teams, work life balance programs and positive psychological 332capital Trust develops over time, through repeated encounters and interactions. Open communication becomes a key to the development of trust. Clearly communicated organizational vision and objectives ensure consistency and allow for best practices such as participation and involvement to materialize (Myerson1994). Leadership transparency enhances perceptions of authenticity, enabling leaders to draw the support and buy-in that are crucial for guiding their units to accomplish their targets and goals.

An organizational culture of openness enhances accountability, and reinforces responsible, ethical decision making. In addition, communication-oriented best practices, such as positive feedback and social recognition, have been shown through repeated research to enhance employee performance. Studies by Luthans (2004) have shown that feedback can enhance performance on average by ten percent, and that social recognition can enhance performance on average by seventeen percent. Feedback enhances performance through clarifying tasks and expectations. On the other hand, social reinforcement enhances psychological contracts and trust relationships. In comparison to costly perks and monetary rewards, feedback and recognition are readily available for managers to use at no cost, yet they are often ignored as reinforcers. Moreover, feedback and recognition are beneficial, even for high-paying organizations that believe they are motivating their managers and employees with monetary rewards.

When combined with contingent monetary reinforcement, feedback and recognition increased performance by forty five percent, in comparison to money alone, which increased performance by "only" twenty three percent! Often times, functional departments can become too specialized and isolated from the rest of the organization. Cross-functional work teams can provide a platform for cross-organizational communication, resulting in more integrated and strategically aligned organizational cultures, products and services. Diversified viewpoints allow for respect, appreciation and confidence to develop across departments and work units, which in turn reduces the perceived risks and increases the perceived benefits of cross-unit networking and collaboration. (Burt, 2000).

Organizational members draw their social capital from multiple sources. These sources are not limited by organizational boundaries. Involvement in relationships with family, friends and nonprofit organizations, can also enhance social capital. Firms that offer outside activities in turn can impact on job performance, both directly through created connections and contacts, and indirectly through enriched social support and enhanced psychological well-being. (Coleman 1995) leading to life satisfaction and job satisfaction. Moreover, job satisfaction in turn is related to performance and competitive advantage. In fact the correlation between job satisfaction and performance has recently been found to be respectable. These relationships imply that organizational actions that emphasize employees' quality of life both inside and outside the workplace and take actions to prevent intrusions on their personal time are sound business decisions, (Burt 2005). For example, at Pricewaterhouse Coopers, the hectic 24/7 demands that have become the norm in the consulting services sector have driven many trainees to leave before the company's investment in them has even started to materialize into any profits, which the firm estimates takes at least four years. In response to this dilemma, Pricewaterhouse Coopers offered its trainees sabbaticals that can be used as time off for dependents, enhanced maternity leave, paternity leave, travel, or voluntary work time.

In addition, the company also offers other work life balance approaches such as job sharing, part-time and flexible work arrangements, and career management services (Burt 2005). On the contrary previous studies by (Saed , Narges , and Motarassel, (2012) on the impact of intellectual capital, social capital and psychological capital and competitive advantage of motor vehicle industry in Tehran Stock Exchange (TSE), the study showed a positive relationship between social capital and competitive advantage.

2.7 Psychological Capital and Competitive Advantage

Competitive advantage is an organizations ability to achieve market superiority (Aaker 1998), so that in the long run, a sustained competitive advantage will provide above average organization performance. People with positive psychological attributes can learn from failure and grow through life's challenges (Luthans and Youssef 2004) Luthans and Jensen (2006) used 76 respondents and examined the relationship between psychological capital and competitive advantage. Results indicate empirical support for this relationship Moreover psychological capital mediates organizational climate and employee outcomes (Luthans, Norman, Avolio (2008).

The mediating role of Psychological Capital in the supportive organizational climate-employee performance relationship is evidence in their studies Further studies indicate a potentially unlimited competitive resource and the conclusion is an evidence of a relationship between psychological capital and competitive advantage (Luthans, Avey, Clapp-Smith and Li (2008). Three approaches that have been offered by Snyder and Lopez (2002) for developing people's optimism for example are particularly applicable to positive psychological capital development in today's work place. The first approach is "leniency for the past." Managers and employees should learn to reframe and accept their past failures and setbacks, give themselves the benefit of the doubt, and forgive themselves for mistakes that they can no longer reverse.

The second approach is appreciation for the present that is thankfulness and contentment about the positive sides of their current life, including the things that they can control and those they cannot. The third approach is opportunity-seeking for the future, in which the future and the uncertainties it holds are viewed as opportunities for growth and advancement, and are embraced with a positive, welcoming, and confident attitude. The ideal type of optimism that should be developed in managers and employees is realistic and flexible. Unlike undiscriminating optimism which may lead to irresponsible behavior, realistic optimism does not take an extreme in externalizing and eliminating personal responsibility for poor choices. Moreover, according to Sparrow et al (1996) flexible optimism allows people to be able to use various explanatory styles, both optimistic and pessimistic, and to adapt their style to the situation at hand. For example, a safety engineer may need to be able to adopt a pessimistic explanatory style on setting up a procedure for operating a dangerous piece of equipment, but an optimistic explanatory style in a staff meeting with the operations department.

In order to develop resiliency, Weick and Karl (1997) states that organizations can adapt the three strategies recommended by Coleman (1998) which are asset-focused, risk-focused, and process-focused. Risk-focused strategies concentrate on reducing the risks and stressors that can increase the probability of undesired outcomes. For example, organizations provide healthcare benefits, wellness programs and employee assistance programs in order to reduce the probability of physical and psychological risks such as health problems, stress, burnout, and alcohol and drug abuse. In production and construction settings elaborate safety regulations aimed at reducing the chances of accidents and injuries are set up. However, since no organization can shield its employees from all the possible risk factors that they might encounter throughout their personal and work lives, asset-focused strategies emphasize and enhance resources that increase the probability of positive outcomes despite the presence of risks. For example, the development of human, social and positive psychological capital of managers and employees can better equip them to deal with setbacks, both at the personal and at the organizational levels. Effective leadership and adequate resources can also mitigate the impact of adversities.

Psychological capital, process-focused strategies involve the mobilization of the power of the adaptation systems necessary for the utilization of one's inventory of assets to manage emerging risk factors. For example, strategic planning and organizational learning can enhance an organization's preparedness to deal with crises through effectively capitalizing on its material and human resources to flexibly and swiftly adapt to new realities. Luthans, Avollo, Walumbwa, and Li (2005) concur with the above statement by concluding in their studies that there is a strong relationship between psychological capital (hope, optimism, resilience) and performance by exploring Chinese

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workers. Toor and Ofori (2010) also adds that Positive psychological capital as a source of sustainable competitive advantage of organizations particularly in engineering and management. has gained prominence as an important construct in human resource management comprising of self efficacy, hope, optimism, resiliency among others, which is considered vital aspects of competitive advantage .

2.8 People Oriented Capital, cost leadership, differentiation Strategy and Competitive Advantage

For an organizational resource to become a core competence and advantage, it needs to be one that competitors can not readily duplicate, for example plant, equipment and technology. In addition, strategies such as realistic vision, short-term approaches to planning and decision making, adequate resource utilization, complacent or risk-averse leadership. and appropriate strategic-structural-cultural fit, to name a few, enhances an organizations competitiveness. Besides, the right strategic initiatives that are rare and unique, cumulative, interconnected, and renewable are recognized sources of competitive advantage Sources of competitive advantage are interconnected. Each component is part of a synergistic whole and the ingredients of competitive advantage are renewable. An organization should be able to replenish these ingredients faster than they are eroded in order for it to sustain its competitive edge (Luthans, and Holmes 2004).People are a very important element of human resource management. It encompasses human capital, social capital and psychological capital. Kaplan and Norton (2004) identified people oriented capital as one of the intangible assets essential for implementing any strategy. Luthans and Youssef (2004) concur with them by saying that employees should have the right kind and level of competencies to perform the critical internal processes of strategy.

The above includes the skills, talents, knowledge, experiences and attitudes that a company's employees possess. The first step in establishing firm foundation for people oriented capital is estimating Human Capital readiness to identify positions in which employees with the right skills, talent and knowledge have the biggest impact in enhancing the organizations critical internal processes. The next step is to pinpoint the next set of specific competencies to perform each of those strategic jobs.

The difference between the requirements needed to carry out these jobs effectively and the company's current capabilities represents a competency gap that measures an organizational Human Capital readiness.

A good strategy is one which actually makes people feel valued. It makes them knowledgeable about the organization and makes them feel clear about where they sit as a group, or team, or individuals. It must show them how and what they do either together or individually fits into that strategy. Importantly it should indicate how people are going to be rewarded for their contribution and how they might be developed and grow in the organization (Armstrong 2006). Hence according to Khatri (2000) the management of human, social and psychological capital is an important factor in the attainment of competitive advantage. Human resource management strategy may play an important part in the relationship between people oriented capital and competitive advantage and should be studied to ascertain its relationship.

Table 2.1: Summary of Literature and Knowledge Gaps

...earcher	Findings	Knowledge gap	Action
...r &Reeves ...95)	Studied HRM strategy and suggested that human resource management strategy directly influence the development of the business (Conceptual)	Study did not focus on the moderating effect of human resource management strategy on the relationship between people oriented capital and competitive advantage	This gap is addressed... objective 5a and 5b (conceptual)
...gnuck (1985)	Established that there is a relationship between competitive strategy and resource management strategy	Study didn't focus on the effect of human capital, social capital, psychological capital and competitive advantage	This knowledge gap being addressed by objective one, two, th... and four (Conceptual...
...s & Snow ...78)	Studied human resource management strategy and competitive advantage and concluded that human resource management practices must be tailored to the demand of business strategy	A study of this nature needs to be done in a developing country	This study is done in developing country K... (Contextual)

...ns (19...)	Looks at the importance of human capital	Study does not bring out the effect of human capital on competitive advantage	This study addresses t knowledge gap by loo at the effect of human capital and competiti advantage, addressed objective one (Conceptual)
... ...ler (2002)	Studied human capital and shareholder returns	Effect of HC, on CA is not addressed by the study	Addressed by objectiv one
... ...4)	The study found training and development as important for competitive advantage	Study didn't look at other aspects of human capital like tacit knowledge, selection among others	This study has address elements of human ca in objective one
...(1996)	Study looked at social capital and competitive advantage	The study has not looked at the effect with other variables	This study have looke social capital and othe variables (objective fo
... (2005)	The study found that job satisfaction is related to performance	This study was carried in a developed country	This study is done in . developing country K (Contextual)
... (2004)	Studies establish that there is a strong relationship between psychological capital and competitive advantage	Study carried in a developed country	Study done in Kenya (Contextual)
... (2001)	Studies found that human resource management strategy would position the organization against its competitors	Study did not include human resource management strategy as an important variable that would moderate POC and CA	Addressed by objectiv five (Conceptual)
... (2008)	Study looked the human, social, psychological capital and its relationship with performance	Study has not looked at the moderating effect of cost leadership strategy on the relationship between people oriented capital and competitive advantage.	Addressed by objectiv five a and objective fi
...hatri ...	Studied the management of human resource for competitive advantage of companies in Singapore. (Contextual).	Khatri recommends that more attention should focus on the effect of human resource management strategy on the relationship between	This is addressed by objective five (a) and objective five (b).

		human resource management and competitive advantage	
...S. and ... (2007)	They looked at the different strategies required for competitive advantage	They recommended a set of HR practices for each strategy that is innovation, quality enhancement, and cost reduction	This is addressed by objective 5a
..., Bruce, ... Li ...	Did a study on psychological capital and competitive advantage of Chinese workers	Found that psychological capital has a huge impact on competitive advantage of Chinese workers.(contextual)	This study is carried o... a developing country ... is addressed by object... three.
...	Studied social capital and competitive advantage	In a developed country	Study in a developing country

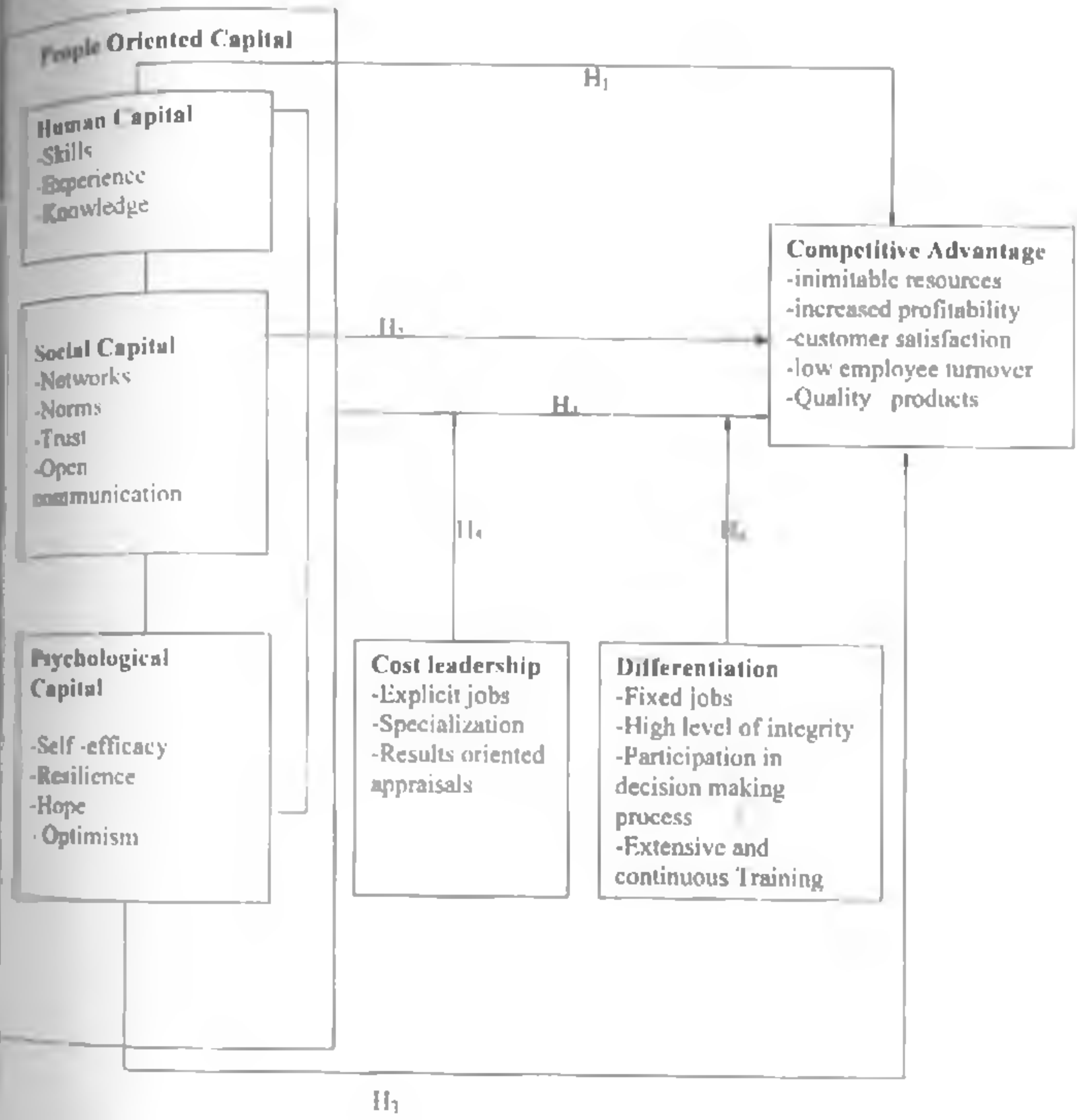
2.9 Conceptual Framework

The above literature review leads to the conceptual framework captured on fig 2.1. The framework depicts a linkage between human capital and firm competitive advantage, social capital and competitive advantage and psychological capital and competitive advantage. The model also depicts a combined relationship between people oriented capital and firm competitive advantage. It further indicates that the strength of the relationship between people oriented capital and competitive advantage depends on cost leadership and differentiation strategies as moderating variables. The research focuses on the linkages between the variables presented in figure 2.1 and tested them in a developing country setting. The study set to determine whether there is a linkage between Human Capital, Social Capital and Psychological Capital as independent variables and competitive advantage as dependent variable. The study also assessed a combined relationship between people oriented capital and firm competitive advantage. It also the strength of the relationship between people oriented capital and firm competitive advantage and the extent to which this relationship depends on business Strategy. To justify the above statements of the relationships, the study shows the linkages between people oriented capital and competitive advantage and further indicates that the strength of their relationship depends on business strategy.

Typically organizations must recognize their human capital, Social capital and psychological capital which form vital linkages. Organization that value quality of service and hence competitive advantage values human, social and psychological capital. The conceptual framework in figure 2.1 identifies key people oriented capital concepts such as human, social and psychological capital and clearly shows how they are linked.

The framework also shows that when the three variables are combined, they lead to firm competitive advantage and that the strength of the relationship between people oriented capital and firm competitive advantage depends on business strategy. This will lead to a better understanding of the processes through which competitive advantage is achieved in business firms. The framework in figure 2.1 builds on previous literature on the link between human, social, psychological capital and business strategy and competitive advantage found in studies by Khatri (2000) and others. The configuration as presented has not been studied in ISO certified firms in Kenya or to the knowledge of the researcher in any organization. Yet this is important for understanding the dynamics through which people oriented capital affect competitive advantage.

Figure 2:1 Conceptual Framework



2.10 Hypotheses

The objectives of this study were achieved by testing the following research hypotheses that were deduced from the conceptual framework presented in figure 2.1.

H1 Human capital has an effect on firm competitive advantage

H2 Social capital has an effect on firm competitive advantage.

H3 Psychological capital has an effect on firm competitive advantage

H4 people oriented capital has an effect on firm competitive advantage

H5 The relationship between people oriented capital and firm competitive advantage depends on cost leadership strategy

H6 The relationship between people oriented capital and firm competitive advantage depends on differentiation strategy.

Table 2.1 gives an insight of the objectives and hypotheses that guided the current study.

Table 2.2: Summary of Objectives and Corresponding Hypotheses

	Objective		Hypotheses
1	To assess the effect of human capital on competitive advantage	H1	Human capital has an effect on firm competitive advantage
2	To determine the effect of social capital on competitive advantage	H2	Social capital has an effect on firm competitive advantage
3	To determine the effect of psychological capital on competitive advantage	H3	Psychological capital has an effect on firm competitive advantage
4	To establish the effect of people oriented capital on competitive advantage	H4	People oriented capital has an effect on firm competitive advantage
5	To establish the moderating effect of cost leadership strategy on the relationship between people oriented capital and competitive advantage	H5	The relationship between people oriented capital and competitive advantage is moderated by cost leadership strategy
6	To asses the moderating effect of differentiation strategy on the relationship between people oriented capital and competitive advantage	H6	The relationship between people oriented capital and competitive advantage is moderated by differentiation strategy

2.11 Chapter Summary

This chapter have looked at various elements of people oriented capital and competitive advantage. It has tried to explore these elements including human capital, social capital and psychological capital. The studies have also attempted to explore the areas of human resource management strategy. It has looked at the influence of human resource management strategy on the relationship between people oriented capital and competitive advantage. The study determined the relationship between human capital and competitive advantage, social capital and competitive advantage, psychological capital and competitive advantage. It also determined the relationship between people oriented capital and competitive advantage. It finally established the major study gaps of the study and presents the hypotheses and conceptual framework.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the philosophical orientation, research design, population of the study, data collection instruments, tests of reliability and validity and data analysis techniques that were used. These procedures were applied in order to address the main objectives of the study which were to establish the relationship between human capital and competitive advantage, social capital and competitive advantage, psychological capital and competitive advantage, and people oriented capital and competitive advantage. The study further examined the moderating effect of cost leadership and differentiation strategy on the relationship between people oriented capital and competitive advantage, in International Standards Organizations certified firms in Kenya.

3.2 Philosophical Orientation

The philosophical foundation of this study was positivist. It is founded on the assumption that social world is concrete and human beings respond to externally engineered stimuli in the network of structural relations within which behavior is directed in a rule-governed manner (Kuada, 1994). It is also founded on the assumption of objectivity and the belief that the researcher is independent from that which is being researched. Based on this assumption, the study of human behavior should be conducted in the same way as studies conducted in the natural sciences and is expected to be determined and predictable (Hussey and Hussey 1997). According to King, Keohane and verba (1994) positivism is based on quantitative research which uses numbers and statistical methods. It seeks measurement and analysis that are easily replicable by other researchers.

Positivism is based on objective reality. Positivists also believe that only phenomena which are observable and measurable can be validly regarded as knowledgeable. They argue that reality is precisely determined through reductionist and deterministic measure without consideration of various differences such as cultural, social, ethic and economic

(Easterby-Smith, Thorpe and Lowe, 2000). This study was therefore guided by the positivist paradigm where scientific processes were followed in hypothesizing fundamental laws then deducing the observations so as to determine the truth or falsify the said hypothesis. The study therefore sought to verify the propositions through empirical tests by operationalizing variables in the conceptual framework to allow for measurement. enough samples were selected for purposes of generalizing the results. Positivist orientation was preferred because this study is founded on a theoretical framework and test of hypotheses.

3.3 Research Design

This study used descriptive survey approach. It was cross-sectional where data was gathered only once to answer the research questions. Zikmund (2003) notes that surveys provide quick and accurate means of assessing information if properly conducted. It assists the researcher to establish whether significant associations among variables exist at one point in time. The choice of the research design is determined by the philosophy of the research (Cooper and Schindler, 2006).

3.4 Population of the Study

This was a census study comprising of ISO certified firms in Kenya, and included both foreign and local organizations. As at 2010 there were 110 ISO certified firms. These organizations were specifically targeted for the survey as they represented the various sectors of the Kenyan economy which include agriculture, commercial and services industry, finance and investment. This design was preferred because it facilitated comparative analysis suggested by various hypotheses.

The firms have good access to capital and other resources necessary for survival and for improving their performance and competitive advantage. ISO certified firms were selected because they represent large companies in the major sectors of the economy. The other reason of selecting ISO certified firms are availability of relatively more objective and reliable data on organizational competitiveness.

3.5 Data Collection

Quantitative data was collected. This enabled the researcher to perform a more in-depth analysis that made it possible to gain deeper insight. The researcher used a questionnaire to collect the primary data. The data was collected from three senior managers: the chief executive officer, the finance manager and the human resource manager from every firm because they are more strategically placed and more knowledgeable on the key issues on which data was required. The expected number of responses was therefore 330 (that is 110x3).

The questionnaire contained close-ended questions presented on a 5-point Likert-type scale. Kirkman and Roseman (1999) used such perceptual measure of performance and had a reliability coefficient of 0.94. The respondents answered the questions on human capital, social capital, psychological capital, cost leadership, differentiation strategy and competitive advantage.

The data collection procedures included contacting and gaining access to the organizations. Cooperation from the respondents was enhanced by first dropping an introduction letter to each company stating the purpose of the study and assuring them of confidentiality. This was followed by dropping the questionnaires to the respondents by the research assistants who were trained on data collection procedures. The researcher also dropped some questionnaires in person. This helped her gain insight on how the respondents reacted to the survey. In some organizations that are out of Nairobi such as Mumias Sugar Company, Kenya Seed Company, Muhoroni Sugar Company and Corn Products Eldoret, the questionnaires were emailed following an earlier contact by telephone

After a week, the research assistants started to collect the filled questionnaires. To ensure that the questionnaires were filled by the intended respondents they were required to put an official stamp and a signature on them. For the e-mailed questionnaires the respondents were requested to sign, stamp and e-mail them back.

3.6 Data Analysis

Data was analyzed using the statistical package for social sciences (SPSS). Simple regression analysis was used to test hypotheses one to four. Hypotheses 5 and 6 were tested using hierarchical multiple regression analysis. Descriptive statistics which include mean, median, variance, standard deviation and range were computed to describe the characteristics of the variables of interest in the study. An index score for the three respondents was computed for each of the company. This was done by averaging the responses given by the 3 respondents from each company. The resulting data was then used for analysis with the company as the unit of study. A summary of research objectives, hypotheses and analytical methods are presented in Table 3.2.

3.7 Operationalization of Variables

The study variables were operationalized as indicated in Table 3.1. The independent variable was human capital that is composed of knowledge, skills and experience. Social capital is made up of networks, norms, trust, open communication channels and work-life balance. Psychological capital consists of self efficacy, optimism, resilience and hope. The moderating variable was cost leadership and was composed of explicit jobs that are cost effective, short term oriented performance, close monitoring of employees and emphasis on training and development. Differentiation was also a moderating variable and comprised fixed job descriptions, superior products, pay based performance, employment security, and employee participation. The dependent variable was competitive advantage which included superior products, unique benefits, increased productivity and increased profits.

Table 3.1 Measurement Scales and Operational Definition of Variables

Variable	Operational definition	Indicators	Assessment scales /Question number
Independent variable	Human capital	**Knowledge/Skills** -Abilities of the employees -Careful and right selection criteria during the employment interviews -Willingness and ability of employees to continuously learn -Desire of employees for participation and involvement -Having the right people for the right job	Five point Likert – type-scale Question number 1-7
		Experience -previous experience -Retention of employees -Capabilities embedded in the firm -Experience in different departments -Encouraging job rotation	Five point Likert type scale Question number 8-9
	Social capital	-Networks -Norms -Trust -Open communication channels -Work-life balance	Five point Likert-type scale Questions number 10-20
	Psychological capital	Self efficacy Optimism Resilience Hope	Five point Likert - type scale Questions 21-31

Moderating Variable	**Human resource management strategy** **a)Cost leadership**	Explicit jobs that are cost effective -Short term result oriented performance -Emphasis on training and development -close monitoring of employees activities -job descriptions relatively fixed -Treats employees with respect -uses pay based performance	Five point Likert type scale Question number 32-34
	b) Differentiation	-Encourages employees participation in decision making process -Guarantees employment security -Superior products in comparison to Competitors	Five point Likert type scale Question number 35-41
Dependent Variable	**Competitive advantage**	-Provision of unique benefits to customers -There is increased productivity -The organization makes considerable profits -There is a culture of excellence in the organization	Five point Likert type scale Questions number 42-49

3.8 Analytical Models

The purpose of the analytical model is to demonstrate functional relationships that exist (if they do) among the variables (Ongore, 2007). It also illustrates the effects that the independent variables have on dependent variables. These models specifically enable the researcher to statistically determine the contribution made by the independent variables on the dependent variable. These models are presented on Table 3.2.

Table 3.2 Research Objectives, Hypotheses and Methods of Analysis

Objective(s)	Hypotheses	Analysis Methods
1.To establish the effect of human capital on firm competitive advantage	H_1 : Human capital has an effect on firm competitive advantage	Pearson Correction coefficient (r) $r = \frac{\sum (X_i - x)(Y_i - \hat{y})}{n \; \alpha_x \; \alpha_y}$ Regression Analysis
2.To determine the effect of social capital on firm competitive advantage	H2: Social capital has an effect on firm competitive advantage	Pearson Correlation Coefficient (r) $r = \frac{\sum (X_i - x)(Y_i - \hat{y})}{n \; \alpha_x \; \alpha_y}$ Regression Analysis
3.To determine the effect of psychological capital on firm competitive advantage	H3: Psychological capital has an effect on firm competitive advantage	Pearson Correlation Coefficient (r) $r = \frac{\sum (X_i - x)(Y_i - \hat{y})}{n \; \alpha_x \; \alpha_y}$ Regression Analysis

4. To assess the effect of people oriented capital on competitive advantage	H4: people oriented capital has an effect on competitive advantage	Multiple Regression Analysis Competitive Advantage = f (People Oriented Capital + Human Resource Management Strategy) $C=\alpha + \beta_{41}X_1 + \beta_{42}X_2 + \beta_{43}X_3 + \beta_{44}X_4 + \beta_{45}X_5 + \beta_{46}X_6 \beta_{47}X_7 + X\varepsilon_{2+\beta_{48}+2+error}$ Where : a = intercept C=Competitive Advantage β_{41} β_{22} .... β_{48} are beta coefficients for H_2 X_1, X_2 and X_3 cost leadership X_1 =explicit jobs X_2 =specialization X_3 =results oriented appraisals
5. To Establish the Moderating effect of cost leadership on the relationship between people Oriented Capital and Firm Competitive Advantage	H_5 The Relationship between people Oriented Capital and firm competitive advantage depends on cost leadership Strategy	Multiple Regression Analysis $C=a + \beta_{51}X_1 + \beta_{52}X_2 + \beta_{53}X_3 + \beta_{54}X_4 + \beta_{55}X_5 + \beta_{56} X_{57} X_7 + \beta_{58}X_8 + \varepsilon_4$ Where : α = intercept C=Competitive advantage β_{51} β_{52} .... β_{58} are beta coefficients for H6 X_5 - cost leadership X_4 – Inimitable Resources X_5 = Increased profitability X_6 = Customer Satisfaction X_7 = Low Employee Turnover

		X_8 = Quality Products β_{51}, β_{52}.................... $\beta_{58}$are beta coefficients for H_5 X_9 - cost leadership C=Competitive Advantage β_{41} β_{22} ... β_{48} are beta coefficients for H_2 X_1, X_2 and X_3 differentiation strategy X_1 = fixed jobs X_2 =high level of integrity X_3 =participation in decision making X4=Pay for best performance X_5 = Inimitable Resources X_6 = Increased profitability X_7 – Customer Satisfaction X_8 – Low Employee Turnover X_9 = Quality Products β_{51}, β_{52}........................ $\beta_{60}$are beta coefficients for H_5
6 To establish the moderating effect of differentiation strategy on the relationship between people oriented capital and competitive advantage	H6 The relationship between people oriented capital and firm competitive advantage depends on differentiation strategy	Multiple Regression Analysis $C = a + \beta_{51}X_1 + \beta_{52}X_2 + \beta_{53}X_3 + \beta_{54}X_4 + \beta_{55}X_5 + \beta_{56}\ X_{57}\ X_7 + \beta_{58}X_8 + e_4$ Where : a = intercept C =Competitive advantage β_{51} β_{52} .... $\beta_{60}$are beta coefficients for H_{6b} X_{10} - Differentiation

3.9 Summary

This chapter comprises the philosophical underpinnings of research methodology and how this influenced the research design. The population of the study, data collection techniques and techniques of data analysis are provided. The operationalization of the research variables is presented. The chapter has also presented a summary of the Objectives, corresponding hypotheses, and analytical models.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents an in-depth description of the data analysis and results within the framework of the research questions, objectives and hypotheses. Results are discussed on the basis of overall objective of the study, which was to investigate the effect of human resource management strategy on the relationship between people oriented capital and competitive advantage of International Standards Organization certified firms in Kenya.

4.2 Tests of Reliability

The data collection instrument was made up of seven sections each having multiple items. The instrument was tested for reliability using Chronbach's alpha. To establish consistency of the scores obtained from the scale, Cronbach alpha was calculated as a measure of the internal reliability of each of the scales. Cronbach alpha coefficient varies Table 4.1 Cronbach Alpha Nunnally (1978) suggested that as a rule of thumb, Cronbach Alpha of 0.7 and above indicates that the instrument is reliable. The Cronbach alpha reliability coefficients for the variables are summarized in table 4.1.

Table 4.1 Cronbach Alpha Coefficient for the measurement scales

Scale	No. of items	Cronbach Alpha
Human capital	8	.702
Social capital	10	.794
Psychological capital	11	.815
Cost leadership	3	.806
Differentiation	6	.809
Firm competitive advantage	8	.876

As shown in Table 4.1 the scales of the variables attained alpha coefficient above 0.7 %. This indicates that all the measurement items for all the variables are internally consistent.

4.3 Validity

The data collection instrument was subjected to an examination by a panel of experts who were asked to review the instrument to ascertain its validity. The instrument was also subjected to a thorough examination by three senior members of academic staff from the School of Business, University of Nairobi. They confirmed that the questionnaire appeared to be measuring what it was intended to measure.

4.4 Tests of Multicolinearity

To test for multicollinearity, the tolerance and variance inflation factors (VIF) for the models was computed by regression analysis that is Competitive Advantage against the three Independent variables making up People Oriented Capital. Multicollinearity is considered to exist if VIF is greater than 5.0 and if tolerance is less than 0.3. Table 4.2 indicates that all the VIF values are less than 5, which indicates absence of multicollinearity. The tolerance levels range from .386 to.479, confirming that there is no multicollinearity. Further, a test of correlation between the independent variables (appendix 4) indicates that the partial correlation was all less than 0.9, indicating absence of multicollinearity. Nunnally (1978) suggested that correlation coefficient greater than .9 indicate presence of multicollinearity. These result shows that there was no multicollinearity.

Table 4.1 Multicollinearity Statistics

Model	Tolerance	VIF
Human capital	.479	2.086
Social Capital	.386	2.588
Psychological capital	.420	2.381

4.4.1 Autocorrelation

The Durbin-Watson test to test for autocorrelation, which is a check for correlation of residuals, was done. One of the assumptions of regression analysis is that the residuals for consecutive observations are uncorrelated. If this is true, the expected value of the Durbin-Watson statistic is 2.

Table 4.2 Autocorrelation

Model	Durbin-Watson
Human capital/Competitive advantage	1.842
Social capital/Competitive advantage	1.862
Psychological Capital/Competitive advantage	1.889
People oriented capital/Competitive advantage	1.925

From Table 4.2, all Durbin-Watson statistics were less than, but very close to 2 indicating existence of a very small positive autocorrelation.

4.4.2 Normality and Homoscedasticity

The Shapiro-Wilk test was used as the numerical means for assessing normality. The Shapiro-Wilk test results in Table 4.3 show that social capital, psychological capital, cost leadership, differentiation and competitive advantage significantly deviate from the normal distribution. Only human capital was normally distributed.

Table 4.3 The Shapiro –Wilk Test for normality

Variables	Shapiro-Wilk Statistic	Df
Human Capital	.964**	66
Social Capital	.953*	66
Psychological Capital	.954*	66
Human Resource Management Strategy	.922*	66
Firm Competitive Advantage	.928*	66
Cost Leadership	.893*	66
Differentiation	.914*	66

*$p<0.001$, **$p<0.05$

4.5 Descriptive Statistics

This section describes the profiles of the respondents who participated in the current study

4.5.1 Profile of the Respondents

A summary of the number of respondents who participated in the cross-sectional survey is presented in this section. Three questionnaires were distributed to each of the 110 firms targeted in the study making a total of 330 questionnaires. Out of these, 138 questionnaires from 67 firms were returned. This represents a response rate of 60.9%. Some of the respondents did not fill all the questions in the questionnaire posing differences in the presentations. However the response rate compares well with other previous empirical studies, where the average response rate was 65 per cent (Bhunian, 1996). Tables 4.4 through 4.21 present frequency distributions of the managers' responses in survey items pertaining to personal characteristics and organizational demographics. The section covers the frequencies of the respondents' personal details. These include position, gender, functions, number of years worked, and level of education. The data on Table 4.5 presents the job title held by the respondents. They were categorized as chief executive officers, human resource managers and finance managers.

Table 4.4 Distribution of the Respondents by Position

Position	Frequency	Percentage
Chief executive officers	23	16.7
Human resource managers	74	53.6
Finance managers	39	28.3
Missing data	2	1.4
Total	**138**	**100.0**

Table 4.4 of the respondents' shows that 53.6% of the respondents were human resource managers, 28.3% finance managers and 16.7% were chief executive officers. The non response rate was 1.4%. This shows that majority of the respondents were human resource managers (53.6%) and non response was negligible.

4.5.2 Gender of the Respondents

The gender distribution in Table 4.5 shows that majority of the respondents were males at 56.5% . The female respondents were 34.8 %. This implies that the senior management of the surveyed companies is dominated by men.

Table 4.5 Distribution of the Respondents by Gender

Gender	Frequency	Percentage
Male	78	56.5
Female	48	34.8
Missing data	12	8.7
Total	138	100

4.5.3 Length of Service in the Organization

The study sought to establish the number of years the respondents had worked in the organization. This analysis established the level of familiarity which the respondents had on the firm's operations. Table 4.6 illustrates the distribution of the respondents according to the number of years worked in the current organization. 45.4 % had worked with their firms for five or fewer years, 6.3 percent worked for between 6 and 10 years, 21.0 % worked for between 11 and 20 years. Only 3.0 % had worked for over 31 years. This translates to a mean of 8.4 years of service and standard deviation of 7.65 years showing that the majority of the respondents had worked for 11-20 years implying that they were familiar with the operations of their respective organizations.

Table 4.6 Distribution of the Respondents by Length of Service in the Organization

Length of service (in years)	Respondents (Frequency)	Percentage
0-5	3	45.4
6-10	6	6.3
11-20	10	21.0
21-30	2	3.8
over 31	21	3.0
Total	42	100.0

4.5.4 Level of Education Attained

The level of education attained by the respondents is shown in Table 4.7. From the table, more than half of the respondents (54.8 %) had a Masters degree while those with a bachelor's degree were 28.1 %. Respondents who had attained diploma level were 5.2 % while those with doctorate were 4.4 %. This indicates very high level of education among the respondents, given that over 77% had at least a bachelor's degree.

Table 4.7 Distribution of the Respondents by level of Education

Level of Education	(Respondents) Frequency	Percentage
Secondary	4	2.3
Ordinary Diploma	8	5.2
Bachelors Degree	38	28.4
Masters Degree	74	54.8
Doctorate	6	4.4
Other	8	5.2
Total	138	100

4.5.5 Age of the Respondents

As shown in table 4.8, majority of the respondents were between 41-49 years age bracket and only 6.1 % were below 29 years old. This was a mean of 41.5 implying that the senior managers of the organizations studied are of average age bracket.

Table 4.8 Distribution of the Respondents by Age

Age in years	Respondents (Frequency)	Percentage
Below 29	8	6.1
30 – 35	33	25.2
36 – 40	29	22.1
41 – 49	48	36.6
Over 50	13	10.0
Total	138	100
Mean	41.5	
Std Deviation	24.3	

4.5.6 Organization Ownership

The study sought to establish the ownership status of the firms. From the results shown in Table 4.9, majority of the firms (80%) were locally owned while only 16% were foreign owned. A small percentage (4%) had both local and foreign ownership.

Table 4.9 Distribution of Firms by Ownership

Ownership	Respondents (Frequency)	Percentage
Local	35	80
Foreign	7	16
Both local & foreign	2	4
Total	44	100.0

4.5.7 Employment Status

Table 4.10 shows that majority (111) of the respondents were employed on a permanent basis. This accounted for 80.5 % of the total number of respondents while 13.6 % were on contract.

Table 4.10 Distribution of the Respondents by Employment Status

Employment status	Respondents (Frequency)	Percentage
Permanent	111	80.5
Contract	17	19.5
Total	138	100

4.5.8 Number of Years of Operation in Kenya

In this section, the respondents were asked to indicate the number of years their firms had been in operation in Kenya. According to the frequency distributions in Table 4.11, most of the firms in this study were well established and entrenched within their industry. The analysis shows that 50% of the organizations have been in operation in Kenya for over 31 years, 4.8% for 21-30 years and 23.8% for 11- 20 years.

Table 4.11 Number of Years of Operation in Kenya

No of years	Respondents (Frequency)	Percentage
0-5	3	3.2
6-10	6	14.3
11-20	10	23.8
21-30	2	4.8
over 31	21	50.0
Total	42	100.0

4.8.9 Number of Employees in the Organization

The study also sought to find out the number of employees in the respondent firms. Table 4.12 shows the distribution of employees. Majority (27.1%) had more than 1001employees. This was followed by 25% who had less than 100 employees. 16.7% had between 101 and 200 employees while 12.5% had between 201 and 300 employees.

Table 4.12 Distribution of Firms by Number of Employees

Number of Employees	Number of Firms (Frequency)	Percentage
Less than 100	12	25.0
101-200	8	16.7
201-300	6	12.5
301-400	2	4.2
401-500	2	4.2
501-600	1	2.1
701-800	1	2.1
801-1000	3	6.3
More than 1001	13	27.1
Total	48	100.0

4.5.10 Average Sales Turnover for a Five Year Period

The respondents were asked to provide data on their organizations annual sales turnover and net profit for the period 2005-2009. The responses were averaged for each of the five years The results are presented in table 4.13. The Table shows that the average sales for 2005-2009 grew steadily and peaked in 2009 before experiencing a drastic drop to nearly 18% levels in 2008. This can be explained by the effects of 2007 post-election violence. The average profits and margins however, remained steady in the period.

The respondents also indicated that the firms they worked for had increased sales turnover (except 2008) over the last five years. In 2007 alone, the percentage margin was 24% but reduced to 16% in 2006 it was 16 %. These results therefore indicate that the industry as a whole had been vibrant. A detail of Average turnover and profit for each firm is also provided in Table 4.13.Further annual turnover and annual net profit for each firm is presented in Appendix 3. The means and standard deviations for turnover and annual profit for each firm is presented in Appendix 4.

Table 4.13 Average Sales Turnover, Profits and Margin (2005-2009)

No	Year	*Avg Turnover	*Avg Profit	%Margin
1	2005	158	28	0.15
2	2006	237	29	0.16
3	2007	265	45	0.24
4	2008	196	11	0.18
5	2009	308	49	0.27
	Total	1164	162	
	Average	245	38	

***Kshs in millions (M)**

4.5.11 Estimated Market Share

The respondents were asked to indicate the estimated percentage market share for their firms. As shown in Table 4.14 majority of the organizations has (24.4%) had an estimated market share of 6 – 15% and a similar percentage had an estimated market share of 26 – 50%. 17.1% had an estimated market share of between 16 – 25% and a similar percentage had an estimated market share of between 51 – 75%. This shows that the firms were almost equally distributed across the market share categories provided

Table 4.14 Distribution of Firms by Estimated Market Share

Market Share	Firms (Frequency)	Percentage
less than 5%	3	2.4
6-15%	17	24.4
16-25%	9	17.1
26-50%	19	24.4
51-75%	9	17.1
Over 75%	10	14.6
Total	67	100.0

4.6 Summary Statistics for Main Variables

The study had three independent variables, namely Human capital, Social capital and Psychological capital; two moderating variables, namely cost leadership strategy and differentiation strategy and one dependent variable namely competitive advantage, all of which were measured on a five point Likert- type scale. The following section presents descriptive statistics for the elements that describe, the variables of study. These elements are operationalized on table 3.1.

4.6.1 Human Capital

This variable was measured using 8 items on a five point Likert- type scale. The results of descriptive statistics are shown on the Table 4.15.

Table 4.15 Human Capital

	Descriptive Statistics
Mean	3.4825
Median	3.5000
Variance	.097
Std. Deviation	.31215
Range	1.38
Standard Error	.03842

From Table 4.15, the mean rating for Human capital was 3.48, indicating that most of the respondent companies applied the Human capital best practices to a moderate extent and that the responses were close to the mean. The median was 3.5. The range was 1.38, variance was 0.097 and standard deviation was 0.31 – all indicating that the ratings were not widely dispersed from the mean. Thus, the assumption of normality has been compromised and this confirms the findings presented earlier in the test of normality section through the Shapiro –Wilk test.

4.6.2 Social Capital

Social capital was measured using 11 items on a five point Likert scale. The results of descriptive statistics were as shown in Table 4.16.

Table 4.16 Social Capital

	Descriptive Statistics
Mean	**3.1938**
Standard Deviation	**.04380**
Median	**3.2278**
Variance	**.127**
Std. Deviation	**.35585**
Range	**1.75**

Table 4.16, shows that the mean rating for Social capital was 3.19 indicating that most of the respondent companies applied the Social capital best practices to a moderate extent.

The mean was 3.19 out of a possible maximum of 5, the median 3.22 while the range was 1.75 with a variance of .127 and standard deviation of .36 indicating that the ratings were closely clustered around the mean.

4.6.3 Psychological Capital

Psychological capital was measured using 11 items on a five point Likert- type scale. The results of descriptive statistics for the data collected were as shown in Table 4.17.

Table 4.17 Psychological Capital

	Descriptive Statistics
Mean	3.2013
Median	3.2121
Variance	.127
Std. Deviation	.35707
Range	1.27
Standard Error	.04395

Out of 5, Table 4.17 indicates that the mean rating for Psychological capital was 3.20 indicating that most of the respondent companies applied the Psychological capital best practices to a moderate extent. The median was 3.21; the range 1.27while variance was .127 and standard deviation of .36 indicating that the ratings were closely clustered around the mean.

4.6.4 Competitive Advantage

Competitive advantage was measured using 8 items on a five point Likert-type scale. The results of descriptive statistics for the data collected were as shown in the table 4.18.

Table 4.18 Competitive Advantage

	Descriptive Statistics
Mean	3.3930
Median	3.4844
Variance	.214
Std. Deviation	.46245
Range	1.92
Standard Error	.05692

Table 4.18, indicates the mean rating for Competitive advantage was 3.39. This indicates that on average, the firms had a moderate level of competitive advantage. And standard deviation of .46 indicating that the ratings were closely clustered around the mean. The median was 3.4, variance was .24 and the range was 1.92.

4.7 Cost Leadership strategy

Cost Leadership was measured using 3 items on a five point Likert-type scale. The results of descriptive statistics for the data collected were as shown in the table 4.19.

Table 4.19 Cost Leadership Strategy

	Descriptive Statistics
Mean	3.4630
Median	3.4722
Variance	.246
Std. Deviation	.49646
Range	2.33
Standard Error	.06111

Table 4.18, indicates the mean rating for cost leadership was 3.46 while the range out of 5, was 2.33, while variance was .246 and standard deviation of .49 indicating that the ratings were closely clustered around the mean. The median was 3.47.

4.7.1 Differentiation Strategy

Differentiation Strategy was also measured using 7 items on a five point Likert- type scale. The results of descriptive statistics for the data collected were as shown in the table 4.20.

Table 4.20 Differentiation Strategy

	Descriptive Statistic
Mean	3.3452
Median	3.4583
Variance	.220
Std. Deviation	.46880
Range	2.25
Standard Error	.05770

Table 4.20, indicates that the mean rating for Competitive advantage was 3.34 out of 5, and while variance was .220 and standard deviation of .469 indicating that the ratings were closely clustered around the mean. The median was 3.4.

4.8 Test of Hypotheses

The tests of the five research hypotheses are addressed in this part of the chapter. First we present a brief recap of the variables in the study. Items 1-31 in section C of the questionnaire measured the independent variables (human capital, social capital, and psychological capital). Section D measured the moderating variables, namely business strategy (cost leadership and differentiation). Section E measured the dependent variable (competitive advantage). Each item was rated on a scale of 1 to 5 where 1 represented 'not at all' and 5 represented 'to a very great extent. Each item measured the extent to which the organization exhibited the behavior or tendency represented by the item. The tests of hypothesis for objective one, two and three were conducted using linear regression models and the results are presented in table 4.21 through 4.32.

The Effect of Human Capital on Competitive Advantage

To satisfy this objective the following Hypothesis was tested:

H1: Human capital has an effect on competitive advantage

The hypothesis was tested using linear regression model. The results are as presented in Table 4.21 and 4.22. First we look at the model summary which shows the correlation (r) and the coefficient of determination (R-square).

Table 4.21 Human Capital and Competitive Advantage

Model Summary							
Model	r	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig	Durbin Watson
1	.506	.256	.245	12.68102	22.068	.001	1.856
a. Predictors: (Constant), Human Capital							
b. Dependent Variable: Competitive Advantage							

The results show that r is equal to 0.506, indicating that HC has a moderately strong effect on Competitive Advantage. The value of R squared is 0.256, indicating that Human Capital explains 25.6% of the variability in Competitive Advantage. The Durbin-Watson statistic was found to be 1 856, which is less but very close to 2.0, indicating absence of autocorrelation.

From Table 4.21, the F statistic was 22.068 while the P-value was 0.001. This suggests that the effect of Human Capital on Competitive Advantage is statistically significant Table 4.22 shows the estimates for coefficients of the model.

Table 4.22 Coefficients of Human Capital and Competitive Advantage

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-41.314	17.617		-2.345	.001
	Human Capital	23.671	5.039	.506	4.698	.001
a. Dependent Variable: CA						

Table 4.22 indicates that the coefficient for Human Capital is 23.67 while the standardized beta coefficient is 0.506. This result indicates that Human Capital and Competitive Advantage have a positive linear relationship. The p-values is < 0.001 which indicates that the effect of HC is statistically significant at $p<0.001$. This further suggests that for every unit change in human capital, there is 0.506 in the firm's competitive advantage as shown by beta coefficient. Thus from these results we accept the hypothesis and conclude that Human Capital has a statistically significant effect on Competitive Advantage

This study supports Huselid (1995) in his empirical research which concluded that human capital has effect on competitive advantage. The study also supports Pfeffer and Luthans (2004) who observed that organizations which stroke a balance between internal customized human practices and programs for competitive advantage outperformed these counterparts that did not The study confirms Khartri (2000) whose study in Singapore established that human capital is vital for an organizations competitive advantage. It also supports a recent study by David Kryscyuski and Russel Coff (2011) who concluded that a firm foundation of human capital based competitive advantage in organizations makes a difference in performance. The above studies have been extended in the Kenyan context. This is because Kenyans appear to have realized the importance of human capital in terms of getting education and acquiring relevant skills so that they become competitive in today's job market.

The effect of Social Capital on Competitive Advantage

This objective was addressed by testing the following Hypothesis:

H2 *Social Capital has effect on Competitive Advantage*

In the same way as in objective 1, the hypothesis was tested using linear regression model. The results were as presented in Table 4.24 and 4.25. First we look at the model summary which shows the correlation r and the coefficient of determination (R-square).

Table4.23 Social Capital and Competitive Advantage

Model Summary							
Model	r	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig	Durbin Watson
1	.609	.371	.361	11.66300	37.748	.001	1.889
a. Predictors: (Constant), Social Capital							
b. Dependent Variable: CA							

Table 4.23 shows that r is 0.609, indicating that Social Capital has a strong correlation with Competitive Advantage. The value of R square is 0.371, which shows that Social Capital explains 37.1% of the variability in Competitive Advantage. The Durbin-Watson statistic was found to be 1.889 which is less but very close to 2.0 indicating absence of autocorrelation. The F-statistic was 37.748 while the P-value was 0.001 which is less than 0.05. These findings indicate that Competitive Advantage is influenced significantly by Social Capital. Table 4.24 presents the coefficient estimates for the variables of the regression model.

Table 4.24 Coefficients for Social Capital and Competitive Advantage

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-38.651	13.063		-2.959	.001
	Social Capital	24.977	4.065	.609	6.144	.001

a. Dependent Variable: CA

From Table 4.24, the standardized coefficient was 0.609. This coefficient for social capital was statistically significant (P-value = 0.001) implying existence of a statistically significant relationship between social capital and competitive advantage, thus confirming the above findings. From this we accept the hypothesis and conclude that Social Capital has a significant effect on Competitive Advantage.

The results of the findings of objective two support Bandura (2003) that social capital is crucial for creating competitive advantage. He further argues that social capital create mutual expectations that interacting individuals, groups in organizations can understand and fulfill in order to maintain smooth productive relationships. Further the study supports an empirical study by TianXueying (2011) that there is a correlation between and among corporate social capital and positive competitive advantage. This is so because Kenyan organizations have realized that for competitive advantage social capital must be enhanced, by communication, building teamwork and team building activities

The effect of Psychological Capital on Competitive Advantage

To satisfy this objective Hypothesis three was tested:

H3* *Psychological Capital has effect on Competitive Advantage

This hypothesis was tested using a linear regression model. The results were as presented in Table 4.25 and 4.26. First we look at the model summary which shows the correlation (r), the coefficient of determination (β)and the Durbin-Watson statistic.

Table 4.25 Psychological Capital and Competitive Advantage

Model Summary							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig	Durbin Watson
1	.752	.566	.559	9.69154	83.3 54	.001	1.851
a. Predictors: (Constant), Psychological Capital							
b. Dependent Variable: CA							

Table 4.25 show that r was 0.752. This indicates that Psychological Capital has a very strong correlation with Competitive Advantage. The R-square value was found to be 0.566 indicating that Psychological Capital explains 56.6% of the variability in Competitive Advantage. This is quite high considering that the other two variables HC and SC each recorded an R-square value less than 0.4. Thus from this, we can conclude that Psychological Capital has the strongest effect on Firm Competitive Advantage as compared to Human Capital and Social Capital. The Durbin Watson statistic was 1.851 indicating absence of autocorrelation.

The F statistic was 83.35 while the p-value was 0.001. This indicates that psychological capital has a statistically significant effect on competitive advantage. Table 4.26 shows the coefficient estimates for the independent variable as well as the corresponding levels of significance.

Table 4.26 Coefficients of Psychological Capital and Competitive Advantage

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	-57.274	10.843		-5.282	.000
	Psychological Capital	30.736	3.367	.752	9.130	.000
a. Dependent Variable: CA						

The findings on Table 4.26 show that Psychological Capital has a standardized coefficient of 0.752. This is an indication that Psychological Capital and Competitive advantage have a positive linear relationship. Looking at the t statistic which was 9.130 (P-value < 0.001), we conclude that there is a statistically significant relationship between Psychological Capital and Competitive Advantage. Thus from the findings, we accept the hypothesis and conclude that PC has a statistically significant relationship with Competitive Advantage.

The findings of hypothesis three conform to work related performance established by Luthans and Stajkovic (2004) that psychological capital has a strong relationship with competitive advantage. They found that self efficacy, hope, optimism and resiliency among others should be most readily managed to attain competitive advantage. Seligman (2004) also established that there was a strong relationship between psychological capital and competitive advantage. The findings support the results by Fred Luthans and Steve Norman (2008) in their study that found that psychological capital has a relationship with employee performance. The results of this study imply that Kenyan organizations value psychological capital and that they have put a lot of effort to ensure that their employees are psychologically cared for. This improves performance and consequently competitive advantage.

The effect of People Oriented Capital on Firm Competitive Advantage

To satisfy this objective the following Hypothesis was tested:

H4: People Oriented Capital has an effect on Firm Competitive Advantage

The hypothesis was tested using a multivariate linear regression model. People Oriented Capital (POC) was made up of three variables namely Human Capital, (HC) Social Capital (SC) and Psychological Capital (PC). The results were as presented in Table 4.28 below. First we look at the model summary which shows the correlation r, the coefficient of determination and the Durbin-Watson statistic.

Table 4.27 People Oriented Capital and Competitive Advantage

Model Summary						Sig	Durbin Watson
Model	r	R Square	Adjusted R Square	Std. Error of the Estimate	F		
1	.758	.575	.554	9.74499	27.914	.001	1.903
a. Predictors: (Constant), Psychological Capital, Human Capital, Social Capital b. Dependent Variable: CA							

Table 4.27 shows the correlation coefficient for the relationship between POC and CA at r= 0.758 (p<0.001) which indicates a very strong positive relationship. The R-square value was 0.575 while the adjusted R-square was 0.554. Since we had more than one independent variable, we use the adjusted R-square since the simple R-square systematically overstates the goodness of fit as more variables are added. Thus from the value of adjusted R-square, we observe that POC explains 55.4% of the variability in CA.

The Durbin-Watson statistic is 1.903 (which is less than, but very close to 2.0) indicating that there is no autocorrelation among the independent variables. The F statistic is 27.91 while the (P- <0.001). This implies that people oriented capital has a significant effect on competitive advantage. The result confirms the significance of the coefficient estimates discussed in Table 4.28 and show the results of coefficient estimates of the regression analysis between People Oriented Capital and Firm Competitive Advantage. We now examine the coefficients of the relationship between variables POC and CA presented in table 4.28.

Table 4.28 Regression Coefficients for the effect of the components of People Oriented Capital and Competitive Advantage

Coefficients								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-57.886	13.833		-4.185	.001		
	Human Capital	-2.841	5.592	-.061	-.508	.613	.479	2.086
	Social Capital	5.904	5.242	.144	1.126	.264	.420	2.381
	Psychological Capital	28.128	5.446	.688	5.165	.001	.386	2.588

a. Dependent Variable: CA

Table 4.28, shows that the standardized coefficient of HC is -.061, that of SC is .144 and that of PC is .688. These results indicate that Psychological capital has the strongest effect on CA (β=.688, t= 5.165, $p<0.001$). On examining the significance values, we find that HC (p-value = 0.613) and SC (p-value = 0.264) are both not significant. Only PC is significant (p-value = 0.001). The values of VIF are all less than 5.0, indicating absence of multicollinearity among the variables. Thus from the above findings, we fail to reject the hypothesis and conclude that POC has an effect on CA.

Human capital, social capital and psychological capital (POC) are vital for competitive advantage. The strength of the three variables plays a pivotal role. Kenyan ISO certified firms have realized this and therefore have put a lot of effort in ensuring that people are their most important assets empowered through training. This study confirms Luthans (2004) study in the US which found that psychological capital is important for competitive advantage.

The effect of Cost Leadership on the Relationship between POC and CA

H5a The relationship between People Oriented Capital and firm competitive Advantage depends on Cost Leadership

Multiple hierarchical regression technique was used to test for the effect of Cost Leadership on the relationship between POC and CA. With the presence of moderator in the regression model, two important issues were considered first. To do this, two regression models 1 and 2, were used. Regression variables in model 1comprised POC, CL and CA. Model 2 had POC, CL and CA. Thus model 2, in addition to the variables in model 1, had the interactive terms. If the difference between R square in model 1 and that in model 2 is significant, a moderator effect on the link between POC and CA was concluded. T able 4.29 shows the summary of the regression on results.

Table 4.29 Regression Results for Cost Leadership, people Oriented Capital Human Capital, Social Capital, Psychological Capital and Competitive Advantage

Model Summary										
					Change Statistics					
Model	r	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.759	.576	.548	9.80734	.576	20.724	4	61	.005	
2	.769	.591	.541	9.88215	.015	.693	3	58	.560	1.906

Model 1:Predictors: (Constant),People Oriented Capital, Cost Leadership
Model 2: Predictors: (Constant).People oriented Capital. Cost Leadership. and interactive terms
(PCxCL, SCxCL, HCxCL, POC x CL)
Dependent Variable: CA

From table 4.29, the R-square value of model 1 (with POC and CL as predictors) is 0.576. This value increases by 0.015 when the interactive terms are introduced in model 2. Thus CL improves the goodness of fit by only 1.5% However, F-statistic increases by only 0.693 significant (P-value 0.560 > 0.05). Thus from this result, we conclude that CL does not have a significant influence on the relationship between POC and CA. We now examine the coefficient estimates for each of the two models. These findings are presented in table 4.30.

Table 4.30 Beta Coefficients for the effect of Cost Leadership on Competitive Advantage

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	-57.619	13.933		-4.135	.001
	Human Capital	-2.774	5.630	-.059	-.493	.624
	Social Capital	6.458	5.409	.157	1.194	.237
	Psychological Capital	29.091	5.863	.712	4.962	.000
	Cost Leadership	-1.547	3.342	-.053	-.463	.645
2	(Constant)	-31.977	105.540		-.303	.763
	Human Capital	31.935	42.163	.683	.757	45[illegible]
	Social Capital	-27.921	30.177	-.681	-.925	.359
	Psychological Capital	15.439	34.518	.378	.447	.656
	Cost Leadership	-8.252	31.006	-.281	-.266	.791
	HCxCL	-10.717	12.496	-1.773	-.858	.395
	SCxCL	10.934	9.643	1.828	1.134	.261
	PCxCL	3.410	10.165	.579	.335	.739
a. Dependent Variable CA						

Table 4.30, shows that only PC (Beta = 29.091; P.> = 0.001) was statistically significant in the model. None of the other variables including the moderator and its corresponding interactive term were statistically significant (P > 0.05). This confirms the earlier finding that CL does not moderate the relationship between POC and CA. From these findings we reject the hypothesis and conclude that CL does not moderate the relationship between POC and CA.

The Moderating Effect of Differentiation Strategy on the Relationship between POC and CA

To satisfy this objective the following Hypothesis was tested:

***H 5(b)**: The relationship between people oriented capital and firm competitive advantage depends on differentiation strategy*

Multiple hierarchical regression technique was used to test for the effect of Differentiation strategy on the relationship between POC and CA. With the presence of moderator in the regression model, two important issues were considered. To do this, two regression models, 1 and 2 were used. Regression variables in model 1 comprised POC, differentiation and CA. Model two had POC, differentiation, interactive terms and CA. If the difference between R square in model 1 and that in model 2 is significant, a moderator effect was concluded. Table 4.31 shows the model summary of the regression results.

Table 4.31: People Oriented Capital and Differentiation Strategy

Model Summary										
				Std.	Change Statistics					Durbin
Model	r	R Square	Adjusted R Square	Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	– Watson
1	.771	.594	.567	9.59863	.594	22.305	4	61	.005	
2	.795	.632	.588	9.36681	.038	2.019	3	58	.121	1.944

Predictors: (Constant), People Oriented Capital, Differentiation Strategy
Predictors: (Constant), People Oriented Capital ,Differentiation Strategy, Competitive Advantage SCxD, PCxD, HCxD
Dependent Variable: Firm Competitive Advantage

Table 4.31 presents the findings of Hypothesis 6, the R-square value of model 1 (with POC and Differentiation as predictors) is 0.567. This value increases by 0.038 when the interactive terms are introduced in model 2. Thus Differentiation Strategy accounts for only 3.8% of the variability in CA. On F-statistic, it increases by only 2.019 and the increase in F is not statistically significant (P-value = 0.121 >0.05). Thus from this result, we conclude that Differentiation does not have significant influence on the relationship between POC and CA. Finally, we examine the coefficient estimates for each of the two regression models. This is presented in Table 4.32.

Table 4.32: Regression Coefficients for Differentiation, People Oriented Capital and Competitive Advantage

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-57.118	13.632		-4.190	.00
	Human Capital	-1.418	5.571	-.030	-.254	.800
	Social Capital	.380	6.096	.009	.062	.951
	Psychological Capital	23.880	5.914	.584	4.038	.00
	Differentiation Strategy	7.627	4.475	.245	1.704	.093
2	(Constant)	41.422	95.671		.433	.667
	Human Capital	37.223	40.456	.796	.920	.361
	Social Capital	-34.298	21.048	-.836	-1.630	.109
	Psychological Capital	-20.292	33.551	-.497	-.605	.548
	Differentiation Strategy	-19.197	29.478	-.617	-.651	.517
	HCxD	-12.374	12.494	-1.972	-.990	.326
	SCxD	11.148	6.682	1.852	1.668	.101
	PCxD	12.312	10.125	2.074	1.216	.229
a. Dependent Variable. CA						

As shown in Table 4.32, only PC (Beta = 23.880; P-value = 0.001) was statistically significant in the first model. None of the other variables, including the moderator and its corresponding interactive term were statistically significant (P-values > 0.05). In the second model, none of the variables was significant (P-value > 0.05). This confirms the earlier finding in this study that differentiation strategy does not moderate the relationship between POC and CA. From these findings we reject the hypothesis and conclude that differentiation strategy does not moderate the relationship between People Oriented Capital and Firm Competitive Advantage.

The results of H5 and H6 on this study contradicts previous studies which found that cost leadership and differentiation strategy have a moderating effect on the relationship between people oriented capital and competitive advantage. The probable explanation for this is that while studies by Porter (1990) and Lee (1995) were done in a developed country, the current study is done in Kenya, a developing country. Kenya is currently struggling with developmental issues and the organizations are still working to create competitive advantage to survive. Further, Kenya is dealing with the aftermath of the 2007/2008 post election issues as well as the upcoming general elections. In addition to this Kenya is experiencing security problems which work against the much needed reforms in our organizations. This really does not leave Kenyan organizations with time to think about cost leadership strategies and differentiation issues at present.

Table 4.33 Summary of the Results of tests of Hypotheses

	Hypotheses	**Empirical Evidence**
1	Human capital has an effect on competitive advantage	Accepted
2	Social capital has an effect on competitive advantage	Accepted
3	Psychological capital has an effect on competitive advantage	Accepted
4	People oriented capital has an effect on competitive advantage	Accepted
5	The relationship between people oriented capital and competitive advantage is moderated by cost leadership strategy	Rejected
6	The relationship between people oriented capital and competitive advantage is moderated by differentiation strategy	Rejected

4.9 Chapter Summary

This chapter provides the descriptive statistics and tests of hypotheses. The correlation analysis used the kind of relationships existing between the variables. The regression analysis used captures the type of relationships between the variables and moderating effects of human resource management strategy. Hypotheses 1, 2 and 3 were tested and accepted. Hypotheses H5 and 6 were tested and rejected. These results lead to the summary, conclusions and recommendations presented in chapter five. Table 4.34 gives the summary of the results of test of study hypotheses.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the study, implications for managerial practice and recommendations for future research. The researcher addressed the findings related to the relationships among human capital, social capital, psychological capital, cost leadership and differentiation strategies and competitive advantage. The section also covers a summary of the findings related to each of the main variables.

The overall objective of the study was to investigate the influence of cost leadership and differentiation strategies on the relationship between people oriented capital and competitive advantage of ISO certified firms in Kenya. The study used primary data which was collected through a structured questionnaire from ISO certified firms in Kenya. The questionnaire employed 5 point Likert- type scale to measure the constructs.

Both bivariate and multivariate statistical analyses were performed using SPSS. The bivariate analysis involved the use of the value of r and R squared to determine the relationship between independent variables and indicators of firm competitive advantage. Multivariate analysis was used to establish the combined effect of the explanatory variables using multiple regression analysis to determine the effect of cost leadership and differentiation strategy on the relationship between people oriented capital and competitive advantage. Hierarchical regression model were used to determine the effect of cost leadership on the relationship between people oriented capital and competitive advantage.

5.2 Summary of Findings

This section presents a summary of the findings and conclusions arrived at. The presentation is done in accordance with the objectives and the relevant hypotheses and the analytical models that were used to test the particular hypotheses.

5.2.1 Human Capital and Competitive Advantage

The first objective of this research focused on the relationship between human capital and competitive advantage. The study employed various forms of regression analysis to test the hypotheses based on this relationship. From the results, it was established that the correlation between human capital and competitive advantage was .506. Human capital was found to explain 25.6 percent of the variability in competitive advantage. This relationship was found to be statistically significant.

The findings support findings by Huselid (1995) and Pfeffer and Luthans (2004) that human capital fulfills the widely recognized criteria for competitive advantage. It is concluded that there is a relationship between human capital and competitive advantage. This provides support to hypothesis one. The conclusion that can be drawn from this finding is that Kenyan organizations have underscored the importance of human capital

5.2.2 Social Capital and Competitive Advantage

The second objective focused on the relationship between social capital and competitive advantage. This objective was achieved by testing hypothesis two which stated that social capital has effect on competitive advantage. Regression analysis was used to test this relationship. The results showed that correlation between social capital and competitive advantage was .609. It was found that Social Capital accounts for 37.1 percent of the variability in competitive advantage. The relationship between social Capital and competitive advantage was found to be statistically significant. The findings clearly indicate that if social capital processes and practices enhance employee satisfaction leading to competitive advantage.

These findings support Burt (2000) who argues that proper realistic management of social capital leads to appreciation and confidence and increases employees perceived benefits thus enhancing competitive advantage. As a result the hypothesis that there is a relationship between social capital and competitive advantage was accepted. This study concludes that there is a relationship between social capital and competitive advantage.

5.2.3 Psychological Capital and Competitive Advantage

The third objective addressed the relationship between psychological capital and competitive advantage. Regression analysis technique was used to establish the strength of this relationship. Correlation between psychological capital and competitive advantage was .752. Psychological capital explains 56.6 percent of the variability in competitive advantage. This implies that there was a moderately strong, positive and significant relationship between psychological capital and competitive advantage. The results clearly indicate that psychological capital can be managed and enhanced and its effectiveness can impact on competitive advantage. This supports Coleman (1998) who posited that positive psychological capital can better equip managers to deal with setbacks both at personal and organizational levels, leading to greater competitive advantage. This leads to the conclusion that competitive advantage heavily relies on psychological capital. The hypothesis was therefore accepted and it is concluded that there is a relationship between psychological capital and competitive advantage.

5.2.4 People Oriented Capital and Competitive Advantage

The fourth objective was to determine the effect of people oriented capital on competitive advantage. Regression analysis revealed that People oriented Capital explains a moderate variability in Competitive Advantage (R square = .575). The study supports Pfeffer is (2004) conclusion that today's organizations need to close the gap by recognition and management of human, social, and psychological capital for competitive advantage. The study findings agree with Pitelis (2002) that managerial resources are of essence because they form a cohesive shell of the firm which in turn helps to create competitive advantage. The study concludes that there is a statistically significant relationship between People oriented Capital and competitive advantage. The hypothesis is therefore accepted.

5.2.5 Cost Leadership strategy, People Oriented Capital and Competitive Advantage

Objective 5 of this study focused on the moderating effect of cost leadership strategy on the relationship between people oriented capital and competitive advantage. Hierarchical regression was used to test the moderating effect of cost leadership on the relationship between people oriented capital and competitive advantage. The results finding was not statistically significant.

The findings contradict earlier scholars such as Lee (1996) who agrees with Porters generic strategic framework that for an organization to have proper strategy it must concentrate on cost leadership. It is expected that where there is cost leadership, organizations are competitive in that they make profits, produce goods that are unique and have low employee turnover. Thus, cost leadership would be expected to strengthen the relationship between POC and CA. However as empirical results in this study show, cost leadership has no effect on the relationship between POC and CA.

5.2.6 Differentiation, People Oriented Capital and Competitive Advantage

Objective 6 focused on the moderating effect of differentiation strategy on the relationship between people oriented capital and competitive advantage. The study found no significant moderating effect of differentiation on the relationship between people oriented capital and competitive advantage (P-value > 0.05). This phenomenon can be explained probably by the fact that the context of the study is a developing country, Kenya as opposed to studies done in a developing country context like the US and Singapore. The hypothesis that differentiation strategy moderates the relationship between people oriented capital and competitive advantage of ISO certified firms in Kenya is thus rejected. Thus from the two hypotheses 5 and 6 it was established that human resource management strategy does not moderate the relationship between POC and CA in ISO certified firms in Kenya.

5.2.7 Conclusion

This thesis presents results of a study on the relationship between people oriented capital and competitive advantage and the moderating effect of cost leadership strategy and differentiation strategy on the said relationship. The results show a strong and significant between human capital and competitive advantage, social capital and competitive advantage, psychological capital and competitive advantage. The study also addresses the moderating effect of cost leadership and differentiation strategy on the relationship between POC and CA and addressed knowledge gaps. The conceptual framework for the study was derived from existing literature. The framework differed from previous studies because it incorporated cost leadership strategy and differentiation strategy as moderating variables on the relationship between people oriented capital and competitive advantage. As a result, a crucial knowledge gap has been addressed. This study made the following conclusions:

The effect of Human Capital on Competitive Advantage

This objective was tested by hypothesis one which states that there is a relationship between human capital and competitive advantage. The study concludes that there is a statistically significant relationship between Human capital and competitive advantage. This hypothesis was accepted.

The effect of Social Capital on Competitive Advantage

This objective was tested by Hypothesis two which states that there is a relationship between social capital and competitive advantage. The study concluded that there is a statistically significant relationship between social capital and competitive advantage. The study accepts the hypothesis.

The effect of Psychological Capital on Competitive Advantage

This objective was tested by hypothesis three that states that there is a relationship between psychological capital and competitive advantage. It was concluded that there is a statistically significant relationship between psychological capital and competitive advantage. This study accepts hypothesis three.

The effect of People Oriented Capital on Competitive Advantage

Hypothesis four tested this objective: There is a relationship between people oriented capital and competitive. Like the above objectives the study found that there is a statistically significant relationship between people oriented capital and competitive advantage. The hypothesis was accepted.

The Moderating Effect of Cost Leadership Strategy on the Relationship between People Oriented Capital and Competitive Advantage

This objective was tested by hypothesis 5: The relationship between people oriented capital and competitive advantage is moderated by cost leadership strategy. The study found that there was no statistically significant moderating effect of cost leadership on the relationship between people oriented capital and competitive advantage. The hypothesis was therefore rejected.

The Moderating Effect of Differentiation Strategy on the Relationship between People Oriented Capital and Competitive Advantage

This objective was tested by hypothesis 6: The study found no significant moderating effect of differentiation strategy on the relationship between people oriented capital and competitive advantage. The hypothesis was therefore rejected. The reasons for this observation can be attributed to the fact that Kenya being a developing country has been grappling with developmental issues and high rates of inflation as well as insecurity.

The study, however shows that organizations need to adopt vibrant people oriented capital strategies to enhance competitive advantage. Furthermore, the very strong correlation between people oriented capital variables and competitive advantage means that none of the factors that can be optimally executed in the absence of the other.

5.3 Recommendations and Implications

This study has clearly shown that ISO certified firms practice sound human resource strategies. Further, the elements of people oriented capital have a strong relationship with competitive advantage. This means that none of the people oriented capital factors can be optimally executed in the absence of the other. It is, therefore, recommended that companies intending to acquire competitive advantage through the use of human capital need to appreciate especially the major elements of people oriented capital human capital, social capital and psychological capital. People oriented capital has great benefits to the organizational competitiveness; however, the major challenge to effective people oriented capital is the management and maintaining a powerful workforce.

The current research findings present several implications on theory, policy, and practice. In the following section specific implications for scholars and business practioners are discussed. On policy, the findings of this study will benefit the managers and policymakers in organizations because it will help them understand best practices in managing people, particularly in the relationship between human, social and psychological capital and competitive advantage and the effect of human resource management strategy. A key objective of human, social and positive psychological capital management is to achieve higher levels of organizational effectiveness, efficiency and competitiveness in emerging human, social and positive psychological capital. So the findings of this should make significant contribution to policymakers and managers.

Secondly this study should enable the policymakers learn the most important type of human, social and psychological capital techniques that work in the Kenyan context so that they can make sound policies. By addressing the linkage between human, social and psychological capital and competitive advantage in Kenyan organizations this study goes along way in helping policymakers in developing nations make sound policy decisions.

Thirdly, this study has extended previous research on human, social and positive psychological capital management practices and lays down the groundwork for other similar explicative studies with extensions in other developing countries. This study will makes significant contribution to the understanding of theory and practice of Human Resource Management strategy and the relationship between people oriented capital and competitive advantage.

At the macro level, these results give impetus to the Kenya government's policy of encouraging companies and government institutions to embrace the concept of human resource management by appreciating the fact that approach to human resources way of doing business has changed and therefore needs to be given the importance that it deserves. At the micro-level it will help organizations appreciate best cost leadership and differentiation practices

The study has come out clearly and has shown the need to fully implement the concept of human capital, social capital and psychological capital. These three variables have strong drive to competitive advantage. Companies are encouraged to embrace the concept of the relationships and linkages of human social and psychological capital and ensure that the human resource processes are driven to higher levels of efficiency and effectiveness. This approach will entail some levels of precision and flexibility. As the companies improve, the holistic view of human resources management should be brought into the picture and sustained implementation of the same by every firm.

The findings of the study are particularly pertinent to the human resource management practices. First, this study established that people oriented capital has a relationship with competitive advantage. Organizations therefore need to ensure that their people oriented capital best practices and policies adopt these factors for more effectiveness. The study also established that human resource management strategies has no moderating effect between people oriented capital and competitive advantage. According to the findings it showed that the presence of these factors had a high impact on competitive advantage. As a result, firms should consider entrenching these practices more seriously and enhancing training programs in order to differentiate themselves and gain a competitive advantage.

The results of this study on Human, Social and Psychological capital show that appropriate people management is the basis for a competitive advantage in organizations. Organizations need effective Human, Social and Psychological capital management strategies in order to conduct their core business profitably.

Dedicated effort to harness human, social and psychological capital best practices is important for competitive advantage. Organizations should therefore put effort in people management practices to gain competitive advantage.

5.4 Limitations of the Study

There were a number of limitations that were encountered when carrying out this research. However, most of the firms returned the questionnaires which ensured success of the study. There was also a degree of mistrust as to the real purpose of the study, and wrongful perception that the findings were going to be passed on to competitors - an understandable position meant to safeguard against knowledge leakage as it were. In this regard, the managers were obviously unwilling to answer questions pertaining to financial records but they agreed after they were assured that the data would not be disclosed to anyone. This study was a cross sectional research and it would be useful for future researchers to use other methods like longitudinal research design in order to see the changes that may be there

There was also unwillingness on some of the managers to complete the survey. This could be attributed to a number of factors. For example, the length of the survey instrument could have put off the managers who undoubtedly have busy schedules However they were given enough time followed by reminders. This study was based on self reports and thus susceptible to usual biases, although we tried to overcome the problem by using independent respondents for human resource management strategy and competitive advantage and human resource practices.

This study did not address the aspect of culture as a variable that could have an effect on the relationship between people oriented capital and competitive advantage. It is felt that culture may play some part in influencing the relationship between people oriented capital and competitive advantage. This study therefore recommends that culture can be researched on by future studies.

Dess and Robins (1984) suggests that subjective data could be used where objective data were unavailable, to achieve higher reliability in a future study. This research was confined to a Kenyan context and is therefore unique to Kenya. This can be seen as an advantage as the results obtained may bring out some cultural and structural factors that are unique to Kenya and are truly Kenyan.

5.5 Directions for Future Research

This study presents rich prospects for several other areas to be researched in future. The fact that data was collected from a single source, mainly consisting of top management is a mater of concern. This method has some weaknesses because it may leave out other key workers who may have some valuable insight on the areas covered. Future research should involve more employees across the management hierarchy and in different settings such as a focus group. In terms of research design, the present study was only confined to a specific industry. It would however be useful to carry out a similar study across heterogeneous industries. Furthermore, the study could be extended to a different context, for instance across a variety of other organizations. Also this study only involved three variables namely: people oriented capital, cost leadership and differentiation strategies, and competitive advantage. It would be useful to incorporate other competitiveness and performance based variables in the model.

Furthermore, an investigation of other moderating characteristics such as environment should also be incorporated in such studies. This would enable the human resource practitioners gain knowledge in different human resource management practices. This study was confined to only ISO certified firms in Kenya. It would be useful to do the same type of research in other organizations and across East Africa and beyond whether the same results would be replicated. Future research could also address business strategies as an intervening variable. This study viewed it as a moderating variable and its moderating effects were mainly insignificant. There is likelihood that it is more of an intervening variable than a moderating variable.

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APPENDICES

Appendix 1: ISO Certified Firms (2010)

	FIRM	ADDRESS	CERTIFICATE NO	SCOPE OF CERTIFICATION
1	East African Breweries	P.O BOX 30161-00100 NAIROBI	QMS/004	Manufacture and Distribution of alcoholic and non alcoholic beverages
2	GlaxoSmith Kline	P.O BOX 78392 OO507, NAIROBI	QMS/005	Manufacture of pharmaceutical, nutritional liquids and oral care products
3	General Motors	P.O BOX 30527-00100, NAIROBI	QMS/013	Assembling and servicing of motor vehicles
4	African Marine &General Engineering	P.O BOX 90462 MOMBASA	QMS/006	Provision of marine and general engineering construction services
5	Coastal Bottlers Ltd	P.O BOX 83154 GPO MOMBASA	QMS/014	The manufacture and distribution of carbonated soft drinks
6	Kenya Malting	P.O BOX 41412 NAIROBI	QMS/015	Production of Barley and Barley malt
7	Central Glass Industry	P.O BOX 49835-00100 NAIROBI	QMS/017	Manufacture, Printing, packaging and warehousing of container glass
8	Southern Engineering Ltd	P.O BOX 84162 MOMBASA	QMS/027	The provision of Marine and general engineering construction and repair services
9	ASP Company	P.O BOX 56038 NAIROBI	QMS/030	Design and manufacture of steel pipes

10	Interteck Testing Services	P.O BOX611-80100 MOMBASA	QMS/031	Processing and supply of laboratory testing services
11	Kenya Ordinance Factories Corporation	P.O BOX 6634 ELDORET	QMS/036	Manufacture of military hardware and related products
12	Strathmore University	P.O BOX 59857 NAIROBI	QMS/038	Provision of higher education
13	MumiasSugar Company Ltd	P.O PRIVATE BAG MUMIAS	QMS/039	Manufacture of sugar, marketing sales and distribution
14	Telcom Kenya Ltd	P.O BOX 30301-00100 NAIROBI	QMS/O4O	Provision and maintenance of voice and data services
15	Mater Hospital	P.O BOX 30325 00100NAIROBI	QMS/042	The provision of healthcare services
16	Mbaraki Port Warehouse	P.O BOX 80066 MOMBASA	QMS/043	Warehousing blending, clearing and forwarding, finance, IT, sales & marketing, engineering processes
17	Polucon Services ltd	P.O BOX 99344 MOMBASA	QMS/044	Inspection, cargo survey and laboratory testing services
18	Sondhi Trading Company	P.O BOX 80066-80100, MOMBASA	QMS/046	Import, export and wholesale trade of assorted products
19	Retirement Benefits Authority	P.O BOX 57733 NAIROBI	QMS/047	Provision of retirement benefits regulatory services
20	Riccati Business College of East Africa	P.O BOX 49624 00100 NAIROBI	QMS/048	Provision of training of business courses

21	Continental Products	P.O BOX 134548-00100 NAIROBI	QMS/049	The manufacture of adhesive and adhesive products
22	Nakumat Holdings Ltd	P.O BOX 78355-00507 NAIROBI	QMS/050	Retailing of household and consumer goods at the headquarter and in all branches of the company in Kenya
23	Vermont Flowers	P.O BOX 30429-00100 NAIROBI	QMS/51	Production and design of natural preserved flowers, foliages, flower arrangement and other home based interior decorations
24	Kenya Seed company	P.O BOX 553-30200. KITALE	QMS/52	Research production and distribution of certified seeds
25	Corn Products	P.O BOX 1012-30100,ELDORET	QMS/054	Manufacture of corn.milling and provision of products for food and industrial applications
26	Kenya Literature Bureau	P.O BOX 30022-00100 NAIROBI	QMS/055	Publishing and printing of books
27	Athi Water Services Board	P.OBOX 45283-00100, Nairobi	QMS/056	Management of water services
28	Color Creations	P.O BOX4467-00200 Nairobi	QMS/057	Production, sales and marketing of branded promotional items
29	Capital markets Authority	P.O BOX 74800-00200 NAIROBI	QMS/058	Provision of regulatory and facilitative services for the development of capital markets in Kenya
30	National Water Conservations	P.O BOX 30173-00100. NAIROBI	QMS/059	Provision of hydro engineering services,

	and Pipeline Corporation			construction of dams, drilling and equipping of boreholes and flood control works in Kenya
31	Muhoroni Sugar Company Po Muhoroni	P.O BOX 2, MUHORONI	QMS/061	Manufacture of sugar
32	National Hospital Insurance Fund	P.O BOX 30443-00200 NAIROBI	QMS/061	Provision of Health Insurance at the headquarters and the Nairobi branches only
33	Nairobi City Water and Sewerage Company Ltd	P.O BOX 30656-00100, NAIROBI	QMS/063	Supply of water
34	University of Nairobi	P.O BOX 30197-001000, NAIROBI	QMS/64	Provision of healthcare
35	Kenya Sugar Board	P.O BOX 51500-00200 NAIROBI	QMS/065	Provision of regulatory services for sugar industry in Kenya
36	Kenya Institute of Administration	P.O BOX 23030-00604, NAIROBI	QMS/066	Provision of training, research and consultancy services
37	Kenya National Examinations Council	P.O BOX 73598-00200, NAIROBI	QMS/068	Registration of candidates, administration of examinations, certification and equation of candidates
38	Kenya Medical Training College	P.O BOX 30195-00100, NAIROBI	QMS/069	Training of health professionals
39	Ministry of Regional Development	P.O BOX 10280, NAIROBI	QMS/070	Policy Development and guidance to the regional Development

				Authorities in Kenya
40	Zenith Steel fabricators Ltd	P.O BOX 18314-00500, NAIROBI	QMS/071	Design fabrication and installation of steel structures
41	Nzoia Sugar Company	P.O BOX 285 BUGOMA	QMS/072	Sugar and its byproducts
42	Alpex Consulting Africa Ltd	P.O BOX 20382 NAIROBI	QMS/O74	Provision of training in the fields of finance and management and provision of consultancy services in the fields of finance, management and research
43	Moi Teaching and Referral Hospital	P.O BOX 3-30100-00100 ELDORET	QMS/075	Health care delivery, training and health care research
44	Water Services Regulatory Board	P.O BOX 41621-00100, NAIROBI	QMS/076	Regulatory of water services in Kenya
45	Kenya Wildlife Services	P.O BOX 40241-00100, NAIROBI	QMS/077	Conservation and management of Kenya's wildlife and its habitat and provision of services pertinent to this scope
46	Tanzania Steel Pipes	P.O BOX 5674, DAR ESALAAM	QMS/078	Design and manufacture of steel pipes and fittings for civil, mechanical and structural applications
47	Nyayo Tea Zones	P.O BOX 48552-00400, NAIROBI	QMS/079	Growing and sale of green leaf tea and forest products
48	Kenya Sugar Research Foundation	P.O BOX 44-40100, KISUMU	QMS/082	Research in sugarcane, sugar related crops and the derivatives

49	KHEPIS	P.O BOX 49592-99100, NAIROBI	QMS/083	Agricultural regulatory services which include plant variety protection
50	Mwalimu SACCO	P.O BOX 62641, NAIROBI	QMS/084	Mobilization of funds from customers and provision of credits services and other financial services
51	East African Portland Cement Company	P.O BOX 20-002004 ATHI RIVER	QMS/085	Limestone and Kunkur mining and Clinker and cement production
52	Kenya Ports Authority	P.O BOX 95009, MOMBASA	QMS/089	Facilitation of sea-borne trade by providing marine operation, cargo handling short term warehousing services and training
53	Kenya Institute of Education	P.O BOX 30231-00100 NAIROBI	QMS/088	Development of curriculum and curriculum support materials
54	Local Authorities provident fund	P.O BOX 79592-00200 NAIROBI	QMS/90	Retirement Benefits Scheme Administration
55	Lake Victoria North Water Services Board	P.O BOX 673-50100 KAKAMEGA	QM/091	Ensuring the provision of quality and affordable water and sanitation services within its jurisdiction
56	Higher Education Loans Board	P.O BOX 69489-00400, NAIROBI	QMS/093	Provision of loans, bursaries and scholarships to Kenyan students pursuing higher education
57	Kenya Tourist Board	P.O BOX 30630-00100, NAIROBI	QMS/094	Tourism marketing

58	South Nyanza Sugar Company	P.O BOX 107, SARE AWANDO	QMS/095	Manufacturing, marketing and supply of sugar and associated products
59	Jomo Kenyatta university of Agriculture and Technology	P.O BOX 62000-00200, NAIROBI	QMS/096	Provision of higher Education
60	Moi University	P.O BOX 3900, ELDORET	QMS/99	Provision of Higher Education
61	International Supply Chain LTD	P.O BOX 7041-00200 NAIROBI	QMS/100	Management services-Training, consultancy, executive search and selection
62	Citibank	P.O BOX 30711-00100, NAIROBI	Not available	Provision of financial services
63	Aga Khan Hospital	P.O BOX 30270-00100, NAIROBI	Not available	Offering medical services
64	Safaricom		Not available	
65	UAP Insurance	P.O BOX 43013, 00100 NAIROBI	Not available	Provision of insurance services
66	Kengen	P.O BOX, 47936 NAIROBI	Not Available	Provision of electricity to Kenyans
67	Export promotion Council	P.0 BOX 40247-00100 NAIROBI	Not Available	Promoting Kenya's export worldwide

Source: Kenya Bureau of Standards and Bureau Veritaus (2010)

Appendix 2: Questionnaire

SURVEY ON ORGANIZATIONAL STRATEGY AND COMPETITIVE ADVANTAGE

Dear respondent,

This is a survey for a PhD research that seeks to establish the relationship between people oriented capital and competitive advantage in organizations. Your views are very important in this study. The questions asked are concerned with different aspects of your work and so we would be very grateful if you would answer all of them. The information you give will be treated with total confidentiality. Findings will be made available to all who participate without identifying individuals. Nobody in the organization will at any time have access to any of the questionnaires completed by individuals and all the information will be analyzed and reported as a group data.

Please read carefully and complete all the questions. For each question, tick the number that best fits your views. Please answer all the questions as openly and honestly as possible and spend as little time as possible on each question. For any questions please contact Eunice Karegi Kirimi on 0720745290 or email eunicekirimi2002@gmail.com

SECTION A: PERSONAL DETAILS

Kindly answer the following questions

1. Title --

2. Gender --

4. Years of experience

0-5 ( )

6-10 ( )

11-20 ( )

21-30 ( )

Over 31 ( )

5. Highest level of education?

Form four ( )

Form six ( )

Diploma ( )

Bachelor's degree ( )

Masters Degree ( )

PhD/Doctorate ( )

6. Age

Below 29 years ( )

30-35 ( )

36-40 ( )

41-49 ( )

Over 50 ( )

SECTION B: ORGANIZATIONAL DATA

Kindly answer the following questions

7. Name of organization--

8 When was the organization established?

1- 5 years ago ( )

6-10years ago ( )

11-20 years ago ( )

21-30years ago ( )

Over 31years ago ( )

9. No of people employed?

Less than 100 ( )

101-200 ( )

201-300 ( )

301-400 ( )

501-600 ( )

601-700 ( )

701-800 ( )

801-900 ( )

901-1000 ( )

Over 1001 ( )

10. What has been your organizations annual sales turnover over the last 5 years in shillings?

2005-------------------------

2006-------------------------

2007-------------------------

2008-------------------------

2009-------------------------

11. Annual net profit for the last five years (shs) in millions

2005-------------------------

2006-------------------------

2007-------------------------

2008.........................

2009-------------------------

12. Majority ownership of the organization

Local ( )

Foreign ( )

Both local and foreign ( )

13. What is the primary target market for your organizations products and/or services?

Local ( )

Foreign ( )

Both ( )

14. What is the estimated percentage market share for your organizations products and/or services?

Less than 25	( )
25-50	( )
51-75	( )
Over 75	( )

SECTIONC: PEOPLE ORIENTED CAPITAL
HUMAN CAPITAL

Knowledge

Please indicate with a tick the extent to which the following statements are true regarding how human resources are managed
12 3 4 5

Item	Not at all	To a little extent	To a moderate extent	To a great extent	To a very great extent
1) The selection criteria for my organization is focused on the candidates tacit knowledge (that (that is knowledge gained through experience)					
2) The selection criteria used focuses on the willingness and ability to continuously learn and fit					
3)The criteria used measures the candidate's desire for participation and involvement					
4) The criteria used is directed at establishing fit between the candidates values and the organization culture					

Skills

How would you rate the following statements as exercised by your organization in training and developing staff?

1 2 3 4 5

Item	Not at all	To a little extent	To moderate extent	To a great extent	To a very great extent
5)The organization is keen on training and developing employees on key competencies					
6) The organization always out- sources training and development services					
7) Sometimes the organization conducts internal customized training					

Experience

To what extent do you agree with the following statements relating to your organizations staff?

1 2 3 4 5

Item	Not at all	To a little extent	To moderate extent	To a great extent	To a very great extent
8) The organization keeps and maintains employees who have gathered experience in various departments of the organization.					
9) The organization encourages job rotation					

SOCIAL CAPITAL

Networks

Please indicate your opinion on the following statements

Item	1 Not at all	2 To a little extent	3 To moderate extent	4 To a great extent	5 To a very great extent
10) The organization encourages the employees to get involved with the outside world in various ways					
11) The organization encourages employees to be involved in internal networks					

Norms

How do you rate your organization in the following statements?

Item	1 Not at all	2 To a little extent	3 To moderate extent	4 To a great extent	5 To a very great extent
12) The organization has norms/ rules/standards of behavior which guide the conduct of employees					
13) The organization has formal rules and regulations which help in maintaining stability, identity and direction					

Trust

Please tick what you think is true of the staff in your organization

Item	1 **Not at all**	2 **To a little extent**	3 **To moderate extent**	4 **To a great extent**	5 **To a very great extent**
14) Employees have trust in management					
15) There is a low degree of trust among non-management staff in the organization					
16) There is high degree of trust among the organizations management staff					

Open communication channels

To what extent do you agree with the following statements relating to Communication in your organization?

Item	1 **Not at all**	2 **To a little extent**	3 **To moderate extent**	4 **To a great extent**	5 **To a very great extent**
17) There is a culture of openness in the organization					
18) This organization accepts diverse views from employees					

Work-life balance

To what extent do the following statements relate to your organization in matters of work life balance?

Item	1 Not at all	2 To a little extent	3 To moderate extent	4 To a great extent	5 To a very great extent
19) My organization encourages employees to participate in non job related activities in order to enable them have a balanced life					
20) My organization emphasizes employees' quality of life both inside and outside the organization and takes appropriate action to actualize this commitment					

PSYCHOLOGICAL CAPITAL

Self- efficacy and hope

To what extent do you agree with the following statements?

	1	2	3	4	5
Item	**Not at all**	**To a little extent**	**To moderate extent**	**To a great extent**	**To a very great extent**
21)My organization encourages and motivates People who are self efficacious rewarding them for their performance					
22)My organization gives employees hope					
23) Employees are encouraged to work towards challenging but achievable concrete specific goals.					
24)My organization gives managers hope and opportunity to achieve their goals					

Optimism and Resiliency

Please tick the most appropriate answer in regards to optimism and resiliency in your organization

	1	2	3	4	5
Item	Not at all	To a little extent	To moderate extent	To a great extent	To a very great extent
25)Work environments in this organization gives employees optimism for a fulfilling experience in the organization					
26)My organization allows and encourages diversity and positive changes like increased responsibility to their employees					
27) This organization gives people opportunity for growth and advancement					
28)Employees in this organization are given positive feedback					
29)Employees in this organization are given social recognition when they do well on their jobs					
30)This organization has put in place stress management programs					
31) My organization provides healthcare benefits, wellness programs or employee assistance programs.					

PART D: COST LEADERSHIP AND DIFFERENTIATION STRATEGIES

Kindly answer the questions below by indicating with a tick inside the correct box

	1	2	3	4	5
Cost Leadership	**Not at all**	**To a little extent**	**To moderate extent**	**To a great extent**	**To a very great extent**
32)This organization has narrow explicit jobs that are cost effective					
33)This organization encourages short term, result oriented performance appraisals					
34)My organization puts direct emphasis on specialization					
Differentiation	Not at all	To a little extent	To a moderate extent	To a great extent	To a very great extent
35)In this organization, job descriptions are relatively fixed					
36)This organization focuses on high levels of employee participation on work issues					
37)This organization treats employees with respect					
38)In this organization employees are given extensive and continuous training and development					
39)My organization uses pay based performance					
40)This organization encourages employees participation in decision making process					
41)This organization guarantees employment security					

PART E: FIRM COMPETITIVE ADVANTAGE

12 Kindly answer the questions below by indicating with a tick inside the correct box

Item	1 Not at all	2 To a little extent	3 To moderate extent	4 To a great extent	5 To a very great extent
42)This organization provides unique benefits to customers					
43)This organizations products are unique and difficult to imitate					
44)My organization views employees as valuable					
45)This organization adapts to its own unique situations and realities					
46)My company has branded itself beyond the scope of any competitors					
47)This organization develops competent employees					
48)This organization has strategies for retaining its most valuable employees					
49)This organization only maintains products that are highly valued by the customers					

Thank you very much for taking time to answer the questions.

Appendix 3: Supplementary Statistical Analysis

Average Annual turnover and Annual Net Profits for each firm

	Turn over					Annual Net Profit				
Firm Code	**2005**	**2006**	**2007**	**2008**	**2009**	**2005**	**2006**	**2007**	**2008**	**2009**
2	375.5	375.5	375.5	1000	1000	300.5	75.5	300.5	300.5	300.5
4	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
9	1000	1000	1000	1000	1000					
13						75.5	75.5	75.5	75.5	75.5
16	750.5	750.5	750.5	750.5		300.5	300.5	300.5	300.5	300.5
24	75.5	75.5	75.5	75.5	75.5	37.5	37.5	37.5	37.5	37.5
25	750.5	750.5	750.5	750.5	750.5					
28	28	28	28	28	28	25	2.5	2.5	2.5	2.5
31	175.5	175.5	175.5	175.5	175.5	2.5	8	18	2.5	2.5
33	375.5	375.5	375.5	375.5	375.5					
41	750.5	1000	1000	1000	1000	300.5	300.5	300.5	300.5	300.5
42	750.5	750.5	1000	1000	1000	500	500	500	500	500
43	75.5	75.5	75.5	175.5	175.5	8	8	8	18	18
45	750.5	750.5	750.5	1000	1000	8	18	18	18	38
46			375.5	750.5						
47	750.5	750.5	750.5	750.5	750.5	75.5	75.5	75.5	75.5	75.5
60	375.5	375.5	375.5	375.5	750.5	2.5	2.5	38	75.5	300.1
64	1000	1000	1000	1000	1000	500	500	500	500	500
67	1000	1000	1000	1000	1000	300.5	300.5	300.5	300.5	300.5
68	1000	1000	1000	1000	1000					300.5

71	1000	1000	1000	1000	1000	500	500	500	500	500
81	375.5	375.5	375.5	75.5	175.5	75.5	75.5	75.5	18	38
83	1000	1000	1000	1000	1000	500	500	500	500	500
87	375.5	750.5	750.5	750.5	750.5					
90	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
93	375.5	750.5	750.5	750.5	750.5		2.5	38	18	75.5
104	75.5	75.5	75.5	175.5	175.5	2.5	2.5	2.5	8	8
108	750.5	750.5	750.5	175.5	750.5	300.5	300.5	300.5	75.5	75.5
115	1000	1000	1000	1000	1000	300.5	300.5	300.5	300.5	300.5
120		375 5	375.5	375.5	375.5	75.5	75.5	75.5	75.5	75.5
121	375.5	375.5	375.5	375.5	375.5	38	38	38	38	38
123	750.5	750.5	750.5	750.5	1000				18	75.5
126	175.5	175.5	375.5	750.5		75.5	75.5	300.5	300.5	500
130	1000	1000	1000	1000	1000	75.5	300.5	18	75.5	18
131	1000	1000	1000	1000	1000					
132	1000	1000	1000	1000	1000	75.5	75.5	75.5	75.5	75.5
133	1000	1000	1000	1000	1000	8	2.5	18	2.5	18

All units are in "Millions" of shillings

Appendix 4: Mean and Standard Deviation for turnover and annual profit for each firm

Turnover							Annual net profit						
2005	2006	2007	2008	2009	Mean	Std. Dev	2005	2006	2007	2008	2009	Mean	Std. Dev
375.5	375.5	375.5	1000	1000	625.3	342.05	300.5	75.5	300.5	300.5	300.5	255.5	100.62
1000	1000	1000	1000	1000	1000	0.00	1000	1000	1000	1000	1000	1000	0.00
							75.5	75.5	75.5	75.5	75.5	75.5	0.00
750.5	750.5	750.5	750.5		750.5	0.00	300.5	300.5	300.5	300.5	300.5	300.5	0.00
75.5	75.5	75.5	75.5	75.5	75.5	0.00	37.5	37.5	37.5	37.5	37.5	37.5	0.00
28	28	28	28	28	28	0.00	25	2.5	2.5	2.5	2.5	7	10.06
175.5	175.5	175.5	175.5	175.5	175.5	0.00	2.5	8	18	2.5	2.5	6.7	6.75
750.5	1000	1000	1000	1000	950.1	111.58	300.5	300.5	300.5	300.5	300.5	300.5	0.00
750.5	750.5	1000	1000	1000	900.2	136.66	500	500	500	500	500	500	0.00
75.5	75.5	75.5	175.5	175.5	115.5	54.77	8	8	8	18	18	13	5.48
750.5	750.5	750.5	1000	1000	850.3	136.66	8	18	18	18	38	20	10.95
750.5	750.5	750.5	750.5	750.5	750.5	0.00	75.5	75.5	75.5	75.5	75.5	75.5	0.00
375.5	375.5	375.5	375.5	750.5	450.5	167.71	2.5	2.5	38	75.5	300.1	83.72	124.67
1000	1000	1000	1000	1000	1000	0.00	500	500	500	500	500	500	0.00
1000	1000	1000	1000	1000	1000	0.00	300.5	300.5	300.5	300.5	300.5	300.5	0.00

1000	1000	1000	1000	1000	1000	0.00	500	500	500	500	500	500	0.00
375.5	375.5	375.5	75.5	175.5	275.5	141.42	75.5	75.5	75.5	18	38	56.5	26.96
1000	1000	1000	1000	1000	1000	0.00	500	500	500	500	500	500	0.00
2.5	2.5	2.5	2.5	2.5	2.5	0.00	2.5	2.5	2.5	2.5	2.5	2.5	0.00
375.5	750.5	750.5	750.5	750.5	675.5	167.71		2.5	38	18	75.5	33.5	31.55
75.5	75.5	75.5	175.5	175.5	115.5	54.77	2.5	2.5	2.5	8	8	4.7	3.01
750.5	750.5	750.5	175.5	750.5	635.5	257.15	300.5	300.5	300.5	75.5	75.5	210.5	123.24
	375.5	375.5	375.5	375.5	375.5	0.00	75.5	75.5	75.5	75.5	75.5	75.5	0.00
375.5	375.5	375.5	375.5	375.5	375.5	0.00	38	38	38	38	38	38	0.00
750.5	750.5	750.5	750.5	1000	800.4	111.58				18	75.5	46.75	40.66
175.5	175.5	375.5	750.5		369.25	271.09	75.5	75.5	300.5	300.5	500	250.4	179.23
1000	1000	1000	1000	1000	1000	0.00	75.5	300.5	18	75.5	18	97.5	117.07
1000	1000	1000	1000	1000	1000	0.00	75.5	75.5	75.5	75.5	75.5	75.5	0.00
1000	1000	1000	1000	1000	1000	0.00	8	2.5	18	2.5	18	9.8	7.82
619.89	640.30	645.16	672.76	711.47			195.21	188.14	197.24	183.83	204.92		
368.19	366.33	362.86	368.97	368.01			237.14	235.93	234.48	232.85	232.86		

Appendix 5: Correlations for the study variables

Correlations of the study variables: Human capital, social capital, psychological capital, cost leadership, differentiation and competitive advantage

		Human Capital	Social Capital	Psychological Capital	Cost Leadership	Differentiation	Firm Competitive Advantage
Human Capital	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	67					
Social Capital	Pearson Correlation	.652**	1				
	Sig. (2-tailed)	.000					
	N	67	67				
Psychological Capital	Pearson Correlation	.685**	.735**	1			
	Sig. (2-tailed)	.000	.000				
	N	67	67	67			
Cost Leadership	Pearson Correlation	.499**	.590**	.639**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	67	67	67	67		
Differentiation	Pearson Correlation	.526**	.777**	.739**	.743**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	67	67	67	67	67	
Firm Competitive Advantage	Pearson Correlation	.481**	.590**	.732**	.468**	.645**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	66	66	66	66	66	66

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

Appendix 6: Correlation coefficients for Human capital items

Correlations				
		Knowledge	skills	Experience
Knowledge	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	67		
Skills	Pearson Correlation	.261	1	
	Sig. (2-tailed)	.033		
	N	67	67	
Experience	Pearson Correlation	.333	.311	1
	Sig. (2-tailed)	.006	.011	
	N	67	67	67

Appendix 7: Correlation analysis for Social Capital items

Correlations						
		Networks	Norms	Trust	Open communication channels	Work life balance
Networks	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	67				
Norms	Pearson Correlation	.451	1			
	Sig. (2-tailed)	.000				
	N	67	67			
Trust	Pearson Correlation	.221	.322	1		
	Sig. (2-tailed)	.072	.008			
	N	67	67	67		
Open communication channels	Pearson Correlation	.395	.484	.353	1	
	Sig. (2-tailed)	.001	.000	.003		
	N	67	67	67	67	
Work life balance	Pearson Correlation	.693	.545	.289	.629	1
	Sig. (2-tailed)	.000	.000	.018	.000	
	N	67	67	67	67	67

Appendix 8: Correlation analysis for Psychological Capital Factors

		Self efficacy & hope	Optimism and Resilience
Self efficacy & hope	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	67	
Optimism & resilience	Pearson Correlation	.519	1
	Sig. (2-tailed)	.000	
	N	67	67

Appendix 9: Correlation Analysis for Cost leadership and Differentiation Strategies

Correlations			
		Cost Leadership	Differentiation
Cost Leadership	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	67	
Differentiation	Pearson Correlation	.743	1
	Sig. (2-tailed)	.000	
	N	67	67