ORGANIZATIONAL CAPACITY, STRATEGY IMPLEMENTATION, COMPETITIVE ENVIRONMENT AND PERFORMANCE OF COMPANIES LISTED ON THE NAIROBI SECURITIES EXCHANGE

AGNES WANGARI GITAHI

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

2016

DECLARATION

This thesis is the result of my original work and has not been presented to any other college, institution or university for credit.

Signature: …….. Date: ……

Agnes Wangari Gitahi
(D80/80281/2009)
Department of Business Administration
School of Business, University of Nairobi

Supervisors

This thesis has been submitted for our approval as the appointed university supervisors.

Signature: …… Date: ……

Prof. Peter O. K'Obonyo, PhD
School of Business
University of Nairobi

Signature: …… ……Date: ……

Prof. Martin Ogutu, PhD
School of Business
University of Nairobi

DEDICATION

To my children: Daisy Nyaruai, Serah Wambui and Lynette Wanjiku. Thank you for your unconditional love. I love you so much.

ACKNOWLEDGEMENT

This thesis is the tangible outcome of an intellectual journey that carried me through different kinds of literature, institutions, people and learning experiences. Throughout this long journey, I was supported and encouraged by a number of academics, practitioners, and friends. A few must be mentioned by name. Foremost, I thank the almighty God for His endless grace that has lifted me this far. May He be glorified forever and ever.

My deepest gratitude goes to Professors Peter K'Obonyo and Martin Ogutu, my supervisors, who constantly encouraged and guided me. Their intelligence, patience, and kindness are unforgettable. Without their consistent and illuminating instruction, this thesis could not have reached its present form.

Special thanks go to the School of Business Doctoral Studies Committee, for providing the needed direction. In particular, I recognize Professors Aosa, Nzomo, and Doctors Zackary Awino and Justus Munyoki.

My gratitude goes to Margaret Muthoni Kariuki who initially motivated me to start the Ph.D. study. She was always available to give moral support when the going got tough.

My deepest gratitude is reserved for my family members who were the main source of inspiration, strength and support. My precious daughters, Daisy, Serah and Chiku deserve special admiration and thanks. Your patience and support made it easier for me to plan and finish this work in good time. I also extend deep appreciation to my sisters, Dommie, Philomena and Muyu for their continued support and encouragement and becoming parents to my children when I was not available. I also extend deep appreciation to my parents Gitahi Irungu and Susana Nyaruai Gitahi for not only loving and believing in me but also for their continued prayers.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The purpose of this research was to contribute to the extant knowledge on the relationship between organizational capacity, specifically leadership style and resources and performance of companies listed at Nairobi Securities Exchange. More specifically, it sought out to establish the mediating and moderating roles of strategy implementation and competitive environment respectively, in the said relationship. A review of extant conceptual and empirical literature was done and a hypothesis formulated. A positivist paradigm relying on descriptive research design was used. The study was a census and relied on both secondary and primary data. The population comprised 62 companies listed at Nairobi Securities Exchange and was active at the time of data collection in 2013. The respondents were managers in charge of finance and business strategy. A structured Likert questionnaire anchored on a five-point scale was used to collect primary data. Secondary data on profits, equity, and dividends per year was collected online from the company's' annual reports. Descriptive and inferential statistics were both used to analyze the data. Pearson Correlation, simple linear and stepwise and multiple regression analysis were used in hypothesis testing. The results revealed that organizational capacity significantly affects firm performance, strategy implementation mediates the relationship between organizational capacity and firm performance, competitive environment is not a significant moderator of the relationship between organization capacity and firm performance, and the joint effect of organization capacity, strategy implementation, and competitive environment on performance is not significantly different from their individual predictor variable effect. The study contributes to theory building by demonstrating empirically that efficient bundling of resources (leadership style and resources) resulting to more complex interdependencies which are harder to imitate and contribute to firm performance, it further confirms the value and application of resource-based theory. The study also contributes to knowledge by empirically confirming that organizational capacity significantly influences performance through effective strategy implementation. The results did not support competitive environment as a significant moderator of the relationship between organizational capacity and firm performance, implying that all the companies were able to manage their competitive environment effectively or were equally affected by the competitive environment. This issue, however, require further investigation. The concept of synergy as was implied by the joint effect of all the variables was unconfirmed, suggesting that organizations, when evaluating factors that have influence on their performance need to avoid lamping the factors together, but rather should evaluate their impact individually. Not all synergy is positive and not all variables may be key contributors to performance. This study may have been constrained by the use of one respondent per firm and combining many industries since different industries have different challenges. Future researchers could involve more respondents across the management hierarchy per firm to further validate their findings and make them more useful for generalizability, focus on firms in similar industry, replicating such a study in a bigger population longitudinally.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Performance is widely recognized as a multi-dimensional concept. Boyne (2005) argued that some managerial aspects seem to matter for some dimensions of performance, "but not all". Boyne considered performance as the quality of outputs, efficiency, equity outcomes, value for money and consumer satisfaction. Other studies of performance use even broader definitions encompassing internal and external performance (Brewer and Selden 2000; Boyne 2002; Selden and Sowa 2004). These assumptions naturally drive the researcher to the question of what actually contributes to performance. In the business world, one observes that some organizations perform well and achieve the stakeholders' objectives, while others perform poorly, even to the extent of closing down the business. The causes of variations of performance are a matter of concern to scholars and management professionals.

Organizational factors refer to those variables that are within the organizations' ability to manipulate so as to achieve the organizations' objectives. They are internal to the organization and include such factors as the organizational structure, organizational chart, reward system, culture, employees, leadership, resources, strategy and others that are within the reach of the management to change and manipulate for the benefit of the organization. This study focuses on organizational leadership and resources as independent variables because they are most fundamental in firm performance. An organization that has good leadership is like a ship on the high sea without an effective captain to navigate, scarce resources both human and material resources, will not be wasted. The transformational chief executive officer will contribute to firm performance because of their capacity to overcome the inertial forces that deter business organizations from successfully adapting to a changing environment, (Chima, (2007; Agle *et al.*, 2006 and Ling *et al.*, 2008). Similarly, Waldman, Javidan and Varella (2004) observed that such organizational leaders can influence members of an organization to constantly monitor, anticipate and adapt to changing environment. The resource-based theory of the firm defines resources as strategic assets consisting of all tangible and intangible, assets such as human and nonhuman,

that are possessed or controlled by the firm and that permit it to devise and apply value-enhancing strategies. Strategy implementation is an application process that puts resources into use, (Widodo 2011). It is an action-oriented process of planning which is in the hands of transformational leadership. Performance requires, among other things, functional leadership, knowledge and other resources for optimal organizational functioning. It is an attribute of several variables.

As the twenty-first-century prospects of economic development continue, organizations continue to change in many ways and these changes affect performance. Competitive industry environment and an unending wave of newness are just a few of the changes. These changes increasingly require flexibility in organizational factors' management to guarantee performance (Helgesen, 1990). This assumption is in agreement with the contingency theory which suggests that organizational leadership diagnoses a given situation and makes decisions relative to the conditions present. Any effort to diagnose and improve the performance of an organization requires an understanding of the forces, both inside and outside the organization, that can facilitate or inhibit that performance (Sirmon *et al*., 2007).

Today, business organizations are still facing challenges in performance. Many researchers have studied performance as contributed by one or two elements, as evidenced by the works of Javidan and Waldman (2003) who studied leadership and performance; Gomes and Osborne (2009) studied stakeholders role and performance; Tam and Zeng (2007) studied business environment and performance; Widodo (2011) studied strategy and performance and Howard and Walters (2004) studied configuration of resources, structures, and performance, among many others. Practically, organizational performance requires a multidimensional approach (Kaplan and Norton, 2008). The listed companies on the Nairobi Securities Exchange represent the key sectors of the Kenyan economy. Some firms have been performing well while others have been performing poorly as reflected by the amount of dividend paid to stockholders and their respective market shares. These conditions provided an appropriate setting for the current study.

1.1.1 Organizational Capacity

A firm is a bundle of resources comprising assets (tangible and intangible), capabilities, organizational processes, information, knowledge and so on (Barney 2001a; Angulo-Ruiz *et al.*, 2014). Capacity is an abstract term that describes a wide range of capabilities, knowledge, and resources that organization needs in order to be effective. Lyman, (2000) suggests that effective organizations are characterized by their rededication to achieving results. Organizational capacity is multi-faceted and continually evolving. Six components of organizational capacity are necessary for high performance. These include governance and leadership, mission, vision, and strategy, program delivery and impact, strategic relationships, resource development and internal operations and management. These interdependent factors contribute jointly to the health and performance of an organization. In this study organizational capacity embraced leadership style and resources. These are major attributes on which other aspects of capacity depend.

1.1.1.1 Leadership Style

Leadership is the ability of an individual to influence, motivate, and enable others to contribute towards the effectiveness and success of the organization of which they are members. Simonton (1994) defines a leader as a group member whose influence on group attitudes, performance, or decision making greatly exceeds that of the average member of the group. Leadership is an influential process of getting people to do things differently. Hmieleski *et al.*, (2010) argue that leadership sets goals, but in doing so takes account of the conditions that have already determined what the organization can do and to some extent what it must do. Leaders play several roles, for example as chief entrepreneur, chief administrator, crisis solver, task manager, figurehead, spokesman, resource allocator, negotiator, motivator, advisor, inspiration list, census builder and policy maker (Thompson and Strickland, 1989). Yukl (2002) and Özsahin (2011) defined leadership as "the process of influencing others to agree about what needs to be done and how it can be done effectively, and the process of facilitating individual and collective efforts to accomplish the shared objectives", (pp. 361). They proposed a three-dimension leadership model: task-oriented leadership, relations-oriented leadership and change-oriented leadership dimensions or styles. Their change-oriented leadership approach has characteristics similar to charismatic and transformational leadership styles.

The effect of leadership dimension or style on performance of a task, employee commitment, and satisfaction has been well established (Breckenridge, 2000; Vries *et al*., 1998; Cairns, 1996; Shakti and Gupta, 2010). Leaders who achieve the best results do not rely on a single leadership style. They use different styles or a combination of style appropriate for the prevailing situation. Organizations, department, teams, work climate and atmosphere are influenced by the style the leaders use (Goleman, 2000; Shakti and Gupta, 2010). Shamir *et al*. (1993) suggested that when leaders serve as role models and articulate a compelling vision to energize followers to perform beyond expectations, the followers get excited and energized to work hard toward achieving higher goals and objectives. Three types of leadership behavior –task, teams, and individually oriented leadership styles are undertaken, (Özsahin, 2011). Leadership style and organizational resources for this study are conceptualized as a premise that contributes to organizational capacity.

1.1.1.2 Organizational Resources

Garbuio *et al*., (2010) and Sirmon *et al*., (2007) observed that a company's existing resource portfolio refers to all types of resources (tangible and intangible assets) under control. It establishes the upper limits of a firm's potential to create value at a point in time. A portfolio of resources encompass the fundamental elements that are bundled and leveraged, therefore enabling and constraining the actions a firm can take (Barney, 2001a; Makadok, 2003). A resource is a relatively observable, tradable asset that contributes to a firm's market position by improving customer value and lowering cost or both. The main tenets of resource dependence are the significance of environmental sensitivity for understanding how an organization operates (Pfeffer and Salancik, 2003; Sirmon, *et al*. 2007) and the role resources play in determining the performance of business organizations.

Carlson (2004) observed from a resource-based view (RBV), that organizational strategy theory acquires competitive advantages through internally controlling resources. The company controls the internal factors and how they affects management through keeping up with the resources available and ensuring that the resources are used responsibly and correctly. As long as the management plans organizes, leads, and controls resources effectively, the company should be able to withstand any factor that may affect it. A basic concern premised on the resource-

based view is that attention should be focused on vital differences in the resource endowment and strategic reorganization of these resources in a firm. Resources are part of organizational capacity (Sirmon, *et al*., 2007).

1.1.2 Strategy Implementation

The strategy is a unique plan that gives an organization direction and scope over a long term. Ideally, it matches its resources to the changing environment and in particular its markets, customers or its clients so as to meet stakeholder expectation, (Johnson and Scholes 1996; Verheul, *et al.* 2002). Strategy implementation, on the other hand, is an operation and action-oriented human behavioral activity that calls for executive leadership and key managerial skills. Dekluyver and Pearce (2003), cited in Schaap (2006). Implementation is operationally defined as those senior-level leadership behaviors and activities that will transform a working plan into a concrete reality (Schaap, 2006). Strategy implementation is the most critical activity in the strategic management process because once the corporate and business strategies have been developed they need to be implemented in what Pearce and Robinson (1997) refer to as translating strategic thought into organizational action. Strategies are of no value to a company unless they are effectively implemented. This is conversely true as pointed out by Rowe, Mason, Dickel, Mann and Mockler (1994) that a strategy that is not implemented is no strategy at all. Thompson *et al.*, (2007) adds that the management's action agenda for implementing and executing the chosen strategy emerges from assessing what the company will have to do differently or better given its particular operating practices and organizational circumstances, so as to execute the strategy competently and achieve both financial and non-financial performance.

Pearce and Robinson (1997) point out that strategy implementation involves several processes. It involves allocation of sufficient resources (financial, personnel, time, computer system support and supportive organizational values), establishing a chain of command or some alternative structure such as cross-functional teams. assigning responsibility for specific tasks or processes to specific individuals or groups, and finally, managing the process which includes monitoring for results, company to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary (Deloitte and Touche, 2003). Therefore, Strategy implementation is an intervening

variable which enables companies to develop effective competencies in strategic thinking and realizing strategy, which will help organizations to compete in new ways in a more uncertain and fast-moving business world.

Strategy implementation is largely an internal administrative activity that requires the cooperation of all operating managers to push the needed changes in the organization. According to Thompson *et al* (2007), leadership "It is the most demanding and time consuming phase of the strategic management process because it requires participation of all employees to convert strategic plans into actions and results, tests a manager's ability to direct organizational change, motivate people, build and strengthen company competencies and competitive capabilities, create and nurture a strategy-supportive work climate, and meet or beat performance targets". There is also an increased attention to implementation issues (Taylor, 1986). Strategy development and implementation cannot be separated. The people who implement strategy should be involved in the strategy formulation stage. Attention should be paid to behavioral issues in an effort to enhance success in strategy implementation (Quinn, 1978; Peters and Waterman, 1982). The various strategy plans developed in companies should be integrated.

The long term and short term plans need to reinforce each other and Strategy should be coupled with operating plans for effective implementation. Strategy implementation refers to how a company creates, uses and combines organizational structure, control systems, and culture to pursue strategies that lead to superior performance. In so doing, it generates such determined commitment at all levels of the organization that an enthusiastic crusade emerges to carry out strategy supportive 'fits'. It creates synergy designed to achieve a predetermined objectives. This element of the strategic management process is the most complicated and time-consuming (Raps (2005). This depends on the leadership ability to develop/adopt policies and approaches to deal with a given situation that an enterprise may encounter.

Raps (2005) advanced an argument that the average success rate of strategy implementation ranges between 10 and 30%. The reasons that have been advanced for success or failure of strategy implementation revolve around the nature of strategy itself, the policies and support system, alignment of the strategy to the short-term

objectives and sub-strategies, the allocation of resources, the fit between structure and strategy, leadership, communication process and the organization culture, (Pearce and Robinson, Johnson 1997 and Scholes 2002).

1.1.3 Competitive Environment

An industry environment consists of a particular set of competitive situations that establish both opportunities and threats. The pattern of situational changes is a result of the actions of 'competitors'. Porter (1996) uses forces of change to make reference to buyers, suppliers, substitute products, potential industry entrants, as well as rivalry among firms within the industry. Strategic moves by any of these competitors can alter prevailing relationships and thereby change the situation in a firm's environment. Organizations are open systems, and the external environment in which they operate is very important. Organizations need support from their environment if they are to survive and perform well. The environment is the key factor in determining the level of available resources and the ease with which an organization can carry out its activities. To understand how industry environment drives competition, one needs to determine the level of industry profitability (Sirmon *et al*., 2007).

The industry environment impacts a firm through the value of the product to customers, the intensity of competition and relative bargaining power at different levels within the value chain. The threat of entry involves capital requirements, economies of scale absolute cost advantage product differentiation, access to distribution channels legal/ regulatory barriers and retaliation. Buyer power includes buyers' price sensitivity and relative bargaining power. Industry rivalry involves the concentration diversity of competitor's product differentiation, excess capacity and exit barriers cost conditions. Substitute competition includes buyers' propensity to substitute relative prices and performance of substitute's supplier power, suppliers' price sensitivity and relative bargaining power, (Yu and Ramanathan, 2011; Sirmon *et al*., 2007).

Organizations may confront multiple environments, each with its own characteristics and pivotal competitive issues. Pfeffer and Salancik (1978) envisioned the total environment as a context of resources and described it in terms of three hierarchical levels. Level one consists of the totality of individuals and organizations related in

some way to each other and the focal organization. Level two is more narrowly circumscribed and consists of organizations with which a focal environmental analysis of organizations directly interacts. The enacted environment that influences action by the decision-makers is the third level. Environments are assumed to vary with respect to their levels of munificence (availability/scarcity of critical resources), concentration (power and authority distribution), and interconnectedness (number and patterns of linkages between organizations).

1.1.4 Firm Performance

Performance is a function of how well managers build their organization around resources that are valuable, rare, inimitable and substitutable (King and Zeithaml, 2001; Qureshi 2010). Performance is the ability of an object to produce results in a dimension determined in relation to a target. Organizational performance is based on both quantitative and qualitative performance indicators (Zairi 2003). Performance measures are standards with which the progress on strategic objective can be measured and in which the organization vision and objectives are measurable. Lusthaus *et al*., (2002) adds that measurement is managed using the output, (calculations of recorded activity or effort expressed quantitatively or qualitatively) and outcome measures, (assessment of the results of the program compared to its intended purpose). Today, performance is a balanced scorecard framework which has a comprehensive performance measurement system comprising both financial and non-financial measures (Kaplan and Norton, 2008). It is a multidimensional construct.

Early management theories assumed that organizations existed to serve a purpose and that the role of management was to support this purpose by strategically gathering and applying resources in an efficient manner. However, experience showed that organizations did not serve a singular goal, but rather had multiple goals and sub-goals. In practice, an organization's goals were constantly and easily displaced. Time changes people's perceptions of the goals, leaders altered the goals, and organizational events caused a shift in priorities or even systems. Organizational assessment is gradually becoming more complex and holistic, integrating as many aspects of an organization as possible (Raduan *et al*., (2001).

In indeed, the issue of firm performance and the determination of such factors is an important issue in the field of strategic management. Studies tend to link such performance differences in either industry-specific factors with mixed results (Hawawini and Subramaniam, 2003; McNara *et al*., 2005). This diversity has led some strategic management researchers to question the ability of empirical studies to consistently and objectively explain differences in organizational performance, broadly criticizing research sampling practices(Short *et al*.,(2002) performance measurement methods and dimensions (Denrell, 2004; Starbuck, 2004) and the effects of industry velocity (Brauer and Schmidt, 2006). In short, an effective performance system should be able to capture not only the financial aspect of business performance but also the non-financial elements, so as to present a clearer and wider perception and dimension of performance Ishmail *et al*., (2010).

Today's organizations are operating in a turbulent environment which calls for effective strategy implementation that can enable organizations to achieve high performance. Performance measurements involve determining what to measure, identifying data collection methods, and collecting the data. Evaluation involves assessing progress toward achieving performance expectations, usually to explain the causal relationships that exist between program activities and outcomes. Performance measurement and evaluation are components of performance-based management, the systematic application of information generated by performance plans, measurement, and evaluation of strategic planning and budget formulation (Corbeil, 1992). Performance measures should, therefore, provide organizations with means for planning and implement strategies (Marwa and Zain, 2009).

1.1.5 Companies Listed on the Nairobi Securities Exchange

Nairobi Securities Exchange (NSE) is a form of exchange which provides services for stock brokers and traders to trade stocks, bonds, and other securities. Securities exchanges also provide facilities for issue and redemption of securities and other financial instruments, and capital events including the payment of income and dividends. Securities traded include shares issued by companies, unit trusts, derivatives, pooled investment products, and bonds. Supply and demand in stock markets are driven by various factors within and without the listed companies. The Capital Market Authority (CMA) has a regulatory responsibility to keep surveillance

of firms listed on NSE with regards to capital, liquidity, and other aspects with the overall aim of ensuring the financial stability of these firms, (Capital Markets Authority Act, Cap 485 A). The expectation is that the firms will be financially prudent and healthy which in turn will attract investors and sustain their confidence in investing in securities. But challenges have emerged related to the growth of the Kenyan financial market which requires concerted efforts of all players in order to safeguard the integrity of the Securities Exchange. A number of stock exchange brokers have not been operating their businesses within the kind of corporate governance framework that would be expected of them. Failure to manage their businesses in a professional manner and serious governance malpractices has seen firms experience significant financial difficulties forcing the Capital Markets Authority to place them under receivership/statutory management.

According to Ngugi, *et al*. (2009), the NSE has not made a significant contribution to Kenya's economic growth. Some of the listed companies have not been performing well while others are doing well as reflected by their returns to the stockholders. Some companies are faced with various challenges as they expand their market share and increase productivity and profitability. Although at the point of listing, these companies must have met the listing requirement of NSE, with time, the company's performance and business direction have changed for the better or for the worse. Firms such as KCC, Uchumi Supermarkets, A Baumann and Company, Bulk Medical Limited and Nyaga Stock Brokers have performed poorly, (Maina and Sakwa, 2010). The performance of these organizations is a critical issue because they are under public scrutiny, they depend on the public for funding and nationally they are expected to contribute to the country's economy. For example, Uchumi Supermarket failed because its leadership was unable to understand the environment and resource management, and went on expanding without proper planning of their expansion strategy. Uchumi Supermarket has made a comeback. On the other hand, other organizations such as the banking sector are performing well.

The listed companies are diverse covering a range of economic activities such as agriculture commercial and services, telecommunication and technology, automobiles and accessories, banking, insurance, investment, manufacturing, construction, energy, and petroleum. They provide a suitable profile of Kenya's economy. These

comparisons in the performance of the listed firms provided an opportunity for this study. In addition, these firms are required by Capital Market Authority (CMA) to keep proper records through published annual accounts. These records are available on line.

1.2 Research Problem

Many studies have been done on firm performance variables. Some of these studies linked performance to internal organizational variables of which leadership and resources are important. For example in their model to predict organizational performance Javidan and Waldman (2003) mainly focused on internal factors such as four dimensions of charismatic leadership. These were energy and determination, vision, challenges, and risk taking. Their study found that Charismatic leadership is only modestly related to motivational consequences and is not significantly related to performance. This suggests that there are other approaches to leadership that may contribute to performance.

Ekaterini (2010) study set out to investigate the leadership style of management from the perspectives of their level of education, type of organizational structure and their ages, in the work they do for the organization. Howard and Walters (2004) from their study on Chinese manufacturing firms using configuration of resources and structures on performance did not confirm configurations based on their findings while a study by Gomes and Osbone (2009*)* on the role of stakeholders on local government performance confirmed that leadership and resources are key determinants of performance. Hill and Lynn (2004) and Forbes and Lynn (2005*)* gave an insight of performance studies and the different levels of determining variables under study. They illustrated that the distinction between external and internal determinants was too simplistic and should be elaborated further in order to understand interrelations between the variables (Meyers *et al*., 2006).

Most relevant in the context of internal/external dichotomy is the classification by Boyne (2003) of sixty-five statistical studies on determinants of performance improvements. In his view, relevant external factors were resources, regulation, and market structure and for internal factors, he listed organizational change and management. Management referred in his study were issues of organizational culture,

leadership styles, human resource management and strategy process and content. His overall conclusion was that performance is subject to systematic influences. Resources and management seem to have the most consistent influences on performance and statistical results for the other theoretical perspectives are thin and or contradictory (Boyne 2003). Therefore there are gaps as to what really contributes to variations in performance.

Companies listed on the Nairobi Securities Exchange play an important role in economic development through their performance in the capital markets which is of significant importance to investors. Furthermore, they provide financial reports for public scrutiny and these companies are diverse in nature, portraying Kenya economic profile (Appendix C). To policy-makers, stock market parameters such as capitalization indices are recognized as leading indicators of economic activity. The level of stock prices can also have a direct impact on consumption due to the increase or decrease in wealth. The listed companies play an important role in the Kenyan economy and government development strategic plan, the Kenya Vision 2030. But there had been an increasing trend of failure of some Kenyan firms such as KCC, Uchumi Supermarkets, A Baumann and Company and Bulk medical limited. Others have been performing poorly and this is reflected in their low dividend paid to the stockholders, for example, Eveready East Africa, (Maina and Sakwa (2010). Athi River Mining Limited and Kenya Airways have lately been in the daily newspapers with employees' dissatisfaction and accusation of mismanagement. Others such as Equity Bank, Kenya Commercial Bank, and Bamburi Portland Cement are expanding outside the Kenya's boundaries meaning they are performing well. So what causes variation in performances of these organizations? Listed companies provide a suitable opportunity to investigate the variables of this study.

Elbanna (2008), Gomes and Osborne (2009), found that leadership and resources are key determinants of performance but did not focus on the contribution of industry environment and its implication for strategy implementation. Widodo (2011) linked strategy implementation to smart working patterns (processes) only. Ogbeide and Harringtone (2011) confirmed that management participation and strategy implementation success led to higher financial performance but the study excluded non-financial measures of organizational performance. Organizational capacity has a

critical responsibility of executing the strategy, as well as providing a foundation for strategy development, (Luliya *et al*., 2013*)*, but this lacked empirical support. Empirical studies confirm that strategy has an influence on performance, (Gosselin 2005; Hoque 2004; Tangen (2005), but these studies focused on a strategy alone yet strategy that is not implemented is no strategy at all. The industry environment has become a key factor influencing organizational performance as supported by Tam and Zeng (2007) who concluded from their study that organizations sometimes failed to adapt to the dynamism of business environment. The empirical survey showed that a negative relationship exists between environment uncertainty and export performance (Matanda and Freeman, 2009). In addition, environmental characteristics also affect how strategies are attained. Many studies considered the environment as a key factor that provides the infrastructure for strategy implementation (Taslak, 2004). Environmental issues are cited as a determinant of success or failure of strategy implementation in works such as Okumus (2003) and Taslak. The results of these studies are inclusive. Most studies have examined performance measures as consisting of one or two elements thereby excluding simultaneity embedded in the multidimensionality of performance. This is of particular interest in view of the increasing recognition among researchers, policy-makers and managers alike of the importance of the synergy of organizational factors for creating and delivering value, (Moore, 2000).

Despite the many studies done on organizational performance, researchers have not been able to explain what contributes to most of the changes in performance. This may be partly due to the fact that many studies have focused on a few explanatory variables at a time. Some contend that it is leadership, others resources, and others strategy. But organizations are still struggling with performance challenges. The big question for this study is, what is the role of strategy implementation and competitive environment in the relationship between organizational capacity and performance? Therefore the study sought to bridge this gap by using the joint effect of three variables namely, organizational capacity (leadership style and organizational resources), strategy implementation and competitive environment on firm performance. It also endeavored to confirm the direct link between organization capacity and performance, the mediating role of strategy implementation and the moderation role of competitive environment. Most studies focused on one or two

variables to determine performance, but this study considered a combination of three variables namely, organizational capacity, strategy implementation and competitive environment on firm performance.

1.3 Research Objectives

The general objective of this study was to determine the effect of Organizational Capacity (Leadership style and Organizational Resources), Strategy Implementation and Competitive Environment on Performance of companies listed on Nairobi Securities Exchange

1.4 Specific Objectives

1. To establish the effect of Organizational Capacity on the Performance of companies listed on Nairobi Securities Exchange.

a) To establish the effect of Leadership Style on Performance of companies listed on the Nairobi Securities Exchange.

b) To establish the effect of Organizational Resources on the Performance of companies listed on the Nairobi Securities Exchange.

2. To determine whether the influence of Organizational Capacity on Performance of companies listed on Nairobi Securities Exchange is direct or indirect through Strategy Implementation.

3. To determine the effect of Competitive Environment on the relationship between Organizational Capacity and Performance of companies listed on Nairobi Securities Exchange.

4. To establish whether the joint effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Performance is greater than their individual effect on Firm performance of companies listed on Nairobi Securities Exchange.

1.5 Value of the Study

The study findings have the potential to add value to strategic management theories by investigating more into joint influences of organizational capacity, strategy implementation and competitive environment on firm performance. Organizational capacity focuses on firm's resources. The study demonstrated the value and application of resource-based view theory. Resource bundling and contingent alignment of resources to the prevailing situation depends on effective leadership.

The study will be useful to management practice. Research on linkages of organizational capacity (leadership style and resources) and competitive environment may offer new practical contributions in improving financial performance, customer satisfaction, and increased market share and employee satisfaction. Strategy implementation has been a challenge to many organizations and complexities surrounding organizational industry environment has led to significant implications for theory and practice.

The study demonstrated linkages between organization capacity strategy implementation, competitive environment and performance in a Kenyan context specifically the companies on the Nairobi Securities Exchange. Companies listed are well-known business organizations which could be used by other companies for benchmarking. The study took place at a time of increased environmental turbulence. The information on competitive environment brings knowledge to managers of business organizations. The study results on joint effect put managers on notice that all organizational factors are not key contributors of synergy in a business firm.

The findings of this study have also extended knowledge and opened new frontiers in the field of strategic management. That competitive environment will only need an effective leadership style and resources have given another dimension to strategic management studies. The study has contributed towards addressing the gaps identified in the previous studies. It has facilitated the growth of literature in strategic management. The findings should encourage possible replication of similar studies in different context and thus fostering comparative studies. It also serves as a reference point and a basis for other future research studies.

1.6 Organization of the Study

Overall, this research report is organized into five chapters:

Chapter One: This section introduces the background of the study. The chapter illuminates the research problem and outlines the objectives of the study. The chapter closed with suggested values of the study.

Chapter Two: The section presents reviewed literature pertinent to the study problem. In particular, the chapter explains the theoretical perspective of organizational capacity (leadership style and resources) and strategy implementation. These arguments are grounded on resource-based view theory of the firm. Competitive environment was grounded on contingency theory. The discussions are linked to firm performance in line with the study objectives. The chapter closes with a proposed conceptual model for the study and the corresponding hypotheses to be tested.

Chapter Three: describes the methodology adopted for the study. It discusses the research philosophy, research design, study population, data collection and questionnaire design and pretest. The chapter also presents the operationalization of research variables, validity and reliability and testing of assumptions. The chapter closes with a discussion of data analytical techniques.

Chapter Four: provides an output of the results of the study. The chapter has three sections. The first part presents the preliminary analysis. The second section gives the descriptive statistics of the organizations surveyed. The last section indicates the findings of the relationships of the hypotheses tested. This chapter ends with a summary of key findings emanating from the study.

Chapter Five: provides six sections: An interpretation of general and major findings, summary and implication of the findings to management practices and limitations of the study. The chapter closes with directions for future research.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section took an in-depth study of the literature with an aim of creating clear relationships between leadership, resources, strategy implementation, industry environment, and performance. The focus was to see how organizational capacity impacts on performance and secondly, establish whether the influence of organizational capacity on performance is direct or through strategy implementation, thirdly, establish the effect of competitive environment on the relationship between organizational capacity and firm performance. Finally, the study intended to establish if the joint effects of variables had a significant difference in performance as compared to their individual effect on performance. The section revealed identified gaps, conceptual framework and the hypotheses that guided the study.

2.2 Theoretical Foundation

The concepts of this study are grounded on two theories: the contingency and resource-based view. The theory argues that firms' resources have a subset, of that, enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance, (Qureshi, (2010; Wang *et al* 2011). Resources that are rare and valuable can lead to the creation of a better competitive position and hence superior performance. This position can be maintained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer or substitution, (Barney 1991). Firm's resources are those tangible and intangible assets that tie semi-permanently to the firm at a given time. The tangible resources include skilled personnel, machinery, capital, efficient procedures and so on. The intangible resources include among others brand names, trade contacts, management and technological know-hows, proprietary technologies. On the other hand contingency, theory indicates that the style to be used is contingent upon such factors as the situation, the people, the task the organization and other environment variables. The contingency approach requires that managers diagnose a given situation and make decisions relative to the conditions present.

2.2.1 Resource-Based Theory

Resource-based view theory focuses on the idea of resource endowment of the firm as sources of business returns and the means to achieve superior performance and competitive advantage (Caldeira and Ward (2001; Koumaditis *et al*., 2013). A firm can be understood as a collection of physical capital resources, human capital resources and organizational resources (Barney, 2001a). The resource-based view theory has gained a wide acclaim and attracted a lot of research in the recent past (Helfat, 2000; Newbert, 2007; Koumaditis *et al.*, 2013) and looks at the firm in its resource base.

The chamberlinian-penrosian theory (Barney, 1986; Penrose, 1959; Chamberlin, 1933; Robinson, 1933) emphasizes the unique assets and resources of the firm and their effect on the organizational strategy and output. This perspective is interesting, particularly because it has been revived recently with the popularity of the resource-based view of the firm (Wernerfelt, 1984, 1995; Qureshi 2010). This perspective is consistent with the traditional strategic management model (Ansoff, 1965). More specifically, resource-based perspective, suggests that certain resource and asset differences may allow some firms to implement strategies that alter an industry's structure in ways that uniquely benefit these firms. For this reason, firm heterogeneity in terms of resources, represent an important source of competitive advantage for firms" (Barney, 1986, 793).

Peteraf and Barney (2003) argued that resources are assets while capabilities are processes, firm attributes or knowledge. Duta, Narasimhan a Rajiv (2005) defined capabilities as the efficiency with which a firm employs a given set of resources(inputs) at its disposal to achieve certain objectives(output) Casselman and Samson (2007) extended the argument that to manage resources was capability. Makadok (2001) as cited by Bagire (2012) identified the distinction in terms of visibility. A resource is an observable asset but not necessarily tangible while a capability is not observable and hence necessarily intangible. Newbert (2007) contended that these distinctions were minimal, therefore the concept of resources and capabilities are closely related.

Galbreth and Galvin (2004) discovered that while RBV theory largely associates firm performance with intangible resources, the association may not always hold true empirically. One explanation may be that the strength of some resources are dependent upon interaction or combinations with other resources and therefore no single resource (intangible or otherwise becomes the most important to firm performance. Miller (2003) through his study showed how some firms were able to build on asymmetries such as skills, processes or assets which the competitors cannot copy at a cost that affords economic rents. They are rare, inimitable and non-substitutable. Leadership is a component of human capital resources, and depending on the skills of the leader, the organizations develop capabilities to discover and design asymmetries which amount differential performances. Leadership involves influencing all the others organizational resources which in turn influences business performance.

For the purpose of this study, capability implied leadership style and resources are understood in this context as the necessary capacity for leadership to use in order to implement strategy effectively. By identifying and conceptualizing these differences, and fitting them with superior strategies and effective strategy implementation and, timely positioning in the market, many firms were able to turn differentials into capabilities (Gubbi & Elango, 2016), that may result in superior performance. In this study, the model uses indicators of resources as financial, physical facilities, employee skills, and technology. According to resource-based view theory, a competitive advantage occurs only when there is a situation of resource heterogeneity (different resources across firms) and resource immobility which brings out the inability of competing firms to obtain resources from other firms, (Barney, 2001a).

Bass *et al*. (2006) proposed that leaders shapes alters and elevates the motives, values, and goals of followers achieving significant change in the process which contributes to performance. Based on this responsibility for establishing organizational values and direction of leaders of the organization, action-centered leadership model is of relevance here (Adair' 1973). The model states that the action-centered leader gets the job done through the work team and relationships with fellow managers and staff.

According to Adair's (1973) explanation, an action-centered leader must direct the job to be done (task structuring), support and review the individual people doing it and co-ordinate and foster the work team as a whole (Bolden *et al*. 2003). Building on the works of Barney (1991) which was supported by and Wright *et al*. (2001) noted that synergic effect rather than a set of independent practices leads to competitive advantage. This argument discredits the assumption that reliance on a single element like human capital which has overly been emphasized in the literature as a source of competitive advantage. RBV is governed by the general belief that resource interaction should be more valuable than the sum of its part.

Critics of resource-based view such as Priem and Butler (2001) suggests that the theory is not prescriptive in that it does not provide managers with appropriate advice on which specific resources they should accumulate to gain competitive advantage. Barney (2001) claim that RBV is tautological and does not generate testable theories. He notes that majority of the studies applying RBV has failed to test its fundamental concepts, but have utilized the theory to establish the context of empirical research. In this vein, Wright *et al*. (2001) recommend that researchers should test the core concepts of resource-based view.

Notwithstanding a great room for development, it is clear that the conceptual and application of RBV has impacted on strategic management. With the exception of Swart (2006) critique among others, RBV has been supported empirically by other researchers (Kariuki, 2004; Manikutty, S. 2000; Bagire 2012; Raduan *et al*, 2010).

2.2.2 Contingency Theory

Contingency theory suggests that an appropriate match must be made between organizational factors and the environment. The outcome of loss of control of the environment is indicated by poor performance. When the leadership is unable to deal with the environment (unable to control), the blame is fixed on environmental uncertainty or high competition. (Sutton and Callahan, 1987; Lim *et al*., 2006). This connection between perceived environmental uncertainty and performance is typically explained in strategic management literature, based on ideas from contingency theory (Miller, 1988).

Contingency theory assumes that the environment poses certain information on processes, resources, or legitimate demands on the organization. These demand forces, in turn, are either met or not met through the strength of organizational capacity which ultimately lead to different levels of organizational effectiveness. The effective leadership carries out the functions and exhibits the behaviors' on task, individual employee, and the team, (Lim *et al*., 2006). The challenge for the leadership is to balance his or her orientations on task, individual and teams and how he/she allocates resources for strategy implementation while taking industry environmental influences into consideration for the benefit of the organizational performance. Leadership may strategically transform the organization in a competitive environment by using the appropriate approaches contingent to strategic requirements in the prevailing competitive environmental conditions, (Indermun and Karodia 2013).

The major weakness in behavioral theories is that they ignore the important role which situational factors play in determining the effectiveness of individual leaders (Mullins, 1999). It is this limitation that gives rise to the 'situational' and 'contingency' theories of leadership (Yetton, 1974) which shifted the emphasis away from 'the one best way to lead' to context-sensitive leadership.

2.3 The Organizational Capacity

Firms face the most challenge of the best use of available resources. Full range of both tangible and intangible asset and market position has to be accessed so as to carry out organizational activities effectively to achieve the desired performance. Therefore, the available resource is considered as one of a measurement dimension of organizational capacities, (Nguyen and Nguyen, 2013). Furthermore, previous studies (Lyman 2000; Wheelen and Hunger 2004; Meyers *et al*. 2006; Singh 2004, Nguyen and Nguyen, 2013) have identified other components that are completely interactive with one another to construct organizational capacity. Six components of organizational capacity are necessary for high performance: governance and leadership; mission, vision, and strategy; program delivery and impact; strategic relationships; resource development; and internal operations and management, (Lyman 2000).

Herath and Mahmood (2014) studied organizational capacity through what they called absorptive capacity. They defined it as the ability of a firm to recognize new external information, understand it and apply it commercially. They said that this may lead to a firm's competitive positioning. Organizational capacity has been investigated in a number of performance models in earlier research, and many of these studies found significant positive relationship with firm performance (Murray and Peyrefitte, 2007; Flatten, Greve, and Brettel, 2011;Yeoh, 2009; Lichtenthaler, 2009; Bergh and Lim, 2008 and Parida, 2009). Deeds (2001) found the absorptive capacity to positively effect on new wealth creation, while Huang and Rice (2009) and Jolly and Therin (2007) findings indicated that firms easily assimilate knowledge to develop innovations. Muscio (2007) proved that absorptive capacity improves the collaboration with other organizations, and Hayton and Zahra (2005) found that it increases the ability to acquire additional resources. Therefore organizational capacity from different factors contributes to performance.

Brettel, Greve, and Flatten (2011) advanced a curvilinear relationship between absorptive capacity and performance of companies. Other studies have tested absorptive capacity as a moderator and found significant relationships (Yang-Chao, *et al.* 2011; Lin-Van, *et al*. 2010; Wang and Han, 2011; Kim, Zhan, and Erramilli, 2011) have proved a significant mediating role of absorptive capacity. Although absorptive capacity is focused on technology in the majority of studies, most researchers focus on separating impacts of a factor of firm performance, theory lacks a clear understanding of the interaction terms among external environment, internal capacities and leadership role, (Nguyen and Nguyen (2014). To close this gap, this study attempt not only to investigate direct effects of organizational capacity (in terms of leadership style and resources), and strategy implementation on firm performance, but also to focus on the interaction terms of competitive environment effects, specifically in a Kenyan context, Nairobi Securities Exchange.

Herath and Mahmood (2014) study shown statistical evidence for the moderating effect of absorptive capacity on the relationship between strategic approach and performance. The result implied that strategic approach with higher absorptive capacity would increase the performance of business enterprises. From the theory of dynamic capabilities, future researchers have been advised by Herath and Mahmood

(2014) to focus the role of organizational capacity in exploiting strategic advantage for the success of business enterprises. Ogbeide and Harrington (2011) in their study on the relationship among participative management style, strategy implementation success, and financial performance in the food service industry found that the direct effects of greater top management involvement and the interaction effects of one three-way interaction (middle management, lower management, and frontline staff) and the four-way interaction led to higher levels of action plan success. Longer-term impact on financial performance, higher participative approaches used by top management and frontline staff were significantly associated with higher overall profits and financial success, (Kim and Damhorst (2013). Though important findings, the study focused on management style alone. This is challenged by Galbreth and Galvin (2004) who argued that the strength of some resources are dependent upon interaction or combinations with other resources and therefore management style (intangible resource) alone without some other resources will leave out important information. This gap provides an opportunity to study organizational capacity as being contributed by leadership style and organizational resources.

Previous studies (Grantmaker 2000; Wheelen and Hunger 2004; Meyers *et al* 2006; Singh 2004, Nguyen and Nguyen, 2013) have identified other components that are completely interactive with one another to construct organizational capacity. Six components of organizational capacity are necessary for high performance: governance and leadership; mission, vision, and strategy; program delivery and impact; strategic relationships; resource development; and internal operations and management.

Mustapa *et al.* (2015) pointed out various studies that debated on organizational capacity and the importance of resources to company performance (Barnet, 1986b, 1986c; O'Regan and Ghobadian, 2004; Bhatnagar, 2006; Adjaoud, Zeghal, and Andaleeb, 2007). Hence, it is sufficient to test the association between these two variables and firm performance to offer new findings in Kenya. Mustapa *et al.* (2015) operationalized organizational capacity in terms of financial management and organizational management. The result of the empirical test reports that financial management was not statistically significant in explaining the performance of companies. For instance, plan and sufficient budget of companies and auditing did not

assist in generating value to companies, (Mustapa and Mohamad 2015). On the other hand, the finding pertaining to organizational learning was found to be consistent with the proposed RBV perspective which shows that performance of the company was significant and positively influenced by this organizational capacity element. This finding supports prior studies by Murray (2003), Lopez *et al*. (2005) and Hou (2008). Therefore, the positive and significant finding with regard to organizational capacity implies that organizations are capable of achieving competitive performances. Organizational capacity for this study has been constructed as being an element of two factors, leadership style, and organizational resources. This arose from the identified gaps from previous research studies.

2.3.1 Leadership style

The leadership literature has a rich tradition of conceptualizing leadership typologies. In a typical typology, leader behaviors are theoretically clustered into prominent types of styles of leadership, (Dominici and Guzzo 2010). As known, the path-goal theory identified four distinct styles of leader behaviors – supportive leadership, directive leadership, achievement- oriented leadership, and participative leadership (House, 1986). More recently, the dominant typology is that articulated by Bass (1997) and his associates (Avolio and Goodheim, 1987) who suggest a transactional-transformational paradigm. In this study, the researcher drawn on this tradition used the rich historical leadership literature to conceptualize four major types or styles of leadership to use in the contingency theory. Fundamentally, the typology is consistent with the viewpoints of Bass, but it is extended to include other views or types. Researcher's historical analysis is adapted from Pearce *et al*. (2000). For each style, we draw from several theoretical roots of specific leader's behaviors as well as broader theoretical theories that can be related to leader behavior (Pearce *et al*., 2000; Dominici and Guzzo 2010).

The influences of leadership style on job performance, organizational commitment, and satisfaction have been well established (Breckenridge, 2000; Dominici and Guzzo (2010). While leadership style has an impact on organizations, department, and teams, as well as work climate and atmosphere, leaders who want the best results should not rely on a single leadership style (Goleman, 2000). In the modern age, good leaders are an enabling force, helping people and organizations to perform and develop, which

implies that a sophisticated alignment is achieved of people's needs (resources), and the aims of the organization. Researchers have long recognized that leaders are able to arouse strong positive feelings in their followers which in turn favorably influence their work attitudes and behaviors (Dasborough and Ashkanasy, 2002; Gooty *et al*., 2010; Mustapa e*t al*., 2015). Good leadership in the modern age, more importantly, requires attitudes and behaviors which characterize and relate to humanity.

Ling *et al*. (2008) observe that although the theory underlying the impact of transformational leadership on firm performance is compelling, the few studies that have empirically examined this linkage have generally failed to find support for it. For example, Tosi, *et al.* (2004) examined a sample of Fortune 500 companies over a 10-year period and reported that the top managers' ratings of chief executive officer charisma, a key attribute of transformational leadership, were unrelated to firm performance. Using data from 48 Fortune 500 firms, Waldman, et al. (2001) also failed to find any main effects of chief executive officer charisma on firm performance. Likewise, on the basis of 770 surveys from top management team members in 128 companies, Agle *et al*. (2006) found that although previous organizational performance was attributed to perceptions of chief executive officer charisma, subsequent performance was not. Similarly, Ensley, Pearce, and Hmieleski's (2006) study of 66 firms found no evidence to support a positive main effect of chief executive officer transformational leadership on firm performance.

Ling *et al*. (2008) reported that there are only two exceptions to these null findings. First, Waldman, Javidan, and Varella (2004) found charisma to be positively related to firm performance. Unfortunately, this study neither considered the other three attributes of a transformational leader nor did it control for prior firm performance, a variable that Waldman *et al*. (2001) has previously identified as an important covariate. Second, although Baum, Locke, and Kirkpatrick (1998) found that another aspect of charisma was creating an attractive vision which contributed to the venture growth of entrepreneurial firms. Their venture growth measure was based on self-reports, and their leadership measure combined the chief executive officer's self-assessment with that of one subordinate.

Despite some of the advantages of participative leadership style, the breadth and depth of organizational members' participation or involvement in the strategic implementation vary from one organization to another, (Kim and Damhorst 2013). The breadth of involvement relates to the task at hand, teams, and stakeholders of the organization (Breckenridge, 2000). The depth of involvement relates to involvement through the organizational hierarchy (from the upper management to frontline employees) (Barringer and Bluedorn, 1999). Past studies on the relationship between the breadth of involvement and implementation success are not clear and can be described as mixed (Simons *et al*., 1999; Kim and Damhorst, 2013). Thus, further studies are needed in this regard to examine the relationship between leadership capacity in involvement and strategy implementation success using heterogeneous population.

In an effort to advance this line of research and prompted by the fact that extant research has primarily focused on large firms, Agle *et al*. (2006) and Ling *et al*. (2008) suggested that future studies should consider the role of organizational context. Specifically, along with Hambrick and Finkelstein (1987) and Finkelstein and Boyd (1998), they argued that in less complex organizational contexts, senior executives may have greater latitude in making strategic choices and consequently are more likely to wield greater influence on firm performance. Consistent with this view is that of Lubatkin, Simsek, Ling, and Veiga (2006), who proposed that CEOs of smaller, privately held firms may impart greater firm-wide influence than their counterparts in large, professionally managed, public firms. Building from these ideas, this study draws upon Ling *et al*. (2008) study on the impact of transformational leadership which advances that although transformational leadership has extensive managerial discretion to influence firm performance, to some extent this influence is contingent upon other business factors in both internal and external environment of an organization.

Structuring work around teams and individuals is a fact of organizational life. Most organizations use some form of team-oriented work (Hills, 2007). As Zaccaro *et al*, 2009; Özsahin et al., 2011) noted, traditional leadership models tend "not to make the distinction between leader–subordinate interactions and leader–team interactions." As such, there are considerable gaps in our understanding of the unique interplay

between teams and leadership processes (Kozlowski and Ilgen, 2006). According to Yukl (2002), task-oriented leadership is primarily concerned with accomplishing the task, utilizing personnel and resources efficiently, and maintaining orderly reliable operations. Three specific types of task-oriented behaviors are planning, clarifying, and monitoring.

Relations-oriented leadership is a behavior primarily concerned with improving relationships and helping people, increasing cooperation and teamwork, increasing subordinate job satisfaction, and building identification with the organization, (Özsahin et al., 2011). The three specific types of relations-oriented behaviors include supporting, developing, and recognizing, (Fiedler, 1996). On the other hand, change-oriented leadership is primarily concerned with improving strategic decisions; adapting to change in the environment; increasing flexibility and innovation; making major changes in processes, products, or services; and gaining commitment to the changes. The specific types of change-oriented behaviors can be classified as influencing organizational culture, developing a vision, implementing change, and increasing innovation and learning (Yukl, 2002).

Early strategy process research focused exclusively on the top management team as the center of strategic decision making. It is not surprising, therefore, that much theoretical, as well as empirical studies, concentrated on the top management team as the locus of strategic consensus (Amason, 1996; Bourgeois, 1985; Hrebiniak and Snow, 1982; Kellermanns *et al*., 2005). Later models of strategy process took a more evolutionary view (Burgelman, 1991; Schwenk, 1995), wherein operating- and middle-level managers play a more substantive role in strategy making. Beyond taking direction from top management, in an evolutionary model, the autonomous behavior of operating-level managers provides an important source of variation, by generating new ideas, for example, and experimenting with new behaviors (Burgelman, 1983; Floyd and Lane, 2000). Middle managers, in turn, are central to the internal selection process, providing seed resources for new initiatives, championing some of these to top management (Burgelman, 1983), and potentially changing the official strategy (Burgelman, 1991; Kellermanns *et al*., 2005). This implies that middle managers contribute to strategic decision making on strategy implementation process that eventually cause firm performance.

2.3.2 Organizational Resources

Resources are both tangible elements, (for example, funds, facilities, raw materials, equipment) and intangible elements, (that is, employees' skills, communication, and leadership) and have an important role in creating an organization's value. Organizational leadership is a component of organizational intangible resources. Leadership skills determine success or failure of an organization through the skillful management of the organizational resources. Intangible resources have come increasingly to the forefront as the economy grows, (Canals, 2000). The leadership responsibility is to manipulate organizational tangible and intangible resources to create value for the organization.

The resource-based and knowledge-based views of the firm have stressed that resources alone cannot achieve the competitive advantage and the firms with stronger dynamic capabilities are capable of exploiting available bulk of organizational resources (Grant, 1996; Newbert, et al., 2008; Herath and Mahmood, 2014). Newbert *et al*., (2008) reported that the higher level of firm's internal capabilities of leveraging resources leads the firms to outperform their rivals with a low level of such capacities. Some scholars have also posited that organizational capacity plays a pivotal role among other dynamic capabilities in exploiting the prevailing bulk of organizational resources are key features of exploiting opportunities (Frishammar and Andersson, 2007; Hou, 2008; Sun and Anderson, 2010; Herath and Mahmood, 2014). This theoretical premise provides a base for the reasonable assumption that the existence of organizational leadership orientation that can exploit organizational resources would make the relationship between organizational capacity and firm performance stronger and directional.

In a plausible extension of the debate and shading more light on resources and capabilities, studies have analyzed their interaction with other firm factors. Carmeli and Tishler (2004) tested the relationship between intangible resources with performance, focusing on managerial capabilities, human capital, perceived reputation, labor relations and organizational culture. Intangible organizational resources had a significant effect on firm performance. Mannikutty (2000) used the resource-based view to analyze the responses of Indian firms to environmental changes. He observed that businesses built their resource base gradually.

Hakala's (2010) study focused on the configuration of strategic orientation, which comprised of a constellation of entrepreneurial, market, learning and technology orientations. The study confirmed that it is a combination of the value position of the firm in the markets, its resources, and behavioral patterns that determine how the organization transforms its resources into performance. This constellation blankets wide range of behaviors and resources such as proactiveness, risk adjusting continuously to the dynamic environment, adapting new internal and external conditions, and taking behavior, innovativeness, shared vision, commitment to continuous learning, competitiveness, open-mindedness, and customer needs, Herath and Mahmood (2014). These resources and behaviors lead organizations to perform well by responding to customer needs and competitors' challenges (Sinkula, Baker, and Noordewier, 1997; Lumpkin and Dess, 1996; Narver and Slater, 1990; Covin and Selvin, 1989). The study was based on the assumption that firms which maintain the strategic configuration of organizational resources have the possibility of achieving higher performance.

2.4 Strategy Implementation

Strategy implementation means putting the strategy and policy into concrete actions. The measurement of strategy implementation was adopted by Chen (2005). According to Chen the implementation of the strategy is to change a design into a realistic action. This view is in line with the opinion of Dyson (2004) and Wheelen and Hunger (2006) which emphasizes the implementation of the strategy to create an action of budgetary and procedure programs.

Suleiman and Abu-Jarad (2012) investigated the relationship between strategy implementation and performance of manufacturing firms in Indonesia. The population in this study was the manufacturing firms listed in Jakarta Stock Exchange. With a sample size of 112 out of 164 respondents, their study findings indicated that there was a significant relationship between strategy implementation and performance of the manufacturing firms. Strategy implementation was operationalized into a program of budget and control of resources and performance of the manufacturing firms measured by return on equity. Sulaiman and Abu-Jarad (2012) in their study found six silent killers of strategy implementation, identified as top-down or laissez-fair senior management style, unclear strategy and conflicting priorities, an ineffective

senior management team, poor communication, poor coordination across functions, inadequate down-the-line leadership skills and development, (Kiliç and Aktuna (2015). In a nutshell the role of leadership and if the organization leadership is able to control and eliminate the six killers, the firm becomes capable organization, hence building on organizational capacity.

Hence, strategy implementation is not an opponent that needs to be conquered or tackled. Rather, it is a critical cornerstone and ally in the building of a capable organization and then the use of the appropriate levers of implementation will be the pivotal hinge in the organization, (Beer and Eisenstat, 2000). Strategy implementation helps create the future. Managing change is also a big challenge to organizations implementing strategic decisions. New strategies affect the organizational structure and culture. This may lead to a redistribution of people, power and the networks that sustain working relationships which may be disrupted (Macmillan and Tampoe, 2001). This may cause people to feel isolated and vulnerable since they cannot benefit any more from the established supportive relationships and hence mount resistance to change.

2.5 Competitive Environment

To survive in a globally competitive market, firms need to take advantage of the new technological opportunities for efficiently serving their target market and quickly responding to the needs of customers. This forces firms to become craftier in their resource management and manipulation. In the end, the ability to deal with a sophisticated demand results not only in a direction towards more differentiated products but also in a competitive edge in the global market. Porter (1998) points out the role of demanding customers for driving forward new solutions and products. Under an increasing overall competitive environment, the best results should not rely on a single leadership style (Goleman, 2000; Shakti Gupta, 2010). Decisions should be made contingent to the prevailing situations. Leadership effectiveness is dependent on the leader's diagnosis and understanding of situational factors, followed by the adoption of the appropriate style to deal with each circumstance.

The influence of environment on a firm's strategic behavior and structural arrangements is well documented in the strategic management literature (Prescott and

Vankatraman, 1990; Butler and Carney, 1986; Miller, 1982; Chandler, 1962). The fit between environment, strategy and structure have been often shown to be a predictor of performance (Rumelt, 1991; Khota and Orne, 1989; Balkin and Gomez-Mejia, 1987). Miller (1981) and Mintzberg (1978) have suggested that these dimensions come in configurations, which are themselves related to performance. The evidence confirming both contingency theory and configurational theory propositions is now overwhelming, even if there are still many methodological issues that cast a shadow on the precision of the findings (Miller, 1996; Shaker and Covin, 1993; Prescott and Vankatraman, 1990). There is however relatively little research done on the topic about firms in developing countries.

Most of the environment influences are generally seen as task-related and competition borne (Porter, 1980). Competition dynamics are often presented as based on factor market imperfections, and their differentiated exploitation by individual firms (Barney, 1990). It is for example widely accepted that high barriers to entry, a small number of competitors, a low elasticity of demand, a low cross-elasticity with substitutes, the low relative power of suppliers' and buyers, and product differentiation, all contribute to firm performance differences.

2.6 Firm Performance

Venkatraman and Ramanujam (1986) suggest a two-dimensional classification scheme for assessment of performance. On the one hand, they differentiate financial and operational indicators, and on the other hand, they distinguish between the primary and secondary source of information, (Özsahin et al., (2011). While financial measures are related to accounting measures and economic performance such as profit, sales and so on. Operational measures are related to operational success factors that might lead to financial performance like customer satisfaction, quality, market share or new product development (Venkatraman, and Ramanujam, 1986; Özsahin et al., (2011). From the point of the view of the source of information, data for primary measures is collected from the organization while data for secondary measures are collected from external or derivative databases. Another classification distinguishes between objective and subjective measures. Objective measures refer to performance indicators impartially quantified. They are usually financial indicators obtained directly from organizations through secondary sources. On the other hand, subjective

measures refer to the judgmental assessment of internal or external respondents. They usually cover both financial and operational/commercial indicators, (Benito and Benito, 2005, Özsahin et al., 2011).

Özsahin et al., (2011) further pointed out that performance measures used in surveys may differ up to the objective and characteristics of the survey. Subjective measures based on the executives' evaluations and judgments about firm's profitability, sales, market share, customer satisfaction and so on are frequently used in management and organizational culture related surveys (Garg, et al. 2003; Özsahin et al., (2011). Benito and Benito (2005) suggested subjective measures in marketing and management field because subjective approach facilitates the measurement of a complex dimension of performance. Subjective measures also facilitate cross-sectional analysis through sectors and markets because performance can be quantified in comparison to objectives or competitors. In the direction of the similar views in literature, both objective and subjective measures are used in this study which examined the effect of organizational capacity (as a strategic managerial factor) and firm performance. Data related to the performance are obtained directly from the management of the firms through the questionnaires and financial information was collected from organizations' financial reports, which means primary and secondary data were used for this study.

Firm performance generally refers to the organizational success, and success is considered an important factor in achieving organizational goals (Herath and Mahmood, 2014). Kaplan and Norton (1996) viewed firm performance as a multidimensional concept and all aspects of performance are relevant to the success of the organization. Firm performance has been widely used by many researchers. It is at the heart of strategic management (Venkatraman and Ramanujam, 1986; Herath and Mahmood (2014) and the construct was measured mainly in financial aspects (Rogers and Wright, 1998). Consequently, a wide range of measures of firm performance such as profitability (for example net profit, return on investment), growth (represented by market share, turnover) and survival have been used by researchers making little consensus on the measurement (Carton and Hofer, 2010; Brush and VanderWerf, 1992).

2.7 Organizational Capacity and Firm Performance

According to the RBV, differences in firm performance are primarily the consequence of differences in a firm's endowment of resources, especially intangibles, as they are difficult to acquire or develop, to replicate and accumulate, and to be imitated by competitors (Barney, 1991; Dierickx and Cool, 1989; Wernerfelt, 1984). Among possible intangible resources, the firm's technology, human capital, and reputation are considered to be the three of greatest strategic importance (Gomez- Mej´ıa and Balkin, 2002). Other scholars, like Barney (1986) and Grant (1991), have included culture in this group of strategic resources. In their special issue on the RBV, Hoopes, Madsene and Walker (2003) urgued that the RBV often perplexed scholars from other disciplines, due to disharmony in its basic premises. RBV achievements should be viewed as part of the larger body of the theory of competitive advantage heterogeneity. Questions still remain, however, on the interaction of resources with other organizational factors.

Teece *et al*. (1997) suggested a more integrative concept which they named as dynamic capabilities. This includes high-level routines that conferred upon an organization's management a set of decision options for producing significant outputs. Ethiraj *et al*., (2005) in their study of Indian firms' software industry concluded that the debate should shift from what capabilities are to how capabilities matter. Although studies that have examined the core concepts of the resource-based view (RBV), they have generally used three main constructs—resources, capabilities, and competencies (Javidan and Waldman, 2003). They have tended to refer to those that are core to the organization in the sense of contributing to differentiating it strategically from its rivals. In this study, the researcher uses the construct of strategic organizational resources to refer to a special type of elements which are strategically and uniquely allocated with aims of improving an organization's performance through a process of interacting leadership orientations. Day *et al*., (2006) further emphasized that scholars need to focus on a broader array of leadership approaches integrated with other organizational factors to produce a synergetic influence on performance. Washburn and Waldman (2008) found leaders who are more visionary as opposed to autocratic experience increased employee involvement and effort.

Russo and Fouts (1997) confirm from a sample of 243 companies that high levels of commitment are associated with enhanced profitability. This relationship is stronger in industries showing high levels of growth. The effect on business performance is explained because proactive companies have some distinctive resources such as physical assets and technology, human resources and organizational capabilities, perhaps because it is easier for proactive companies to attract top candidates; and intangible resources, such as reputation and the ability to influence public policies to achieve competitive advantages.

Contemporary empirical literature has gaps with regard to management and performance in that although there seems to be cumulating evidence about a positive influence of management on performance, less is known about the exact conditions and contingencies that affect this influence (Boyne *et al*., 2005). This study the researcher includes several covariates in the model based on theoretical insights and empirical results of existing studies. Drawing insights from resource-based view; the study suggests that intangible assets per se do not confer any benefits of an organization. It is the efficient combination of resources that results in more complex interdependencies which are harder to imitate than the isolated effect, and if these are skilfully manipulated, they result to superior performance. According to Teece *et al*., (1997) competitor would have difficulties in duplicating a competitive advantage based on a combination of valuable specific resources because the combination arises from an organization stock of resources. It is this combination of leadership style and organizational resources that this study contends that competitors would have difficulties in duplicating.

Grant (1991) advanced an argument that harmonizing the exploitation of existing resources with the development of the resources and capabilities for competitive advantage in the future is a subtle task. Capabilities are learned and perfected through repetition; hence they develop automatically as the organizations pursue a particular strategy. The important task is to ensure that strategy constantly pushes slightly beyond the limits of the firm's capabilities at any point in time. This ensures only the development of the capabilities required by the current strategy, and also the development of the capabilities required to meet the challenges of the future. In pursuit of achieving the present strategy, a firm develops the expertise required for its

future strategy. This was referred to as “dynamic resource fit” (Hiroyuki, (2000). An effective strategy in the present builds invisible assets and the expanded stock enables the firm to plan its future strategy to be carried out. Future strategies must make effective use of the resources that have been amassed

2.8 Organizational Capacity, Strategy Implementation, and Firm performance

Organizational capacity that results from the development of the capabilities through utilization of organizational resources is an important component to strategy implementation. Sterling (2003) posited that strategy implementation is greatly affected by structure, leadership, culture, resources and work plans. The strategic action will largely be determined by leadership style orientation and resources, available for strategy implementation. Indeed, leadership and resources drive business. Implementation of strategy causes strategic change. This is by use of systematic methods to ensure that organizational change is guided towards a planned direction, conducted in a cost-effective manner within the targeted time frame while delivering the desired results. It involves initiating best practices and pursuing continuous improvement. The implementation of strategic change requires some organizational adaptation (Mintzberg, 1994) and leadership for all other related stakeholders whose contribution matters to successful strategy implementation. With change, resistance may be encountered, and more resources will be needed to overcome this resistance.

Mintzberg (1994) argued that an organization is a reflection of its top leadership and that its successful strategy implementation is linked to the characteristics, orientation and actions of the strategic leader. This position is also held by theorists of the Carnegie school (Hambrick and Mason, 1984; Verheul et al., (2002), that strategic choices have a large behavioral component which to some extent reflect the idiosyncrasies of decision makers. The way a leader chooses to lead the implementation process can be seen as a reflection of their managerial backgrounds. A major role of leadership within any organization is to create appropriate strategy-resource fit. The leader has to be sensitive to the interaction between the necessary changes to implement the new strategy and compatibility between those changes in the firm, (Shah 2005).

The changes associated with the successful implementation of strategy depend on knowledgeable and committed leadership. Organizations of the future must create a process of continuous change in which leaders take an active role in encouraging creativity and innovation. Transformational leadership models, in particular, complement the role required of senior executives to strategy implementation approach. Transformational leadership places responsibility for establishing organizational values and direction of leaders of the organization. These leaders pose the ability to help the organization develop a vision of what it can be, possess the ability to mobilize the organization to accept and work toward achieving the new vision and institutionalize the changes that must last over time. For transformed leadership, there must be continuity in leadership roles. Continually changing strategic direction adversely affect the organization by confusing all its stakeholders especially its employee and customer. Hmieleski (2001) noted that strategic planning should not be undertaken in an organization where recently has been a turnover in a leadership position. In short continuity and a low degree of senior executive turnover together with leadership commitment to the process, enhances the likelihood of successful implementation.

In addition, strategies are ever-changing in response to changes in the environment, but the tools for measuring them have not kept pace. According to Kaplan and Norton (2001), opportunities for creating value are shifting from managing tangible assets to managing knowledge-based strategies that deploy an organization's intangible assets. Financial measurements were adequate in the traditional industrial economy but in today's economy, there's need for tools that describe knowledge-based strategies and value creating strategies that intangible assets make possible. Lacking such tools, companies have encountered difficulties managing what they could not describe or measure. Functional silos have also become a barrier to strategy implementation. Organizations are traditionally designed around functional specialties such as finance, manufacturing, marketing and sales, engineering and purchasing of which each has its own body of knowledge, language, and culture (Kaplan and Norton, 2001). The challenge posed here is that most organizations have difficulty in communicating and coordinating across these specialty functions.

Another challenge could arise when we have a mismatch between structure and process elements such as culture or systems. For example, structure and systems can be seen as complimentary arrangements for doing organizational work, one provides the static 'anatomy' of task assignment and the other, the dynamic 'physiology' by which tasks are performed through competitive effort (Ansoff and Edward, 1990). When we have a mismatch between the two elements, strategies are likely to deviate from the desired direction.

Sometimes new strategic initiatives fail for causes other than poor implementation. It may be because a strategy is flawed or unattainable. This becomes a challenge in the sense that organizations will waste resources and time to try to implement strategies that will not deliver desired results which are in contrast to their essence of conducting operations. Although numerous studies acknowledge that strategies frequently fail not because of inadequate strategy formulation, but because of insufficient implementation, strategy implementation has received less research attention than strategy formulation, (Li, Guohui1 and Eppler 2008). This has contributed to a gap in theory and knowledge development.

The previous study indicates that variables of strategy implementation quality, including commitment (Deery and Iverson, 2005), communication quality (Johlke, 2000; Gobel, 2004; Widodo, 2011), have an influence on organizational performance. While other studies include commitment (Noble and Mokwa, 1999) and communication quality (Menon, *et. al,* 1999), strategy implemented by the organization should be constantly evaluated, whether it is still fit with both internal and external organizational environment. Glueck (1996) argues that evaluation process is closely related to ongoing efforts of activity controlling.

The organizational performance will depend on how evaluation to determine process and strategy control has been carried out (Ferdinand, 2002; Widodo, (2011).). Based on behavior-based control (Oliver and Anderson, 1994), strategy controlling has an impact on organizational performance. Piercy Nigel (2004) however, showed that strategy controlling has no influence on organizational performance. Another study on variables of strategy evaluation quality, experience, has an influence on performance (walker, 1997).

The conceptualization of the strategy concept in various contexts still eludes scholars (Bagire 2012). Rather than attempting to derive new meanings and application, Ketchen *et al.* (1997) recommended replication studies and adopting potentially promising models like the Miles and Snow (1978) typology, Mintzerberg's (1978) classification, etc. Brown and Iverson (2004) agreed that instead of starting anew to explore strategy formulation, content, and implementation, it was best to consider existing theories in multiple contexts. They used the Miles and Snow typology to explore strategy and board structure in nonprofits. Desarbo *et al*. (2005) used the same framework to study strategic types, environmental uncertainties and performance in nonprofits. This study attempted to explore the performance of organizational capacity and strategy implementation in multiple contexts of the firm listed in Nairobi Securities Exchange.

2.9 Organizational Capacity, Competitive Environment, and Firm Performance

It is important that the management leadership have an external orientation and an open managerial perspective to cope with certain uncertainty and permanent temporariness, (Harvey *et al,* 2006). Hrebiniak (2005) observed that successful companies align their key management processes for effective strategy implementation. Jalali (2012) posits that competitive environment involves the availability of opportunities and resources that can provide a firm with a competitive advantage. Competitive intensity found in a competitive environment results in increased price competition which can reduce profitability and has a negative effect on sales efficiency. The empirical survey showed that a negative relationship exists between environment uncertainty and export performance (Matanda & Freeman, 2009). On the other hand, environmental characteristics influence the implementation of a strategy. Many studies considered the environment as a key factor that provides the infrastructure for strategy implementation (Taslak, 2004). Environmental issues are cited as a determinant of success or failure of strategy implementation in works such as Okumus (2003) and Taslak. But these studies were deficient in consideration of other organizational factors. In particular, leadership orientation and resources capacity may change the impact of competitive intensity and effectiveness of strategy implementation.

According to Bridoux (2005) resources and the competitive environment condition firms' strategy. When resources are disaggregated strategy as a composite variable would be expected to be stronger in predicting performance than the sub-variables. The firm strategy and performance, in turn, affect the competitive environment and resources, and all these changes generate new information which in turn creates new learning opportunities and may lead to the creation and development of new resources. Thus, strategy implementation as an ongoing sequence of actions and reactions conditioned by the firm resources and competitive environment, which in turn become exogenous events in the environment of other firms. In his analysis of the competitive environment, Porter (1980) identifies five forces: bargaining power of suppliers, bargaining power of customers, the threat of new entrants, the threat of substitution, and rivalry among current competitors. Thus, Porter's framework can be fruitfully used to analyze the competitive environment.

Most industries today are facing an ever-increasing level of environmental uncertainty. They are becoming more complex and more dynamic. Wheelen and Hunger (2004) observed that new flexible aggressive, innovative competitors are moving into established markets to erode rapidly the advantages of large previously dominant firms. Much external environment scanning is done on an informal and individual basis. Information is obtained from a variety of sources such as suppliers, customers, industry publications employees, industry experts, industry conferences and the internet. For example, scientist and engineers working in a firm's research and development laboratory can learn about new product and competitor's ideas at professional meetings, someone from the purchasing department, speaking with supplier representatives personnel may also uncover valuable bits of information about competitors. A study of product innovation found that 77% of all product innovation in the scientific instruments and 67% in semiconductors and printed circuit boards were initiated by customers in the form of inquiries and complaints. In these industries, the sales force and service departments must be especially vigilant, (Wheelen and Hunger, 2004).

Gomes (2010) stated that as an open system, an organization needs resources and has to negotiate with people, groups, and other organizations that own these resources. Depending on the importance of these resources to the organization, this process can

lead to a dependency relationship within which resource suppliers are able to exert influences over the organization (Pfeffer and Salancik, 1978). The higher the relative importance of the resource for the organization, the more attached to this supplier the organization will be, (Gomes 2010). Resource dependence deals with how organizations cope with these dependence relationships in order to survive and retain their autonomy. As Oliver (1991) argued, an organization needs to be fitted with its technical environment in order to be able to cope with interdependencies and power. The more fitted with its technical environment an organization is, the more likely it will be to survive and prosper (Pfeffer and Salancik, 1978).

Careful attention to process design will pay significant dividends during implementation and minimize mid-process disruptions and delays. It is essential for an organization to be able to quickly and strategically position itself to minimize the effect of negative events and to take advantage of opportunities faster than the competitors within the industry. Another strategic issue for the survival of an organization is the acquisition of resources in the vital areas of funding, technology, infrastructure and personnel. Strategic organizational leadership must adequately pursue these resources by anticipating and capitalizing on opportunities in the external environment. It also means predicting threats to organizational resources and intervening to ensure that organizational performance and survival are safeguarded. Resource acquisition entails constantly being on the lookout to create opportunities that will augment the organization's resources. This is accomplished by forming new alliances and partnerships, and by forging new ways of thinking about generating resources. Some management scientists believe that many organizations are relatively under-led and over-managed. This may be resulting from situations where managers/leaders focus too much attention on adaptations to the internal environment and structures and had too little on the changing external environment (Hesselbein *et al.*, 1996).This environment is highly competitive.

According to Thompson and Strickland (2007) suggested that one of the keys to successful strategy implementation is for management to communicate the case for organizational change so clearly and persuasively to organizational members so that there is determined commitment throughout the ranks to carry out strategy and meet performance targets. That right leader is in the right positions to facilitate execution of

the new strategy. Thompson and Strickland (2007) continued that the leadership challenge, therefore, is to galvanize commitment among people within the organization and other stakeholders outside the organization to embrace change and implement strategies intended to competitively position the organization, hence influence performance. Strategies tend to evolve over time owing to the radical changes in the industry environment.

The effect of the competitive environment for this study is viewed as a moderator and it influences all organizational factors. To execute strategy is to execute change at all levels of an organization (Hrebiniak, 2005). Organizational Leadership, therefore, acts as a change agent and should be able to cope up with potentially conflicting ways in what Peters and Waterman (1982) refer as a 'master of two ends of spectrum'. Therefore leadership approaches to resources allocation determine successful performance or failure of strategy implementation within the industry environment.

Benito and Benito (2005) in their study on environmental proactivity and business performance on a sample of 186 industrial companies found that some dimensions of environmental proactivity have a positive and significant effect on certain operational performance objectives and on marketing performance. In particular, the environmental practices related to the transformation of logistics processes contribute to operational performance, thus to some extent supports the existence of a positive relationship between environmental proactivity and business performance, in line with the work of Christmann (2000). Benito and Benito (2005) further suggested that the relationship between environmental proactivity and business performance be subjected to multiple circumstances and moderating variables and that it should be studied from a contingent point of view by developing contingent, dynamic and disaggregated approaches. This study has been motivated by such research opportunities.

Hambrick and Snow (1977) suggest that a firm's strategy will lead executives to selectively misperceive aspects of their environment. This leads to varying discrepancies between archival and perceptual measures across specific strategic foci, (Lim *et al.,* 2006). Managers may misperceive their environment, a condition analogous to type I or type II errors in statistical inference. A type one error or a false

positive condition occurs when a firm perceives more uncertainty than actually occurs. A type II error or failure to detect occurs when a firm fails to notice uncertainty in its environment (Boyd, Dess, and Rasheed, 1993).

Performance has emerged as the well-regarded dependent variable. Crook *et al*. (2008) thus proposed working backward from performance to any of these variables to test their interdependencies, in view of establishing the significant relation. This proposition has not been given wide empirical attention regarding organizational capacity and strategy implementation. Howard & Walters (2004) had explored strategy and performance and found a strong relationship. Carmeli and Tishler (2004) studied intangible resources and performance while Manikkuty (2000) tested resources and environment changes. Rugman and Vebeke (2002) and Kor and Mahoney (2005) emphasized the foundation of resources and the linkage to strategy implementation.

Organizational leaders as strategy implementers are faced with a number of challenges. First, companies had problems attempting to implement knowledge-based strategies in organizations designed for industrial age competition (Kaplan and Norton, 2001). Today's organizations are operating in a highly turbulent environment which calls for knowledge-based strategies that can enable organizations to gain competitive advantage. This is evident from the work of Nonaka (1991) who observed that in an economy where the only certainty is uncertainty, the one sure source of competitive advantage is knowledge. The challenge arises here because organizations still use the tactical management control systems such as budgets which were very appropriate for steady and stable environments but inadequate for today's dynamic rapidly changing competitive environment.

2.10 Organizational Capacity, Strategy Implementation, Competitive Environment and Firm Performance

Organizational capacity has a critical role in translating strategy into action, as well as providing a supporting role in strategy development (Luliya *et al*., 2013). Empirical studies confirm that there are relationships between strategy and performance measures, (Gosselin 2005; Tangen 2005). The strategy also has an indirect relationship to firm performance. Hoque (2004) finds a significant and positive

association between management's strategic choices and firm performance when management uses non-financial measures for performance evaluation. Joiner *et al*. (2009) found that both non-financial measures and financial measures, which are associated with a flexible manufacturing strategy, enhance firm performance. Spencer *et al*. (2009) found an indirect association between differentiation strategic priorities and organizational performance through the use of non-financial and financial performance measures.

However, previous studies suggest contradictory results. For example, a study by Verbeeten and Boons (2009) gives no support for the claim that aligning performance measurement to the strategic priorities of a firm positively affects performance. Moreover, these studies focused on strategy as the predictor variable and failed to include strategy implementation yet making that strategy work – implementing it throughout the organization – is even more difficult (Hrebiniak, 2006). Thus, there is inconclusive evidence of the relationships among organizational capacity, strategy implementation and firm performance, especially in the Kenyan context.

According to Kohtamaki *et al.* (2012), prior studies suggest that the ability to implement strategy is one of the keys to company success (Liedtka, 2000a; Adjimah and Akli (2014). However, as the meta-analysis on strategic planning conducted by Hutzschenreuter and Kleindienst (2007) suggests, there is little evidence of the effects of successful strategy implementation. This remains the case even though a number of scholars suggest that the ability to implement strategies is critical to company performance and that a commitment to strategy implementation plays an important role in implementation success. Adjimah and Akli (2014) advanced that to implement strategies successfully, companies need capabilities to develop these strategies in such a way that their personnel will commit to implementing them and that strategy will steer employees' behavior in the intended direction.

The personal commitment to strategy implementation has been found to positively affect the success and rapidity of the strategy implementation (Dooley *et al*., 2000). Commitment increases personnel motivation, shortens the lead time required for strategy implementation and permits rapid responses to changes in the business environment (Dooley *et al*., 2000; Adjimah and Akli 2014). The results of prior

studies also support this argument to some extent. For example, Armstrong (1982) found that fostering a personal commitment to strategy implementation improves company performance. However, because the prior literature presents little relevant empirical evidence, particularly from competitive environments, this study focused on the mediating role of strategy implementation on the relationship between organizational capacity (in terms of leadership style and organizational resources) and firms performance, moderated by the competitive environment.

Kohtamaki *et al*. (2012) conducted a study using data from 160 small and medium-sized Finnish IT companies, seeking to link strategic planning and company performance by exploring the mediating role of personnel commitment to strategy implementation and organizational learning as reported by Adjimah and Akli (2014). The findings indicated that participative strategic planning positively affects personnel commitment to strategy implementation, which thereby increases company performance. However, according to the analysis, participative strategic planning does not impact organizational learning, although organizational learning does have a positive impact on company performance. The study failed to consider organizational capacity (resources) as an element of strategic planning, yet it is widely conceptualized that resources are important in strategic planning. The results of this study are only generalizable to the context of small and medium-sized information technology firms operating in a small open economy like that of Finland, (Adjimah and Akli, 2014).

Researchers have argued for the benefits of participative management as a method for increasing information processing, utilizing knowledge dispersed across the organization, providing more alternatives, facilitating opportunity recognition, and to avoid having good ideas overlooked (Barringer and Bluedorn, 1999; Nonaka, 1988; Harrington and Ottenbacher, 2009; Kim and Damhorst 2013). Therefore, this study builds on past studies and examines the relationship between organizational members' involvement and the degree of participation in decision making and strategy implementation.

According to the contingency approach and the concept of adjustment or fit, a firm's performance will depend on the degree of adjustment existing between organizational context and organizational capacity, remembering always that no single form of organization exists that is ideal for every situation (Pertusa-Ortega et al., 2008). Among the contingency factors traditionally taken into account is the organizational design. This study has paid attention to the competitive environment and organizational capacity, in order to check if the proper adjustment between these three elements can become a source of competitive performance. Findings show that traditional theoretical models are not exactly applicable in a context of European-Mediterranean SMEs. The relationship between adjustment and performance was partially confirmed. They further suggested that their findings are only limited to SMEs, Pertusa-Ortega et al., (2008).

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work through implementing it in the organization is even more difficult (Hrebiniak, 2006). The way strategic plans are turned into organizational action can be affected by a myriad of factors. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and eclectic (Noble, 1999b). A study was done by O'Reilly (2010), shown that it was only when leaders' effectiveness at different levels was considered in the aggregate that significant performance improvement occurred. Further, (O'Reilly, 2010) found that the effects of senior leadership are likely to be moderated by a number of factors, including the resources available to the leader, how much discretion he or she has, and how much support exists among subordinate managers for the initiative. We extend these findings by showing that it is not the effectiveness of a leader in isolation that affects organizational performance, but the alignment of leadership style dimensions and organizational resources associated with the successful implementation, this will lead to significant improvement in firm performance

In a study sample of 202 firms, Hafsi and Gauthier, (2003), showed a clear relationship between the proposed dimensions of leadership, environment, and strategy, and firm performance. Their study used competitive dynamics variables such as a number of competitors, the size of main competitors, entry, and exit of

competitors and the effect of such movements. They also represent the macro and regulatory environment taxation levels, interest rates, credit accessibility and credit cost. This study focused on the competitive environment since it is specific to the specific industry and not common to all industries, (Hafsi and Gauthier, 2003). The results of this study are not generalizable to companies listed in Nairobi Securities Exchange since they are diverse in nature.

Business' environment and strategy have been hypothesized and empirically demonstrated to have significant effects on performance. Previous research has considered a strategy to be basically under the control of managers but has viewed environments as constraints that in certain situations managers can proactively change (Pfeffer and Salancik, 1978). The organizational economic field has emphasized the linkage between environment and performance and thus viewed environments as primary determinants of performance (Porter, 1996). Porter describes competitive strategy as taking defensive and offensive actions to cope successfully with the five competitive forces. The adoption of the sustainable competitive performance paradigm in strategic management and as the basis of Porter's (1980) five forces model has raised two important criticisms. First, the unit of analysis in the sustainable competitive performance -based models being the industry rather than the firm these models cannot explain intra-industry performance differences among firms. However, empirical studies have found significantly higher firm-effects than industry effects on performance (see, for instance, Schmalensee, 1985, Rumelt, 1991, McGahan and Porter, 1997, Hawawini, Subramanian and Verdin, 2003). A second criticism concerns the managerial implications of the sustainable competitive performance logic.

According to Porter's (1980) five forces framework, firms should enter and operate only in attractive industries, for example in industries with low levels of threat and high levels of opportunity). However, Porter's framework focuses on what makes some industries or positions within industries more attractive (cross-sectional problem) and not on why some firms are able to get into advantageous positions (longitudinal problem). While the level of threat and opportunity in an industry influences firm performance, the returns from entering and operating in an industry cannot be evaluated independently of the firm's resources and capabilities. Another

criticism of Porter 1980's work is that it overemphasizes competition to the detriment of cooperation. Indeed, the five forces framework builds on Porter's conviction that the source of profits is primary to be found in the nature and balance of competition. The three dimensions of environment, strategy and leadership are the basis of the dominant strategic management framework (Schendel and Hofer, 1978). Based on Andrews (1987)'s formalization of the concept of corporate strategy, the idea of strategic management emphasizes the process by which the interaction and fit between environment, the organization's resources and choices, and the nature of leadership, in particular, top management's values, lead to higher performance.

Researchers have examined the relationships among environment, strategy and performance variables (Hambrick 1986). However, they have not adequately addressed performance as an attribute of several variables such as industry environment, strategy implementation and the many organizational factors that contribute to organization success. Upper echelons research has suggested that "leadership of a complex organization is a shared activity, and the collective cognitions, capabilities, and interactions of the entire top management teams enter into strategic behaviors" (Hambrick, 2007; Hmieleski 2012). In their study, Hmieleski *et al.,* (2012) found a significant effect of an extended authentic leadership by adopting a distributed perspective. Pearce and Sims, (2002) also suggested new research directions by affirming that shared authentic leadership increases new venture performance through positive affective tone.

While a significant amount of the research effort of the study of the leadership styles of managers has focused on only one personal dimension such as the impact of gender or age or education level differences (Collard, 2001; Eagly and Johannesen-Schmidt, 2001; Kabacoff and Stoffey, 2001; Dominici and Guzzo, 2010), or on one organizational aspect such as hierarchy and its impact on leadership (Jacues, 1990; Mc Daniel and Wolf , 1992; Stordeur, Vandenberghe and D'hoore, 2000), it is believed that a better approach would be to examine both the personal and the organizational dimensions to effective leadership practices and the competencies/situations of commitment, satisfaction, communication, effectiveness, (Ekaterini 2010; Dominici and Guzzo, 2010). For example, Gill (2003) is of the opinion that leadership behavior theory and research appear to be disconnected and

directionless because little consideration is given to both personal as well as organizational variables that influence the nature and impact of leadership. In the modern management of human resources, (Ekaterini, 2010; Dominici and Guzzo, 2010) are of the opinion that it is useful to investigate the use of a directive form of leadership in preference to transactional, transformational and empowering leadership practices. If so, such practices will be in line with the expected liberalization in today's world, which is different from yesterday's more authoritarian styles of organizational management. One limitation of Ekaterini (2010) study is the nature of the sample. The subjects came from one type of bank sector. It would be interesting for future studies to investigate leadership style, by contrasting the diverse types of organizations. This provides an opportunity for this study to investigate leadership style dimensions and organizational variables (resources) in a diverse context of firms listed in Nairobi Securities Exchange. Recently, much attention has been devoted to the importance of the organizational context in organizational studies (Johns, 2006).

Finally, Porter's early work (1980) has popularized a number of strategies, which are supposed to lead to performance, while Miller (1996) and Hrebeniak and Joyce (1985) have suggested the conditions of environmental determinism and of strategic choice in which these strategies provide the best performance. Linking leadership to performance has been more difficult to operationalize. Hambrick and Mason's work (1984) has provided an important lead with the idea of relating demographic characteristics to performance, and had been joined by numerous followers (Golden and Zajac, 2001, Geletkanycz and Hambrick, 1997; Finkelstein, Sydney, and Hambrick, 1995).

For a resource to be able to provide an economic advantage then it must be difficult for competitors to imitate it or neutralize it through substitution. A ready willingness to shift resources in support of strategic change is very critical to strategy implementation process. Harvey (1998), states that operating level must have the resources needed to carry out each part of the strategic plan. This includes having enough of the right kinds of people with right attitudes and having enough operating funds for them to carry out their work. How well a strategy is implemented depends on how the resources are tied directly to the needs of strategy can quite clearly either promote or impede the process of strategy implementation.

Ekaterini (2010) study sets out to investigate the leadership style of managers from the perspectives of their ages, their level of education and the type of organizational structure, in the organization they work. Using survey data from 190 managers from Emporiki bank in Greece, it was found that managers can use the four leadership styles at all types of branches of the bank. However, it was also found that older managers with higher education levels tend to use a composite leadership style (a situational leadership style) rather than selecting a single style of leadership in performing their organizational activities. The above logical aspects find a theoretical basis on contingency approach to leadership (Graen, 1982; path- goal theory; House, 1999; situational leadership theory; Hersey and Blanchard, 1988; Dominici and Guzzo, 2010). To be authentic in your management behavior means that you have to develop your own style in accordance with your personality and character, (George 2003). Whetten *et al*. (2000) emphasized the importance of intrapersonal skills for effective management. This means, according to their perspective developing self-awareness on the basis of a thorough analysis of one's strengths and weaknesses. Understanding the interplay between people's preferences and their day-to-day workplace behavior is crucial for designing and implementing effective individual development efforts, (Beer *et al.,* 2000; Riding and Rayner, 1998; Dominici and Guzzo 2010).

People can be trained to adopt strategies to overcome the weaknesses of their styles in specific situations (Armstrong and Sadler-Smith, 2006; Hough and Ogilvie, 2005; Dominici and Guzzo 2010)). In this regard, some relevant action points were identified to enhance managerial style awareness. Importantly, no style is inherently better than another. Schroder (1994), for instance, found that leadership styles are independent of management competence, but do influence the way in which management competence is expressed. Understanding the implications of leadership styles differences can be a basis for fostering better-working relationships (Allinson *et al*., 2001) and by extension, superior performance.

Overlooking the impact of leadership styles differences can lead to interpersonal disagreements and conflict situations, as people with different leadership styles may not understand or respect each other. Thus, to be successful, effective managers should be aware of their own way to lead and those of the people that surround them.

George (2003) saw dealing with different types of people as an important developmental task for managers. Managers can increase their effectiveness by working collaboratively with people with various cognitive styles and paying attention to different points of views, attitudes, behaviors, perspectives, and actual cognitions (Riding and Rayner, 1998; Dominici and Guzzo 2010)). Perceived ineffectiveness may be seen as evidence of not knowing how to deal with the environment, i.e., not being in control (Pfeffer, 1981; Sutton and Callahan, 1987). This connection between perceived environmental uncertainty and effectiveness is typically explained in both the strategic management (Hambrick, 1983; Miller, 1988) and organization theory literature, using ideas from contingency theory, (Lawrence and Lorsch, 1969; Duncan, 1972).

Contingency theory assumes that the environment poses certain information processing, resource, or legitimacy demands on the organization. These demands, in turn, are either met or not met through the organization's structure, strategy or some combination of the two, leading to different levels of organizational effectiveness (McCabe and Dutton, 1993; Lim *et al.,* 2006). If decision makers construct the environment as complex and unstable, then they have a reasonable explanation to offer others when they show a less-than-satisfactory performance, while doing minimal damage to their public image of effectiveness and control. Treating environmental uncertainty as an independent variable, decision makers may view their firm or unit as ineffective. When a unit or organization is performing poorly in a decision maker's eyes, he/she feels the need to explain or provide an account for this less than ideal situation (Hewitt and Hall, 1973; Lim *at al.,* 2006). One possible response is to blame the situation on the environment by constructing it as highly uncertain, thus accounting for the effectiveness gap while, at the same time, maintaining a more positive self-image and some sense of control (Salancik and Meindl, 1984). The question then arises, what is the role of competitive environment in business performance?

It should be stated that some authors, (Hogan and Hogan, 2001; Podsakoff and Organ, 1986; Dominici and Guzzo 2010) are critical of self- report data used in leadership research, as they contend that leadership is a social influence process and thus, should be determined by manager' s staff/direct reports. While Gill (2003)

accepts the fact that self-reports are open to criticism he nevertheless argues that they can be valid and useful in certain circumstances, when he felt that the need for socially desirable responses is absent or minimal. Indeed, Saville, Sik, Nyfield, Hackston and MacIver (1996) have demonstrated how "self-report personality scales show predictable, significant and substantial correlations with criteria of management job success. The authors also suggest that: 'It is important not to exaggerate the problem of social desirability in responding.' In addition, according to Hough, Eaton, Dunnette, Kemp and McCloy (1990), response distortion due to social desirability does not appear to affect validity coefficients significantly.

Research that focus exclusively on the top management team as the locus of consensus ignored the fact that implementation requires shared strategic understanding at lower levels in the hierarchy, (Kellermanns et al., 2005). Without such understanding, managers as organizational leaders will not be in a position to fill in details or respond to unforeseen events in a coherent way. Although the need for such responsiveness is likely to vary, in most organizations, top managers' ability to govern the implementation process and influence organizational performance are limited (Hambrick and Finkelstein, 1987). As a result, the potential positive performance impact of consensus among top managers would be diminished unless the locus of the agreement was widened to include a broader group. To take care of this gap, this study will include a broader group by the dispersed form of leadership style focusing on a task, teams (not just top management) and individual dimensions in performing firm activities, (Kellermanns *at el*., 2005). Thus, the failure to include middle and lower managers may explain why some studies of consensus within the TMT have failed to support the predicted positive effects on performance (Bourgeois, 1980; Grinyer and Norburn, 1977-1978; West and Schwenk, 1996; West and Meyer, 1998)

There is an urgent need for the use of the technique of synergy to turn sick units/organizations into healthy ones. Besides other aspects, organization change is an important constituent. Chief sources of change include growth and decay, internal and external environments, new personnel, change agents and the domino effect. Synergy is the parental hybrid of successful inter-relationship/interplay between the organization and its environmental factors. The underlying concept basically lies on

change, change in positive direction. It is a challenge for accomplishing organizational change which must be met (Ismail, 2013). Synergy is achieved through effective strategy implementation.

Recent approaches to organizational performance include the actual output or results of an organization as measured against the desired outputs (goals and objectives). According to Richard *et al.*, (2009), organizational performance encompasses three specific areas of firm outcomes: financial performance (for example, profits, return on assets, return on investment); product market performance (for example, sales, market share); and shareholder return (for example, total shareholder return and economic value added). In addition, Verheul,et al. (2002) posits that specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development. Firm's superior performance may depend on its ability to defend and use the intangible assets it creates, such as skills and knowledge. Hitt *et al.* (2001) pointed out that intangible resources are more likely to lead to competitive advantage than tangible resources, and hence raise performance to greater heights. The strategies, therefore, have to be adjusted to adapt to the dynamic environment as well as to be realized within the prevailing conditions.

A strategist (leader) needs to manage and allocate organizational resources when implementing a strategy because both internal and external considerations impact on decisions affecting organizational performance. Recently, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as financial performance (that is, shareholder return), customer service and social responsibility, (for example, corporate citizenship, and community outreach).

Researchers should attempt to adopt a multivariate approach in which a bundle of intangible and tangible organizational elements and the interactions among them are investigated in order to understand performance deeply. Morgeson (2010) encourages scholars to pursue research that explores the range of team, organizational and environmental contingencies that might impact on how leadership orientation influences effectiveness. The performance will prevail given the fact that firms focus

their competitive strategy towards enhancing their resource pool. Indeed, firm's resources owned and/or controlled by a firm will eventually enable the firm to conceive and implement strategies that will improve its efficiency and effectiveness, hence leading to superior performance, (Koumaditis et al., 2013).

In order to implement strategy successfully, Shah (2005) advises that organizations should ensure management commitment and leadership, allocate sufficient resources to connect financial rewards with performance. Mintzberg (1990) also noted that strategies are most effectively implemented when they are consistent with the organizational characteristics and operating context of the company. Therefore this study used variables such as industry environment, strategy implementation, and organizational factors to determine firm's performance. Operationalizing organizational performance is always a challenge because the strategy, accounting and finance literature suggest that both accounting and market-based measures suffer from measurement and controllability issues and that these measures may not converge to represent the same construct of organizational performance (Fryxell and Barton, 1990). Hence, this study used both primary and secondary sources of data, and objective and perceived modes of assessment, as suggested by Venkatraman and Ramanujam (1987).

Even with the increasing emphasis on strategy implementation, not much has been achieved yet. A research done by Kaplan and Norton (2005) revealed that an average 95% of a company's employees are unaware of its strategy or do not understand it. They conclude that there still exists a gap in many large organizations between strategy formulation and strategy execution, between ambition and performance. This was happening despite the tools introduced by the two authors for the same purpose i.e. the balanced scorecard and strategy maps. They proposed a third important tool referred to as the Office of Strategy Management (OSM) whose main purpose is to coordinate strategy and strategy execution.

Synergy is a state in which two or more things work together in a particularly fruitful way that produces an effect greater than the sum of their individual effects. Synergy is an important concept for managers because it will reinforce the need to work together in a cooperative manner, Ishmael (2013), and the researcher continues to point out

that not all synergy is positive. The combined negative attitudes and bickering of dissatisfied group members can add up to greater trouble than any one of the members could have caused individually. Sick companies suffer from negative synergy.

Rodermann (1999) advised that the process of synergy management should comprise the identification of promising areas, the ex-ante evaluation of synergy potentials, and the ex-post realization of synergy effects (Rodermann, 1999; Schulze *et al*., (2005). Based on the results of Schulze *et al.* (2005) case study, these processes step into various responsibilities such as team building and synergy multiplication, to which the corporate staff department should turn its special attention. Team building is an activity that deals with connecting potential project partners and with moderating internal communication to benefit cross-divisional synergy realization. By this, "collaborative advantage" may be accomplished (Kanter, 1994; Schulze et al., (2005). Synergy multiplication is another means for realizing synergy potentials within an organization that has already been highlighted by many researchers (Ansoff, 1965). The process of synergy management and its further partition have proved to be an adequate basis for analyzing responsibility assignment between various business units on a project-by-project basis (Rodermann, 1999; Schulze et al., 2005).

The systematic identification of promising areas for synergy management both across and within business divisions also deserves closer attention as already suggested by (Ansoff, 1965; Porter, 1985; Schulze et al., (2005). For these purposes, synergy projects related to business development and cross-divisional cooperation, both going in line with strategic integration, have to be kept apart by all means. Unlike most of the other studies that embraced one or two variables, this study sought to bridge this gap by using an integrated approach that will simultaneously consider four variables namely: organizational capacity, strategy implementation , competitive environment and firm performance. The integrated approach would contribute synergetic effect on performance. The study addressed pertinent research gaps by answering the research question of what causes most of the variation in firm performance.

Table 2.1 Gaps in Knowledge

Author	Focus of The study	Methodology	Main findings/conclusions	Knowledge Gaps	Focus of the proposed study
Hassan *et al.* (2012)	The impact of Enterprise Resource Planning implementation on organizational capabilities and firm performance	Used secondary data collected from 469 firms, descriptive statistics , correlations (both Pearson and Spearman), and the path Coefficients and the t-statistics for each hypothesis.	ERP implementation has a positive impact when a firm employs a prospector business strategy. A prospector business strategy enhances the firm's ability to achieve organizational capabilities and enables the firm to achieve higher levels of financial performance.	Used organizational capability as an intervening variable -Used secondary data only	Used a broader focus on organizational capability to include leadership style and resources as independent variable -used both secondary and primary data
Ogbeide and Harrington (2011).	The relationship among participative management style, Strategy implementation success and financial performance in the foodservice industry	The study used survey methodology and independent sample t tests and hierarchical regression to assess direct and interacting effects.	The findings indicate that, management involvement and the interaction effects of led to higher levels of action plan success and financial performance, higher participative significantly associated with higher overall profits and financial success.	The sample was drawn from a specific region in the USA and may not be generalizable. The study failed to focus on organizational resources	The study focused on organizational capacity in terms of leadership style and resources as predictor variables -used a heterogeneous population
Widodo (2011)	Studied strategy quality and their effects on organizational performance	Descriptive cross-sectional survey Critical ratio criteria (which is identical to t-test in regression analysis)	There is managerial implication in improving organization quality through strategy quality development, strategy planning, and aspect of strategy implementation	The study focused on strategy quality and its effects on organizational performance only	This study goes beyond strategy quality. It will investigate strategy implementation and organizational factors on performance

Agle *et al.* (2006)	Empirically analyzed the relationships among organizational performance, environmental uncertainty, and top management team.	Descriptive survey and multiple regression	Organizational performance is associated with subsequent perceptions of CEO.	The focus of the study focused on implication of resources and strategy in USA based companies	This study goes further to include the resources and strategy implementation in a Kenyan situation
Javidan and Waldman (2003)	Focused on charismatic leadership in the public sector on four dimensions Energy and determination Vision, challenges, and risk taking.	Descriptive cross-sectional survey, factor and regression analysis	Charismatic leadership is only modestly related to motivational consequences and is not significantly related to unit performance	The study focused on charismatic leadership and organization performance only	This study goes beyond leadership by linking leadership to resources and performance
Jalali (2012)	Appraising the role of strategy implementation in export performance: a case from middle east	Partial least squares method	The study concluded that strategy implementation influences export performance, both directly, and as a mediating variable between organizational characteristics, export Commitment and environmental characteristics with export performance.	The study was deficient in consideration of organizational capacity through strategy implementation	This study focused on organizational capacity in terms of leadership style and resources as predictor variables on performance and strategy implementation as mediator and competitive environment as moderator
Howard And Walters (2004)	Studied Chinese manufacturing firms using configuration of resources and structures	Cross-sectional survey and regression analysis	The study did not confirm configurations based on their findings	The study was focused on configuration of resources with structure	This study goes further to include organizational capacity, strategy implementation, competitive environment and firm performance
Ekaterina *et al.* (2010)	Focused on the relationship Between environment and business performance.	Cross-sectional survey, correlation and regression analysis	Environmental dimensions play important roles in developing competitive operations strategy.	Focused on Private retail business only	This study focused on diverse population on a wider category of business firms -focused on the competitive environment

Gomes and Osbone (2009)	Studied the role of stakeholders in determining local government performance	Factors analysis and multiple regression analysis	Leadership and resources are key determinants of performance	The study focused on leadership and resources as determinants of performance only	The study goes beyond by including strategy implementation and industry environment variables on performance
Tam and Zeng (2007)	Studied business environment of foundry industry	Descriptive survey and regression analysis	Practical strategies must be implemented early to alleviate potential management risks and to promote smoother business operations.	Focuses on business environment and organizational factors	The study will consider moderating effects of industry environment
Hmieleski *at al*. (2011)	Shared authentic leadership on new venture performance	Descriptive cross-sectional survey and Regression analysis	Authentic leadership can be a positive and high energizing forces that enable entrepreneurs to reach the highest levels of performance	The study focused on leadership orientation and performance only	The focus of this study goes beyond leadership dimensions by combining leadership and resources, strategy implementation and industry environment
Benito and Benito (2005)	Environmental proactivity and business performance	Multiple regression analysis	Some dimensions of environmental proactivity have a positive and significant effect on operational performance	This study focuses on environmental proactivity and business performance only	This study goes beyond environmental proactivity and focuses on industry environment as a moderating variable
Kohtamaki *et al*. (2012),	The role of personnel commitment to strategy Implementation and organizational learning within the relationship between strategic planning and company performance	Using data from 160 small and medium-sized Finnish IT companies, the authors conduct a Mplus 5.1-analysis. Principal factor analysis	Participative strategic planning facilitates personnel commitment to strategy implementation and thus improves company performance.	The study is generalizable to a context of small and medium-sized IT-firms operating in Finland. -failed to consider the organizational capacity	This study used large diverse companies listed in Nairobi Securities Exchange -focused on organizational capacity and strategy implementation on firm performance

2.11 Conceptual Framework

The modes of theorizing in strategic management assert the importance of resource-based-view and contingency theories as contributors of the firm, performance, in a given industry environment. This forms the foundation for this study. The conceptual model (figure 1) shows the relationships between the study variables closely followed by related hypotheses (section 2.8). The study sought to establish the effect of organizational capacity, strategy implementation, and competitive environment on the performance of companies listed on Nairobi Securities Exchange. The research study attempted to establish the effect organizational capacity which in the study was the independent variable and firm performance (dependent variable), followed by including strategy implementation (mediator) in that relationship. Business activities are carried out within a certain environment therefore, the study attempted to determine the effect of competitive environment (moderator variable) on the relationship between organizational capacity and firm performance. Finally, the joint effect of all the variables was investigated to determine if there was a significant influence different from individual variable effect.

Strategic management literature suggests that a business environment has an effect on the relationship between organizational capacity (leadership style and resources) and firm performance. The framework builds on the previous resources and firm performance relationships studies such as Moynihan *et al*. (2011); Howard and Walters (2004); Hitt *et al*. (2007); Gomes and Osbone (2009) and Agle *et al*., (2010). The model also attempted to show that organizational capacity determines strategy implementation which depending on leadership style and resource endowment influences performance and this relationship is moderated by the prevailing competitive environment.

This study, therefore, has reviewed the literature in line with the schematic diagram (figure 1) and emphasis has been more on the way these variables interact and influence each other towards influencing the performance of companies listed in Nairobi Securities Exchange. The test of these variables was done in line with the study objectives and hypotheses.

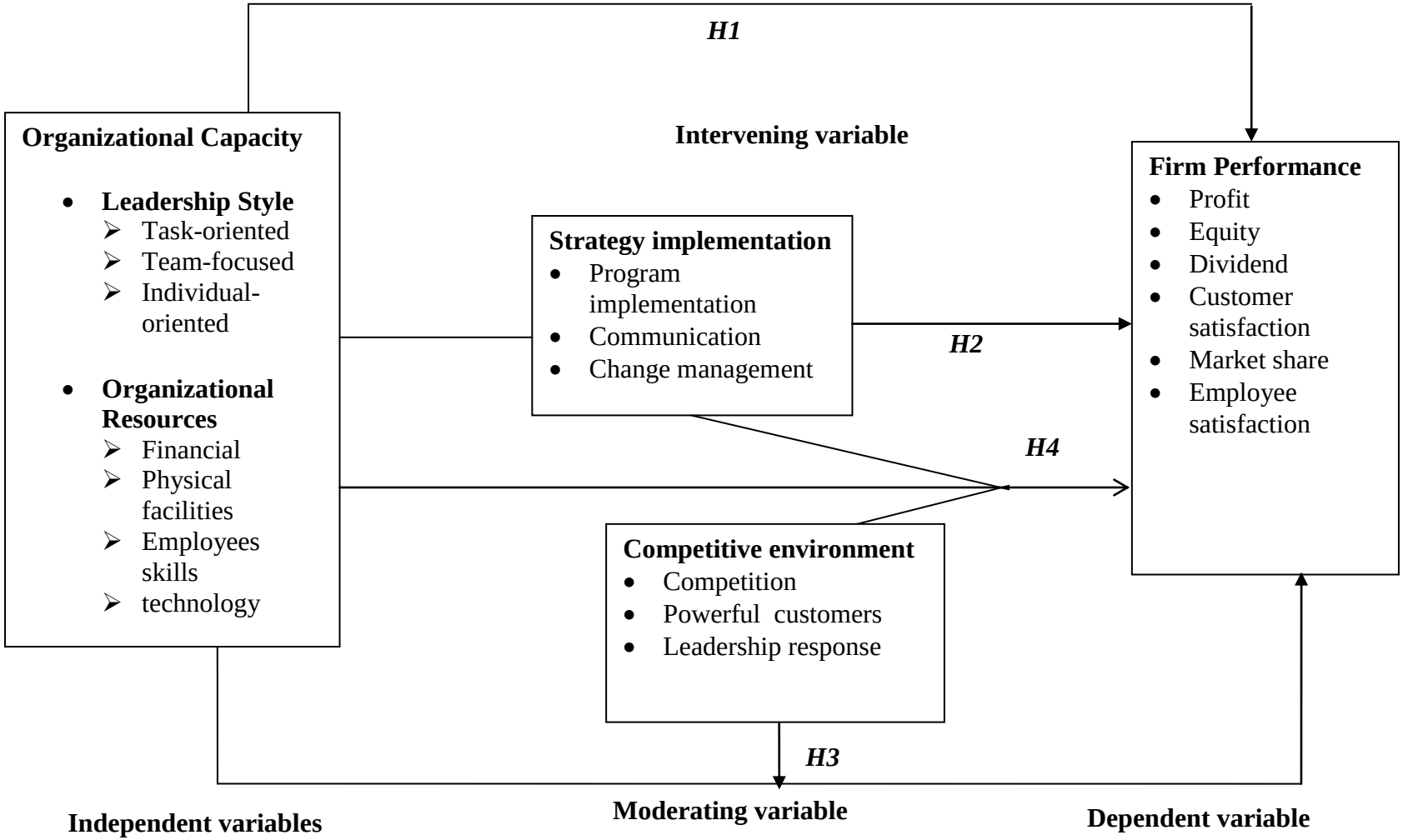


Figure 2.1 Conceptual Model
Source (Author) 2015

2.12 Conceptual Hypotheses

Hypothesis 1: Organizational Capacity has an effect on Firm's Performance

Hypothesis 1a: Leadership Style has an effect on Firm Performance

Hypothesis 1b: Organizational Resources has an effect on Firm Performance

Hypothesis 2: The influence of Organizational Capacity on Performance is mediated by Strategy Implementation

Hypothesis 3: Competitive Environment moderates the relationship between Organizational Capacity and Firm Performance.

Hypothesis 4: The joint effect of Organizational Capacity, Competitive Environment and Strategy Implementation on Performance is significantly greater than their individual effects on Firm Performance.

2.13 Chapter Summary

Chapter two presents a review of literature related to the research and research pertinent or the empirical studies in the area, thereby addressing the question of "why" of the study. The additive effect of competitive environment and strategy implementation on the relationship between organizational capacity and performance of companies listed in Nairobi Securities Exchange is also addressed in this section. The chapter discussed each of the variables in the concept model separately, and at the same time justifies their existence in the model. The chapter also discussed the linkages between these variables and the existing relationship among them, so as to properly expound on the research problem in chapter one, hence bringing the gap in knowledge. The tentative analysis of the variables lays down a firm foundation for the research hypotheses towards the end of the chapter. From the literature review, it is clearly seen that most research studies have linked performance with one or two variables basis. Little empirical work has been done on the mediating effect of strategy implementation and the moderating role of competitive environment on the relationship between organizational capacity and firm performance. This study is different from other studies in the sense that it has attempted to use an integrated approach that would simultaneously consider four variables namely, organizational capacity (leadership style and resources), strategy implementation and competitive environment on the performance of business organizations.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology of this study. It presents the philosophical foundation, research design, the population of the study, data collection method, data collection instrument and data analysis. The chapter also shows how reliability and validity will be ensured.

3.2 Research Philosophy

This research study was concerned with the understanding of the present with a view to being able to predict the future situation. Research philosophy is the foundation of knowledge and the nature of that knowledge contains important assumptions about the way in which researchers view the world (Saunders *et al*., 2007). Research methods are influenced by philosophical orientations.

There are two extreme research philosophies in social sciences namely phenomenology and positivism. However, there are many other approaches that fall between them like realism and pragmatism. Realism adopts the objective view of reality, existing independent of human thoughts but interpreted through social conditioning (Saunders *et al*., 2009). Pragmatism approach takes an integrative perspective viewing knowledge as either objective or subjective phenomena as long as the output is acceptable in specific fields (Saunders *et al*., 2009).

The phenomenological approach is qualitative in nature and focuses on the researcher's perception and relies on experience and avoids generalization based on an existing theory (Irungu, 2007). Phenomenology premises that knowledge is based on individual experiences thus is subjective. This approach does not begin with an established theory, and then proceed to collect and analyses data to either accept or reject the hypotheses. The approach typically seeks to obtain data, analyze it, and then make conclusions regarding the nature and strength of the relationships among the variables based on empirical evidence ((Saunders *et al*., 2009)). It focuses on theory development.

According to Cooper and Schinndler (2006), the positivist philosophical approach is quantitative and dominated by the process of hypothesis testing, with the intent of either confirming or not confirming the hypothesis. The approach is based on objectivity, neutrality, measurement and validity of results. It, therefore, allows for the operationalisation of various hypothetical concepts as well as a generalization of the results. The roots of positivism lie particularly with empiricism, that is, all factual knowledge is based on positive information gained from on observable experiences and only analytic statements are allowed to be known as true through reason alone. Positivism maintains that knowledge should be based on real facts and not abstractions so that it is predicted on observations and experiment based on existing theory. It sees the need to know in a context when the truth is one and to predict as the important means to knowledge creation. Positivism emphasizes that the observer is independent of what is being observed, the choice of what to study is determined by objective rather than beliefs, and the concepts need to be operationalized in such ways that they can be measured in a target population and generalized to the whole population. This research was therefore grounded on positivist research paradigm, a paradigm characterized by a belief in theory before research, statistical justification of conclusions and empirically testable hypothesis, which is the core te3nets of scientific methods (Cooper and Schindler, 2003).

This required that the facts be established for causal relationships that may be observed. Empirical studies based on hypothetical and deductive research approach in which the study begins with a hypothesis, are most appropriate for this kind of investigations. The study of organizational capacity, strategy implementation competitive environment, and performance is a study that attempts to establish the possible relationship between these variables and the strength of such relationships if they do exist.

This made positivistic approach appropriate for adoption in the current study. Further, it was considered appropriate because it was in line with the current study procedures and methods including development of study objectives, hypothesis formulation, operationalization and measurement of variables to ensure precision, logic and evidence attesting.

3.3 Research Design

The research design is a plan and structure of the study so as to obtain answers to the research questions. It is a framework for specifying the relationships among the study variables. This study used descriptive cross-sectional survey design as it sought to describe and establish relationships among key study variables. The design chosen for this study was guided by the purpose of the study, the type of investigation, the extent of research involvement, the stage of knowledge in the field, the period over which the data is to be collected and the type of analysis. Cross-sectional studies have been found to be robust in relationships studies given their ability to capture the population characteristics in their free and natural occurrences (O'Sullivan and Abela 2007). A cross-sectional survey enhances the credence of results by providing conclusions on data at a given point in time.

Other researchers (Awino and Gituro 2011; Chiyonge-Sifa 2009; Pertusa-Ortega 2009 and Kariuki 2014) have used cross-sectional survey and regarded it appropriate and reliable to investigate similar studies. This approach is versatile since organizational capacity is a broad concept which can be studied using a survey. This allows the pattern of convergence to develop and corroborate the overall interpretation of relationships between the study variables. This design was deemed appropriate because of the need to collect data from several organizations at one point in time and data analysis according to set hypotheses and the corresponding objectives. This approach provided the researcher an opportunity to develop a broad understanding of the joint effects of organizational capacity, strategy implementation and competitive environment on the performance of companies listed on Nairobi Securities Exchange.

The study integrated the descriptive research design into the cross- sectional survey design because the variables under study were measured as they naturally occurred and were not manipulated or controlled. According to Copper and Schindler (2003), if the research is concerned with finding out, what, when and how much of the phenomena, the descriptive research design is found to be appropriate. Therefore, a description of variables of this study in the Nairobi Securities Exchange was determined based on the current reality. Kerlinger (1986) argued that the survey method is widely used to obtain data useful in evaluating present practices and providing the basis for decision making.

3.4 Target Population

The target populations for this study comprised 62 companies listed at the Nairobi Securities Exchange and were active at the time of the study. These firms were preferred because the management employees are likely to exhibit elaborate relationships between the study variables since they have a better understanding of their organization goals and objectives. Companies listed in Nairobi Securities Exchange were preferred in this study because they are varied in nature and by sector. Most of them are leading in Kenya in terms of capitalization and compliance with statutory requirements. Further data on organizational financial performance is readily available through the organizations' annual reports.

A list of all listed companies at the Nairobi Securities Exchange was available and accessible from Capital Market Authority. The total number of the firm's listed companies were sixty-two (62) as of June 2013 as shown in Appendix C. The criterion for inclusion in the study was an active operation for the four years prior to data collection. The study was a census since sixty-two firms were manageable. The study targeted managers in charge of finance and strategic management functions as main respondents. This is because these managers are involved in developing and implementing strategies.

3.5 Data Collection

This study relied on both secondary and primary data. The secondary data was collected from companies' annual reports and Capital Markets Authority reports. The primary data was collected through a semi-structured questionnaire based on suggestions on questions that focus on organizational performance. These questions were modified to fit the needs of the study. The primary data focused on data related to leadership style, organizational resources, strategy implementation and competitive environment while secondary data was on financial performance which included profits, return on equity and dividends for the years 2010, 2011, 2012 and 2013.

The questionnaire included open-ended questions, interval scale anchored on five point likert type scale items developed from literature and as suggested by Lusthaus, *et al*. (1999) on approaches to measuring organizational performance. The questionnaire was structured into six parts capturing data of demographic information

about the organization, leadership style, organizational resources, competitive environment, strategy implementation, and firm performance. The questions on competitive environment were developed from Micheal Porter's (1996) model of industry analysis and strategy implementation were developed from Pertusa-Ortega *et al* (2009) and suggestions recommended by Lusthaus *et al*. (1999): leadership questions were based on action-centered leadership model (Adair 1973) and Multifactor Leadership Questionnaire developed by Bass and Avolio (1995). This model had been used by similar studies in leadership like Perren and Burgoyne (2001) and Hmieleski *et al*., (2010) who studied leadership and new venture performance. Organizational resources were self–rating Likert scale questions eliciting responses on financial resources, physical facilities, employees' skills and technology as suggested by Lusthaus *et al*., (1999) and performance measurement system was based on the balance scorecard framework as proposed by Kaplan and Norton (2008).

A total of 62 sets of questionnaires were distributed for data collection. One questionnaire in each of 62 companies was given to head of the finance department or strategic management section. The questionnaires were administered to respondents in management positions because these were assumed to have the widest and deep understanding of the whole organization policies and strategies. This is supported by Hambrick and, Mason, (1984) who posited that organizations are a reflection of their top echelon.

Once the respondent had been identified from the customer care desk, they were physically contacted and given the questionnaire or alternatively the questionnaire was dropped and later picked from the customer care office. A letter of introduction from the University of Nairobi accompanied the questionnaire which showed the identity of the researcher and authority given to the researcher to collect data from the organization. The researcher also used other personal networks through friends and colleagues to reach the respondents where the delay was observed. Telephone reminders were done where necessary.

3.6 Operationalization of Variables

The four variables in this study namely organizational capacity competitive environment, strategy implementation, and performance were operationalized as shown in Table 3.1. The independent variable in this study is organizational capacity which was operationalized in terms of leadership style and organizational resources. The moderating variable was a competitive environment which moderated the relationship between organizational capacity and performance. The model also assumed that strategy implementation had an intervening role on the relationship between organizational capacity and firm performance.

The independent variables of the study included organizational capacity in terms of leadership style and organizational resources where leadership style was measured on a five-point Likert scale from strongly agree to strongly disagree) and organizational resources focused on the perception of types (measured on a five-point Likert scale from not at all to a very great extent). The moderating variable was the competitive environment comprising competition variables and the intervening variable being strategy implementation, operationalized by program implementation, communication, and change management. The dependent variable which is firm performance consisted of both financial and non-financial indicators. These variables will be operationalized and measured as contained in Table 3.1.

Table 3.1: Summary of Operationalization of Variables

Variable	Indicator	Operational indicator	Questionnaire	Literature support
Organizational Capacity (Leadership style)	Task oriented	The leadership defines the task structure , written statement of what the organization aspires to become or achieve, Major decisions are made in light of their strategic implications, The leaders have a clear vision of the future, The leadership develops the strategic plan, allocates work and resources based on strategic needs, Controls quality and rate of work, monitors and evaluates performance against plan , current vision and plan for the future represents the "best thinking" from all of the members of your leadership team	Pat 2	(Adair 1973), Bass and Avolio (1995) and Perren and Burgoyne (2001)
	Team oriented	Team leaders in place, Different teams work under different leaders, Team building exercises are organized regularly, Team leaders meet at least once a month, The leadership has institutionalized intra-group communication, The leaders provides conditions necessary for employee motivation,		
	Individual oriented	The leadership in this organization attends to personal problems, praises individuals when they perform well, recognizes and uses individual abilities, develop the individual employees, individual employees understand and can make the connection between what they do and how they contribute to the future vision of the company, Individual employees spend time on activities that contribute to the future and vision of the organization.		

Organizational Capacity (organizational Resources)	Financials	The leaders effectively pool resources and expertise toward a shared goal, leadership regularly access inventory and competencies and assets of the organization, the organization has adequate budgetary allocation for strategy implementation, the organization has adequate and ready sources of financing, leaders ensures prudent utilization of funds budgeted for strategy implementation. ,	Part 3	Lusthaus *et al*. (1999)
	Physical facilities	Enough office space, extra space that can be used when the need arises, facilities available are enough to cater for strategy implementation, leadership regularly evaluates the capacity requirements needed as part of the planning process for any new programs, services and/or activities.		
	Employees skills	Overall approach to human resource development, Human resource development programs are tied to the needs for strategy implementation, training and development policy that support strategy implementation		
	Technology	Adequate planning, systems, and training in place for managing organizational technologies, available of information communication technology facilities are adequate for corporate strategy implementation, acquired relevant and adequate technology for strategy implementation		
Strategy Implementation	Program implementation	Allocation of financial resources, written plans, policies, and procedures, framework of monitoring and evaluation, monthly meetings for top management	Part 4	Widodo (2011) Pertusa-Ortega *et al*. (2009)

	Communication	Communication strategy, functioning Communication system , feedback information,		
	Change management	Change support mechanism, flexibility, resistance to change management, supportive structure, roles clearly defined		
Competitive Environment	Competition	Many substitute products in the industry, many competitors entering the market, new competitive moves in the industry frequently,	Part 5	Micheal Porter's (1996) model of industry analysis
	Customer power	Bargaining power of customers is usually high, bargaining power of suppliers is usually high		
	Leadership Response	Leadership is aware of external environments that may pose future opportunities and threat for the company, company leadership regularly monitors and analyze the competitive environment and use the information to set direction and determine activities, leadership has developed competitors intelligent system, company's' products are not differentiated.		
Firm Performance	Financial Performance	Profits per year, return on equity and dividends	Part 6	Kaplan and Norton (2008).
	Non-Financial Performance	Customer loyalty, customer satisfaction index is high, Growing market share, employees retained because they are satisfied, stakeholders highly satisfied with organization performance, Employee turnover usually low,		

3.7 Data Analysis

The positivistic approach to research guided data analysis of this study. Positivism advocates for hypothesis testing using quantitative techniques (Stiles, 2003) with the intent of either rejecting or accepting the null hypothesis.

Preliminary tests for regression analysis were carried out. First reliability and validity tests were considered. Cronbach alpha coefficient was performed to test the reliability of the data. Secondly, assumptions of regression analysis were tested using test of normality (Kurtosis and Skewness), and collinearity. Since the study seeks to establish the association (relationship) between variables, and test hypothesized relationships, a combination of descriptive statistics(frequencies and percentages, mean scores, standard deviation and coefficient of variation) were used, further inferential statistics (correlation, simple linear, stepwise and multiple regression analysis) were performed.The statistical significance of each hypothesized relationship was interpreted based on model fitness (R^2), ANOVA(F), student t-test, Beta coefficients (β) and Probability (P) values. Data is presented in the form of tables. The variables of the study were within interval and ratio scales. Analytical tools are summarized in Table 3.2.

Table 3.2: Objectives, Hypotheses, and Analytical Models

Objective	**Hypothesis**	**Analytical Techniques**	**Interpretation**
Objective 1: To establish the effect of Organizational Capacity on Performance of companies listed in Nairobi Securities Exchange	Hypothesis 1: Organizational Capacity has an effect on Firm Performance	Simple linear Régression analysis $Y= \alpha + \beta_1 X_. + \varepsilon$ Y= Firm performance X = Organizational Capacity α= constant (intercept), β=Coefficient parameters to be determined, ε= Error/disturbance	Coefficient of determination(adjusted R^2)value will show the percentage of Firm performance explained by Organizational Capacity -regression coefficient will show the amount of change and direction of the influence
	Hypothesis 1a: Leadership Style has a positive influence on Firm Performance Performance of companies listed in Nairobi Securities Exchange	Simple linear Régression analyses $Y= \alpha + \beta_1 X_. + \varepsilon$ Y= Firm performance X = Leadership style α= constant (intercept), β=Coefficient parameters to be determined, ε= Error/disturbance	Coefficient of determination (adjusted R^2) value will show the percentage of Firm performance explained by Leadership style regression -coefficient will show the change in Firm Performance due to a unit change in Leadership Style

	Hypothesis 1b: Organizational Resources have a positive influence on Firm Performance	Simple linear Régression analyses $Y= \alpha + \beta_1 X_. + \varepsilon$ Y= Firm performance X = Organizational Resources. α= constant (intercept), β=Coefficient parameters to be determined, ε= Error/disturbance	Coefficient of determination (adjusted R^2) value will show the percentage of Firm performance explained by Organizational Resources while regression the coefficient of will shows the amount of variation in Firm Performance that is attributable to a unit change in Organizational Resources.
Objective 2: To determine whether the influence of Organizational Capacity on Performance of companies listed on Nairobi Securities Exchange is direct or indirect through Strategy Implementation.	Hypothesis 2: The influence of Organizational Capacity on Performance is mediated by Strategy Implementation	Four Step Mediation Methodology: (Baron and Kenny (1986). Step1 : $FP= \alpha + (\beta_1 X) + \varepsilon$ Step 2 : $SI= \alpha + (\beta_1 X) + \varepsilon$ Step3:$FP= \alpha + \beta_1 SI + \varepsilon$ If the relationship is significant then proceed to: Step 4: $FP= \alpha + (\beta_1 X)) + \beta_1 SI + \varepsilon$ $Y= \alpha + (\beta_1 X) + \beta_1 SI + \varepsilon$ Y= Firm performance X = Organizational Capacity, $SI_=$ Strategy implementation	The value of adjusted R^2 will show variation in Firm Performance is explained by Organizational. Capacity F ratio will indicate overall robustness and significance of the regression model. Reject H_0 if $p>0.05$ Conduct Stepwise Regression Coefficient will show whether organizational capacity is influenced performance direct or through strategy implementation.
Objective 3: To determine the effect of Competitive Environment on the relationship between Organizational Capacity and Performance of companies listed on Nairobi Securities Exchange.	Hypothesis 3: The effect of Organizational Capacity on Firm Performance is moderated by Competitive Environment.	Regression analysis (process analysis method) as suggested Baron and Kenny (1986). $FP= \alpha + (\beta_1 X_{1)+} (\beta_2 X_2)$ +composite *FP+ε Where: FP=Organizational Performance X_1= Organizational Capacity X_2= Competitive Environment. α= constant (intercept),	The value of adjusted R^2 is an indication of the amount of variation in Firm Performances due to Organizational Capacity. F-ratio test (Analysis of Variance) explains overall robustness and significance of the regression model. $p>0.05$ and regression the coefficient of will shows the amount of variation in Firm Performance that is

		β=Coefficient parameters to be determined, ε= Error/disturbance, composite*=interaction term	attributable to competitive environment
Objective 4: To establish whether the joint effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Performance is greater than their individual effect on Firm performance of companies listed on Nairobi Securities Exchange.	Hypothesis 4: The joint effect of Organizational Capacity, Competitive Environment and Strategy Implementation on Performance is significantly different from their individual effects on Firm Performance.	Multiple Regression analysis $Y= \alpha + (\beta_1 X_{1a} + \beta_2 X_2 + \beta_3 X_{3.} + \varepsilon$ Y= Firm Performance X_1= Organizational Capacity $X_{2=}$Strategy Implementation X_3=Competitive Environment α= constant (intercept), β=Coefficient parameters to be determined, ε= Error/disturbance	Determination of adjusted R^2 is a measure of the variation of Firm Performance which was due to unit change brought about by the joint effect of Organizational Capacity, Competitive Environment, and Strategy Implementation. F-ratio provided an overall model fit and significance of the regression model. Reject$H_{0;}$ if regression coefficient p>0.05.Conduct regression coefficient to determine both joint effect and individual effect, compare the joint and individual effects on performance

3.8 Chapter Summary

This chapter provides a general overview of the methodology used in this study. The chapter has discussed the philosophical orientation taken by the study and guided by the positivistic approach the researcher was able to arrive at the appropriate research design for the study. In addition, the chapter still addressed the population of the study, the data collection methods, operationalization and measurements of variables, validity, and reliability of the instruments, normality of data, data analysis, and analytical models.

CHAPTER FOUR
DATA ANALYSIS, FINDINGS, AND DISCUSSION

4.1 Introduction

The chapter presents a detailed description of the data, analysis, and results within the framework of the objectives and hypotheses. Analysis and interpretation of the results are based on the overall objective of the study which was concerned with the role of strategy implementation and competitive environment in the relationship between organizational capacity and performance of companies listed on the Nairobi Securities Exchange. The chapter ends with a summary of key findings of the study.

The study targeted officers in charge of finance and corporate strategy at all the 62 firms listed on the Nairobi Securities Exchange which were operating as of June 2013, 62 questionnaires were sent out but only 58 were completed and returned. This represented a response rate of 93.5%. Data analysis was done at both bivariate and multivariate levels.

Statistical tests were done on normality and linearity of the data on the variables of the study. Descriptive statistics were used to summarize the results of the respondents and company details. Means, standard deviations, and coefficients of variation for the measures of the variables of the study were computed and presented. Simple and multiple linear regression analyses were used to test the relationships between and among the variables. The focus of the tests was on the effect of organizational capacity on firm performance, the mediating role of strategy implementation on the relationship of organizational capacity on firm performance, and the moderating effect of competitive environment on the relationship between organizational capacity and performance of firms listed on the Nairobi Securities Exchange. The results obtained were subjected to further scrutiny before making final conclusions.

4.2 Diagnostic tools

The research study used Reliability and validity, normality, linearity and Multicollinearity as preliminary tools to test the quality of the data.

4.2.1 Test of Reliability

Reliability and validity tests are key indicators of the quality of the data collection instrument. A measure is reliable when different attempts at measuring something produce the same result (Zikmund *et al*, 2010). Implied, reliability is, therefore, an indicator of the instrument's internal consistency. The Cronbach's alpha coefficient,α is the most commonly applied estimate of a multiple-item scale's reliability. The Cronbach's alpha coefficient ranges from zero to one, meaning, no consistency to complete consistency, respectively.

There is a consensus among researchers that for a scale to be valid and possess practical utility, it must be reliable (Peterson 1994). However, the author further observes that there is little guidance in the literature as to what constitute acceptable reliability for research. Different research authorities use different cut-off points of the Cronbach's alpha coefficient. Davis (1964) recommends a minimum of Cronbach coefficient of 0.5for predictive research where the population group is between 25 and 50. Kaplan and Saccuzo (1982), on the other hand, postulate that basic research and applied research should have a minimum Cronbach coefficient of between 0.7 and 0.8 respectively. Murphy and Davidscofer (1988) indicated that a Cronbach alpha below 0.6 is unacceptable. Of the recommendations discussed above, those of Nunnaly (1978) are the most widely referred to either in support or criticism of an obtained reliability coefficient (Peterson 1994). Nunnaly (1967) recommends that the minimum acceptable reliability coefficient should be in the range of 0.5 to 0.6, whereas he increased the recommended range to 0.6 and 0.7 in 1978. This study adopted a minimum Cronbach alpha coefficient of 0.6. Measures of all variables had alpha coefficient ranging from 0.622 for organizational resources and 0.910 for firm performance. These are presented in Table 4.1.

Table 4.1 Cronbach's Alpha Reliability Coefficients for Measures of Variables

Scale	Items	Cronbach's Alpha (α)
Strategy Implementation	18	0.894
Organizational capacity (in terms of Leadership Style)	16	0.932
Organizational capacity(in terms of Resources)	12	0.662
Firm Performance	7	0.910
Competitive Environment	12	0.720

4.2.2 Tests of Validity

The questionnaires were tested for validity. Validity refers to the ability of the research instrument to measure what it was meant to measure (Cooper and Schindler, 2006). An extensive review of existing conceptual and empirical literature review produced the measurement scales for each of the variables.

There are three genres of validity, namely; face, content and construct validity, (Awino and Gituro, 2011). The measurement scales used in the questionnaire were deemed to have face validity because they reflected the key issues in organizational capacity (leadership style and resources), strategy implementation, competitive environment and performance and was subjected to expert judgment. Content validity was achieved through structuring the questionnaire into sections. Each section contained specific variable and this was also achieved through expert judgments to confirm if the theoretical dimensions emerge as conceptualized for this study.

Construct validity was assessed from conceptual framework and correlation of variables, checked for multicollinearity and normality to ensure that statistical assumptions were valid in this study. The data was normal and did not suffer from multicollinearity.

4.2.3 Tests of Normality

The concept of normality is central to statistics and especially when parametric tests such as correlation and regression analyses are to be used. Preliminary analysis was to assess if the data is normally distributed. It was done by observing graphical displays of the histograms where the skewness and kurtosis values of the measures were obtained. Skewness provides information about the symmetry of the distribution while kurtosis provides information about the "peakedness" of the distribution (Tabachnick and Fidell, 2007). A value of zero indicates a perfectly normal distribution. With reasonably large samples (more than 200) however, skewness does not make a substantive difference in the analysis. From the analysis, firm performance, competitive environment, strategy implementation, leadership style, and resources did not indicate extreme departures from normality assumption as shown in Table 4.3. This confirms the suitability of the data for analysis using parametric tests.

Skewness statistic for Firm Performance was -0.19, organizational capacity of -0.54, and the competitive environment had the value of 0.59. Skewness statistic for strategy implementation was -0.27, leadership had -0.31 and organizational resources had a value of -0.22 as shown in Table 4.3. The skewness statistic for other measures did not indicate extreme departures from normality assumption; competition with a value 0.60, strategy implementation had a value of -0.28, threats had a value of 0.24, and communication had a value of -0.28. Kurtosis static for the measures did not also indicate extreme departures from normality; Firm Performance had a value of -0.89, competitive environment had a value of 0.9, strategy implementation had a value of -0.57, organizational capacity (leadership style) had a value of -1.17 and the organizational capacity (resources) had a value of -0.46.

Table 4.2: Tests of Normality

Scale	N	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
Firm Performance	58	-0.19	0.31	-0.89	0.62
Competitive Environment	58	0.59	0.31	0.90	0.62
Strategy Implementation	58	-0.27	0.31	-0.57	0.62
Organizational capacity (Leadership Style)	58	-0.31	0.31	-1.17	0.62
Organizational capacity (Resources)	58	-0.22	0.31	-0.46	0.62
Competitive Environment-					
Competition	58	0.60	0.31	1.89	0.62
Opportunities	58	-1.03	0.31	2.65	0.62
Threats	58	0.24	0.31	-0.47	0.62

Strategy Implementation –					
Programs	58	-0.48	0.31	-0.31	0.62
Communication	58	-0.28	0.31	-0.61	0.62
Change Management	58	-0.14	0.31	-0.15	0.62
Organizational capacity (Leadership Style)-					
Task oriented	58	-1.11	0.31	2.93	0.62
Team oriented	58	-0.29	0.31	-1.38	0.62
Individual employee	58	-0.29	0.31	-1.16	0.62
Organizational Resources -					
Financial	58	-1.49	0.31	2.59	0.62
Physical Facilities	58	0.15	0.31	-0.92	0.62
Employees Skills	58	-1.02	0.31	0.57	0.62
Technology Resources	58	-0.64	0.31	-0.68	0.62

To further investigate normality, the distribution of the scores was presented graphically as shown in histograms presented in figures 4.1 to 4.4. As shown below, the scores are reasonably distributed. The histogram of firm performance scale (Figure 4.1) show the data is fairly normally distributed. Similarly, the histograms for strategy implementation, competitive environment and organizational capacity as shown in Figures 4.2, 4.3 and 4.4 respectively displayed reasonable normal distribution, and therefore, suitable for further data analysis using parametric tests.

Figure 4.1: Histogram of the distribution of firms by Performance

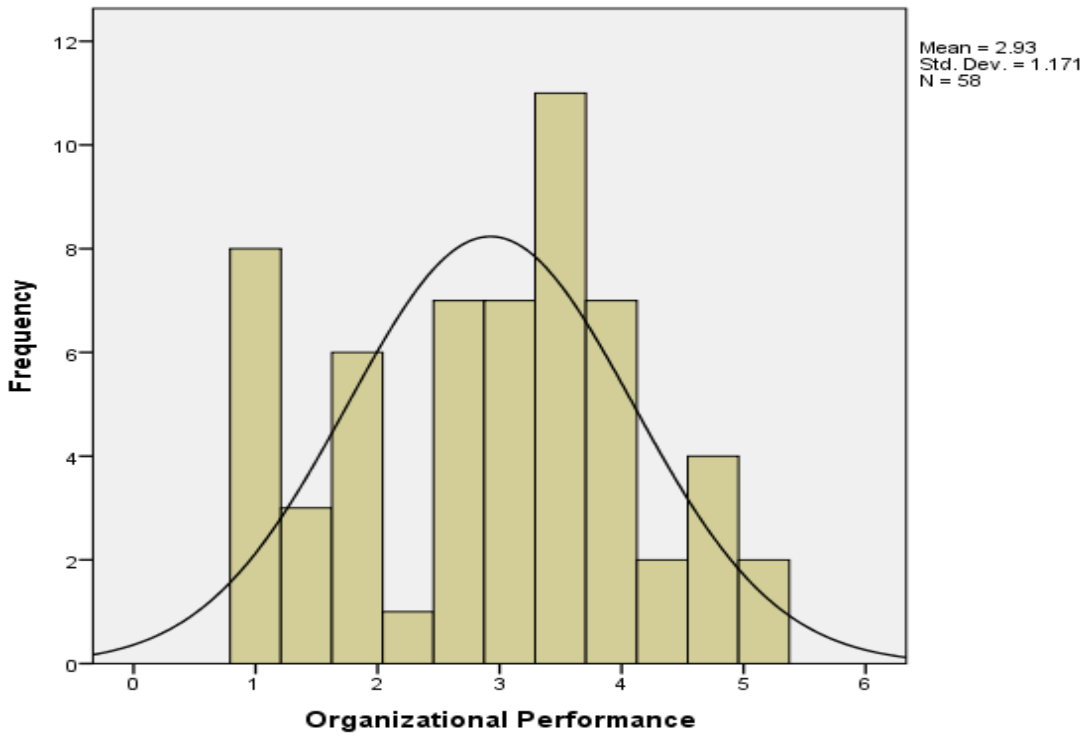


Figure 4.2: Histogram of Strategy Implementation Scale

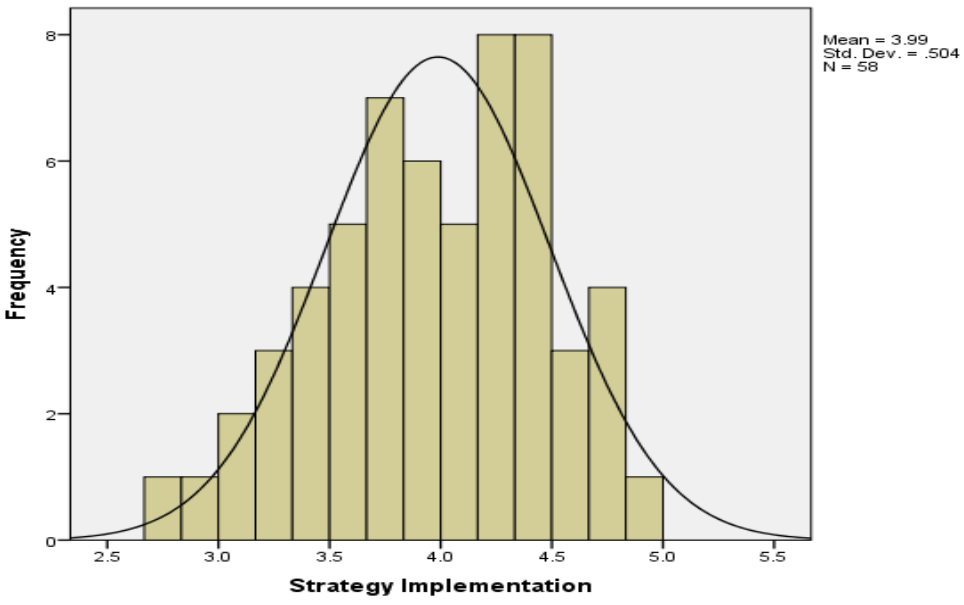


Figure 4.3: Histogram of Competitive Environment Scale.

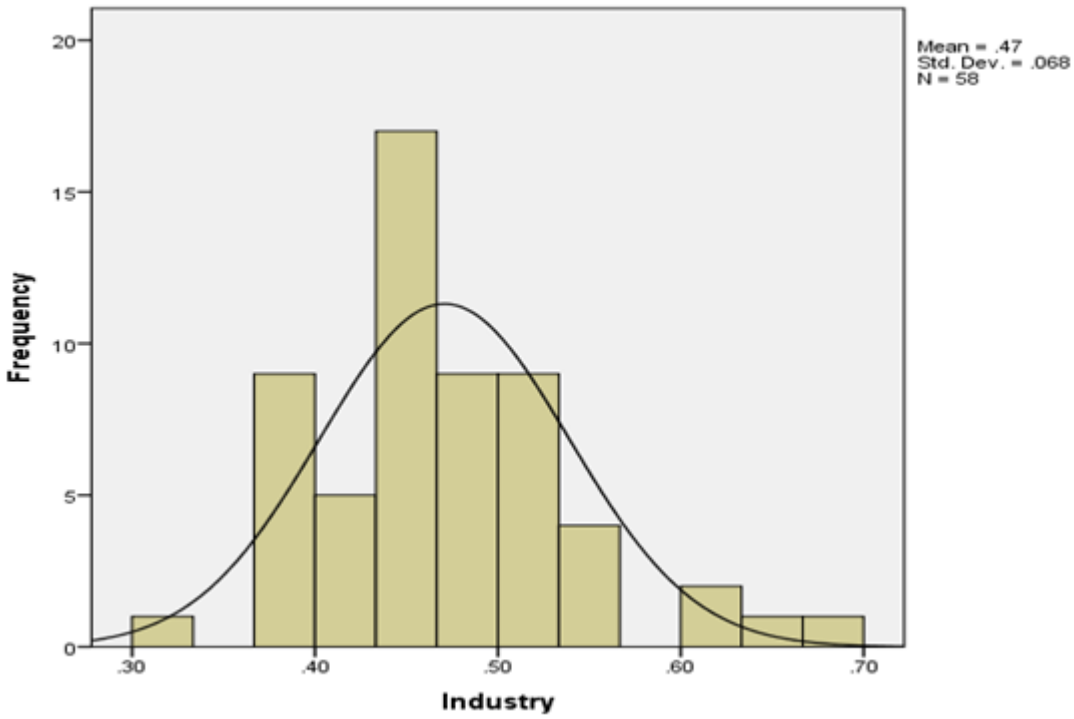
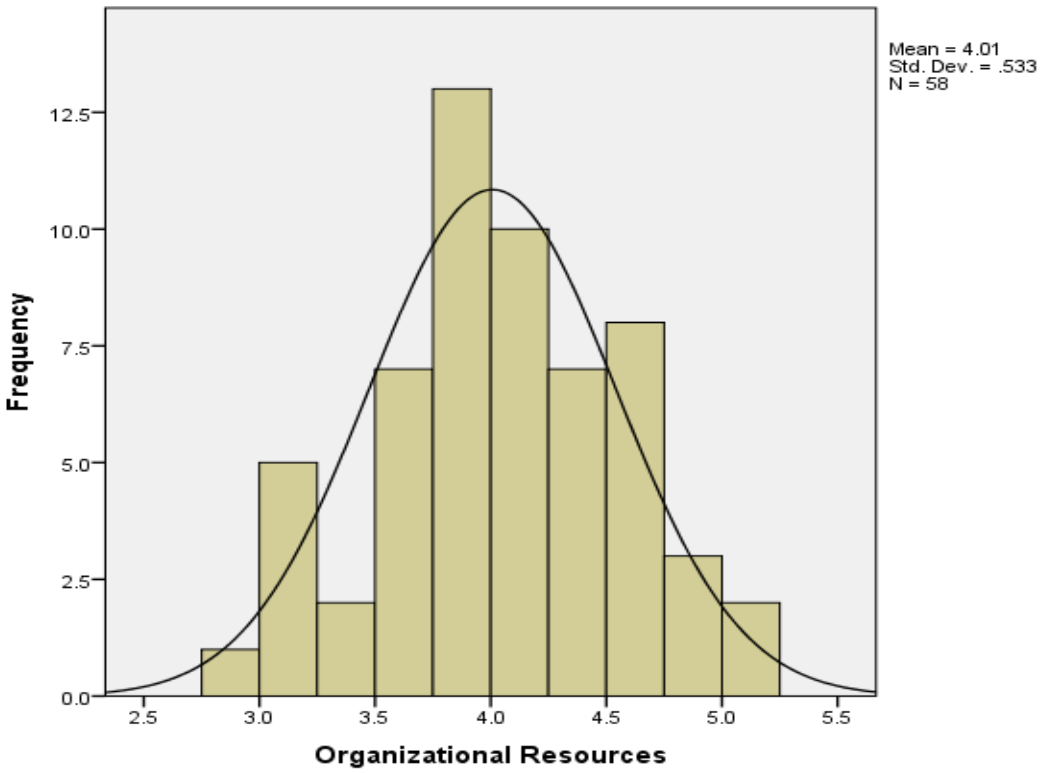


Figure 4. 4 Histogram of Organizational Capacity (Leadership Style and Resources Scale



4.2.4 Multicollinearity Test

A situation in which there is a high degree of association between independent variables is said to be a problem of multicollinearity which results in large standard errors of the coefficients associated with the affected variables. According to Mugenda and Mugenda (2012), multicollinearity can occur in multiple regression models in which some of the independent variables are significantly correlated among themselves. In a regression model that best fits the data, independent variables correlate highly with dependent variables but correlate, at most, minimally with each other. The data was tested for multicollinearity variables.

From the table 4.3 the tolerances for most of the factors are above 0.2 if a variable has collinearity tolerance below 0.2 implies that 80% of its variance is shared with some other independent variables. The Variance Inflation Factors (VIFs) for most factors are below 5. The VIF is generally the inverse of the tolerance. Multicollinearity is associated with VIF above 5 and tolerance below 0.2. The accepted variables were therefore established not to exhibit serious multicollinearity and acceptable for collection and analysis.

Table 4.3 Multicollinearity

	Tolerance	**VIF**
Organizational capacity (Leadership Style)	.345	2.899
Organizational capacity(Resources)	.152	6.559
Strategy Implementation	.150	6.685
Competitive Environment	.361	2.773
Non-Financial Performance	.345	2.899

4.3 Descriptive Statistics

This section sought to identify the demographic characteristics of the respondents and companies listed in Nairobi Securities Exchange. These included the position held, the number of years the respondents had worked in the organizations, the market coverage of the organization, the number of years the organization has been in operation, business categories and the number of the employees in their organization.

These characteristics are important because they help to understand the nature and size of the organization and applicability of the variables of interest to this study (organizational capacity, strategy implementation, competitive environment and firm performance).

Descriptive statistics are mathematical quantities such as frequencies, percentage, mean, standard deviation, the coefficient of variation etc., that summarize and interpret some of the properties of a set of data (sample) but do not infer the properties of the population from which the sample was drawn (Kaisen,1974). Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. Descriptive Statistics are used to present quantitative descriptions in a manageable form. Descriptive statistics helps the researcher to simply large amounts of data in a sensible way. Each descriptive statistic reduces lots of data into a simpler summary. The Standard Deviation is a more accurate and detailed estimate of dispersion since it shows the relation that set of scores has to the mean of the sample (Tronchin, 2006). The coefficient of variation measures dispersion and therefore plays the same role like standard deviation. It is superior to standard deviation as it is 100 percent accurate. Secondly, it is a unitless (it is a ratio) and more accurate and reliable than the standard deviation.

4.3.1 Response Rate

To establish the actual number of the respondents who submitted back the questionnaires for data analysis, analysis of the response rate was conducted as shown in Table 4.4. The responses facilitated towards gathering sufficient data that could be generalized to reflect the opinions of respondents on the organizational capacity, strategy implementation and competitive environment on the performance of companies listed on Nairobi Securities Exchange. This was in tandem with Graham (2002) that a response rate of 50% of the total sample size contributes towards the gathering of sufficient data that could be generalized to represent the opinions of respondents in the target population on the study problem.

Table 4.4 Response Rate

Response rate	Frequency	Percentage
Response	58	93.5%
Non-Response	4	7%
Total	62	100%

4.3.2 Position/Title of the Respondent

The study sought to establish position held by the respondents. Table 4.5 below shows the distribution of the respondents in terms of positions held. According to the study findings, 43.1% of the respondents have financed managers while 31% were supervisors and 25.9% of the respondents were directors. These results indicate all the respondents were in the management of their organizations. Managers are assumed to have the widest and deepest understanding of the whole organization's policies and strategies. This is supported by Hambrick and Mason, (1984) that, organizations are a reflection of their top echelon. Therefore, information provided by management is a true reflection of the organization.

Table 4.5: Respondents' Job Position/Title

Title	Frequency	Percentage (%)
Finance Manager	25	43.1%
Supervisor	18	31.0%
Director	15	25.9%
Total	**58**	**100.0%**

4.3.3 Number of Years Worked in the Organization

The respondents were required to state the number of years they have worked in the organization. The results are presented in the Table 4.6below. The majority of the respondents (72.4%) had worked for their current organization for a period of 4 to 9 years20.7% of the respondents had worked in the current organization for a period of 1 and 3 years, while 5.2% of the respondents had worked for a period of 10 to 15 years. 1.7% of the respondents have worked for more than 20 years in the current

organization. The number of years worked in an organization has a relationship with competence and hence performance, (Patel *et al*., 1996) in the organization leadership.

Table 4.6 Number of Years Worked in the Organization

Years	Frequency	Percentage (%)
1-3 years	12	20.7%
4-9 years	42	72.4%
10-15 years	3	5.2%
>20 Years	1	1.7%
Total	**58**	**100.0%**

4.3.4 The Market Covered by the Organizations

The study sought to determine the market covered by the organization. This would be an indication of how competitive these organizations are, and therefore, the level of appreciation and application of the variables of the study in these organizations. According to Richard *et al,* (2009), market share is an indication of performance. As indicated in Table 4.7, 8.6% of the companies have market coverage nationally, within East Africa Region 70.7%, within Africa continent 6.9% and Africa and beyond 13.8%. This shows that listed companies in Nairobi Securities Exchange have a wide market share within and outside Africa. This indicates that majority of companies had a large market coverage.

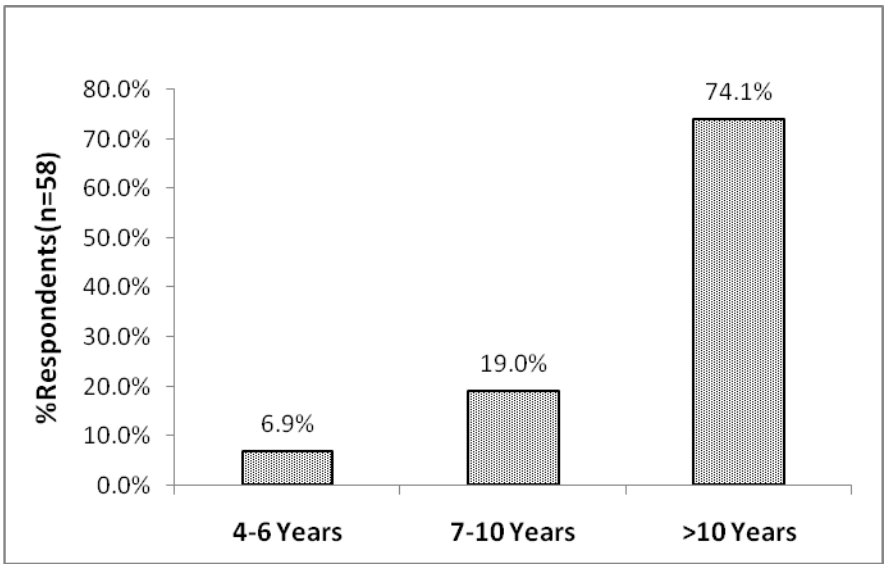
Table 4.7 Distribution of Organizations by Market Coverage

Market coverage	Frequency	Percentage (%)
National	5	8.6%
Regional (Within East Africa)	41	70.7%
Continental (Within Africa)	4	6.9%
International (Africa and beyond)	8	13.8%
Total	**58**	**100.0%**

4.3.5 The Number of Years Organizations have been in Operation

The study sought to determine the number of years the organization has been in operation. The number of years a firm has been in operation is expected to have elaborate organizational capacities and processes for strategy development and implementation and they understand their competitive environment. The number of years in operation may also mean that organizations have time to grow and develop, measures maturity and level of stability or establishment. The longer the period shows organizations have effective manipulation of organizational factors which results in performance. It also denotes the survival of the organization which translates to performance.

Figure 4.5: Classification of the Firms According to Number of Years in Operation



As shown in Figure 5 most companies have been in operation for over ten years (74.1%) followed by 7-10 years (19.0%), and 4-6 years were only 6.9%. This implies some sense of stability and competitiveness and hence ability to appreciate the application of the variables of this study to their respective areas.

4. 3.6 Distribution of Firms by Sector

The respondents were asked to describe their firms' business activity. The results are presented in Table 4.8. The listed companies are diverse, covering a range of economic activities and play an important role in the Kenyan economy and government development strategic plan, Vision 2030.

Table 4.8 Distribution of the Firms by Sector

Classification	Frequency	Percentage (%)
Agriculture	10	17.2%
Investment	12	20.7%
Manufacturing and allied	19	32.8%
Automobile and accessories	12	20.7%
Banking	2	3.4%
Commercial and services	2	3.4%
Insurance	1	1.7%
Total	**58**	**100.0%**

As shown in Table 4.8 above, the majority of the organizations were in manufacturing and followed by investment and automobile and accessories, agriculture came third , followed by banking and commercial and services sectors, and the least was insurance sector. This means that the companies listed on the Nairobi Securities Exchange represent the diversity of industry categories, and the variables of the study may have an application in a wide range of industries.

4.3.7 The Number of Employees in the Organization

The study sought to state the number of employees in the organization. The results are presented in the figure below. This is an indicator of the size of the organization. The bigger the size, the more complex it is. Organizational assessment has gradually become more complex and holistic, integrating as many aspects of an organization as possible (Raduan *et al.* (2001).

Table 4.9: Distribution of Organizations by Number of Employees

Number of Employees	Frequency	Percentage (%)
< 50 Employees	1	1.7%
50-100 Employees	3	5.2%
101-150 Employees	15	25.9%
>150 employees	39	67.2%
Total	**58**	**100.0%**

Table 4.9 indicates that most of the companies listed in Nairobi Securities Exchange are large companies dealing with a lot of organizational factors and therefore appropriate for application of the variables of this study.

4.3.8 Organizational Capacity(Leadership Style)

The study sought to establish the relationship between Organizational Capacity (Leadership Style) on the performance of listed companies in the Nairobi Securities Exchange. Respondents were requested to indicate the extent to which leadership responses expressed leadership style in their respective organizations. A likert scale of 1-5 was used where 1=not at all, 2=small extent, 3=moderate extent, 4=Great extent, and 5=very great extent. The leadership styles dimensions included task oriented, team-oriented and individually oriented leadership style. Descriptive statistics for leadership style scales are - shown in Table 4.10 below.

Table 4.10: Mean, STD Deviation and Coefficient of Variation for Measures of Organizational Capacity (Leadership Style)

Task-Oriented Style	**N**	**Mean**	**Standard Deviation**	**Coefficient of Variation**
The leadership defines the task structure	58	4.00	1.33	0.33
The leadership has written statement of what the organization aspires to become or achieve (e.g. vision statement); the vision stretches the organization but is achievable and provides enough detail to inform planning.	58	4.25	1.18	0.27
Major decisions are made in light of their strategic implications	58	4.12	1.19	0.28
The leaders have a clear vision of the future	58	4.17	1.17	0.28

The leadership develops the strategic plan	58	4.06	1.30	0.32
The leadership allocates work and resources based on strategic needs	58	4.01	1.16	0.28
The leadership controls quality	58	3.81	1.25	0.33
The leadership monitors and evaluates performance against plan	58	3.75	1.23	0.33
The leadership adjusts the work plans based on strategy	58	4.15	1.20	0.29
The current vision and plan for the future represent the "best thinking" from all of the members of your leadership team	58	4.25	1.13	0.27
Average	58	4.06	1.21	0.29
Team- Oriented Style				
There are team leaders in place	58	4.12	1.22	0.29
Different teams work under different leaders	58	4.10	1.37	0.33
Team building exercises are organized regularly	58	4.06	1.28	0.31
Team leaders meet at least once a month	58	3.94	1.38	0.35
The leadership has institutionalized intra-group communication	58	3.63	1.40	0.38
The leaders provides conditions necessary for employee motivation	58	3.77	1.33	0.35
Average	58	3.94	1.33	0.33
Individual-Oriented Style				
The leadership in this organization attends to personal problems	58	3.55	1.27	0.35
Leaders praise individuals when they perform well	58	3.68	1.32	0.36
Leaders recognizes and uses individual abilities	58	4.10	1.26	0.31
The leaders develop the individual employees	58	3.93	1.24	0.31
All individual employees understand and can make the connection between what they do and how they contribute to the future vision of the company.	58	4.10	1.26	0.30
Individual employees spend most of their time on activities that contribute to the future and vision of the organization and have set clear and measurable goals that support company strategy.	58	4.01	1.22	0.30
Average	58	3.89	1.26	0.32

From the results shown on Table 4.10above, organizational capacity in terms of task-oriented leadership style had an average mean score of4.06, the standard deviation of 1.21 and coefficient of variation0.29. The team- oriented style had an average mean of3.94 standard deviation of 1.33 and coefficient of variation 0.33 and individual-oriented style was3.89average mean score, the standard deviation of 1.26 and coefficient of variation 0.32. This means that majority of the respondents viewed the leadership style dimensions in this study as very high.

As shown in Table 4.10 above, The leadership has written statement of what the organization aspires to become or achieve and the current vision and plan for the future represent the "best thinking" from all of the members of the leadership team had the highest means, (Mean=4.25, SD= 1.17,CV=0.27and Mean=4.25, SD= 1.13, CV=0.27 respectively).This indicates that the majority of the respondents agreed that the leadership style inspires the followers, has an impact on organizations, department, and teams, as well as work climate and atmosphere, achieving significant change in the process which contributes to performance. This implies that leadership was responsible for the allocation work and resources in their organizations. When asked whether the leadership in the organization attends to personal problems, the respondents agreed on this item (Mean=3.55, SD= 1.27, CV=0.27). Thus the lowest mean was well above the value 3 of the Likert scale used. This means that majority of the respondents viewed the organizational leadership approaches in this study as very high. This position is also held by Dvir *et al.* (2002) through their study which showed that transformational leaders had a direct impact on followers' empowerment, morality, and motivation. Givens (2008) also concluded that transformational leaders construct a participative climate and empowered condition that allow followers to respond quickly and with flexibility to changes in organizational and environmental demands.

4.3.9 Organizational Capacity (Resources)

The objective was to establish the relationship between Organizational capacity in terms of resources on Performance of listed companies in Nairobi Securities Exchange through a review of key organization resources notably, financial resources, physical facilities, employees skills, and technology. A Likert scale of 1-5 was used where 1=not at all 2=small extent 3=moderate extent 4=Great extent and 5=very great

extent. Respondents were requested to indicate the extent to which various resources oriented activities were carried out in the organization. The findings were presented in table 4.11.

Table 4.11*:* Mean, Standard Deviation and Coefficient of Variation for Measures of Organizational Capacity (Resources)

Financial Resources	**N**	**Mean**	**Standard Deviation**	**Coefficient of Variation**
The leaders effectively pool resources and expertise toward a shared goal.	58	4.03	1.32	0.32
The leadership regularly access inventory and competencies and assets of the organization.	58	3.84	1.39	0.36
My organization has adequate budgetary allocation for strategy implementation	58	3.17	1.27	0.40
My organization has adequate and ready sources of finance	58	3.34	1.35	0.40
My leaders ensure prudent utilization of funds budgeted for strategy implementation	58	3.58	1.38	0.38
Average	58	3.59	1.33	0.37
Physical facilities				
There is enough office space	58	3.43	1.33	0.38
There is extra space that can be used when need arises	58	3.15	1.28	0.40
In general, the facilities available are enough to cater for strategy implementation	58	3.13	1.40	0.44
The leadership regularly evaluates the capacity requirements needed as part of the planning process for any new programs, services and/or activities.	58	3.63	1.37	0.37
Average	58	3.24	1.34	0.41
Employees skills				
The organization has an overall approach to human resource development	58	3.65	1.46	0.40
Human resource development programs are tied to the needs for strategy implementation	58	3.51	1.47	0.41
The organization has a training and development policy that support strategy implementation	58	3.32	1.41	0.42
Average	58	3.50	1.45	0.41
Technology				
There are adequate planning, systems, and training in place for managing organizational technologies	58	3.06	1.40	0.45

The available Information Communication Technology facilities are adequate for corporate strategy implementation	58	3.12	1.29	0.41
The organization has acquired relevant and adequate technologies for strategy implementation	58	2.87	1.27	0.44
Average	58	3.02	1.32	0.43

The Table 4.11 above shows how respondents rated various items of the organizational capacity in terms of resources. The results in Table 4.11 shows that the rating on the leaders effectively pools resources and expertise toward a shared goal was the highest with a mean of 4.03 (SD= 1.32, CV=0.32), followed by the leadership regularly access inventory and competencies and assets of the organization (M=3.84, SD=1.39, CV=0.36). Items rated low by respondents include organization has acquired relevant and adequate technologies for strategy implementation (Mean=2.87, SD=1.27, CV=0.44) and adequate planning, systems and training in place for managing organizational technologies (Mean=3.06, SD=1.40, CV=0.45).

The average mean scores for financial resourceswere3.59 with a standard deviation of1.33and coefficient of variation 0.37, which implied that the respondent's rated financial resources variables as high. Physical facilities had an average mean of 3.24 and standard deviation of1.34 and coefficient of variation 0.41. This implied that most respondents indicated that, there was enough office space, there was extra space that can be used when need arises, in general, the facilities available were enough to cater for strategy implementation and the leadership regularly evaluated the capacity requirements needed as part of the planning process for any new programs, services and/or activities.

On employees skills, the mean was 3.50 and standard deviation of 1.45and coefficient of variation 0.41. This implied that most respondents rated the organization had an overall approach to human resource development, human resource development programs are tied to the needs of strategy implementation and organizations had a training and development policy that support strategy implementation to a great extent.

On technology with an average mean of 3.02 and standard deviation of 1.75 and coefficient of variation 0.43, indicating that the organization has acquired relevant and adequate technologies, there was adequate planning, systems, and training in place for managing organizational technologies, and available information communication technology facilities are adequate for corporate strategy implementation. This means that the majority of respondents viewed their organization's resources as moderate- to a great extent. The results in Table 4.11shows that the mean score for all variables were all above 3 of the Likert scale which means that the respondents viewed the companies listed in Nairobi Securities Exchange as well endowed with resources, implying that majority of companies had above average resources. Thus it can safely be concluded that the leadership of companies listed in Nairobi Securities Exchange had a high application of resources which were in the form of financials, physical facilities, employees' skills and technologies. This confirmed Carlsson (2004) position that considered from a resource-based view approach, that organizations achieve performance through internally controlling resources. The company controls the internal factors keeping up with the resources available and ensures that the resources are used responsibly and correctly.

4.3.10 Strategy Implementation

The results of the descriptive statistical analysis for the strategy implementation are presented in Tables 4.12. Eighteen (18) items were used to measure aspects of the strategy implementation. Respondents were requested to rate items on a five point Likert-type scale ranging from 1 "strongly disagree" to 5 "strongly agree". Descriptive statistics for strategy implementation subscales are shown in the Table 4.12. The results indicate that on average, program implementation in the strategy implementation subscale score had a high rating among respondents (Mean=4.51, SD=1.00, CV=0.22), communication had a mean score of 4.53 (SD= 0.97, CV=0.21), while change management grand mean was 4.49(SD=1.03, CV=0.23).

Table 4.12: Mean, Standard Deviation and Coefficient of Variation for Measures of Strategy Implementation

Strategy Implementation items	N	Mean	Standard Deviation	Coefficient of Variation
Program implementation				
The organization appropriately plans its strategy implementation programs on monthly and annually basis.	58	4.56	0.99	0.21
There is a timely allocation of financial resources to implement strategies.	58	4.53	0.94	0.20
There are written plans, policies, and procedures that guide implementation of each strategy.	58	4.51	1.04	0.23
Recognition of employees and reward systems are pegged on strategy implementation	58	4.34	1.13	0.26
Organizational strategies are evaluated at least four times a year	58	4.55	0.93	0.20
There is a framework of monitoring and evaluation for strategy implementation in place.	58	4.56	0.99	0.21
Top leadership meets at least once a month to review strategy implementation	58	4.37	1.13	0.25
Average	58	4.51	1.00	0.22
Communication				
Strategy implementation is facilitated by well-functioning communication system	58	4.56	.99	0.21
Staff members receive feedback information related to the strategy implementation progress	58	4.50	.99	0.22
communications systems (hardware) are functioning at the level required most of the time	58	4.53	.94	0.20
Average	58	4.53	0.97	0.21
Change management				
The organization experiences resistance to change the status quo	58	4.46	.99	0.22
The organization is able to align the organization culture to the corporate strategy	58	4.60	0.99	0.21
The organization has effectively used incentives to encourage the required behavior for strategy implementation	58	4.46	1.04	0.23
The governing structure has the mechanisms to review and assess organizational performance and, if appropriate, create conditions to support change	58	4.50	1.09	0.24

Roles within the organization (groupings as well as individual) are clearly defined, yet flexible enough to adapt to changing needs	58	4.53	0.99	0.21
Definition of employees roles is linked to the needs of corporate strategy implementation	58	4.50	0.99	0.22
Performance appraisal is based on performance indicators linked to corporate strategies	58	4.55	0.99	0.21
Recruitment of new staff is directly linked to strategy implementation	58	4.37	1.18	0.27
Average	58	4.49	1.03	0.23

Table 4.12 shows that majority of the mean scores were above 4, a standard deviation above 0.94 and coefficient of variation above 0.20. Based on the mean score for each item, the respondents expressed strongly a high level of strategy implementation. Thus it can safely be concluded that companies listed in Nairobi Securities Exchange have a high level of strategy implementation which implies that program implementation, communication, and change management influences strategy implementation. This is supported by David (2001) who advanced that strategy implementation is an operational process that requires special motivation and leadership skills, good coordination through communication among few individuals and managing forces during the action. Strategy execution is about building capabilities that lead to performance.

4.3.11 Competitive Environment

The results of the descriptive statistical analysis of the competitive environment are presented in Tables 4.14 below. Twelve (9) items were used to measure aspects of the competitive environment, which was operationalized as competition, customer power, and intelligence system. Respondents were requested to rate items on a five point Likert-type scale ranging from 1 “strongly disagree” to 5 “strongly agree”. Respondents were requested to indicate the extent to which they agreed with firm’s competitive environment statements and the findings were presented in Table 4.13.

Table 4.13: Mean, STD Deviation and Coefficient of Variation for Measures of Competitive Environment

Competition	**N**	**Mean**	**Std. Deviation**	**Coefficient of Variation**
There are many substitute products in the industry	58	4.01	1.30	0.32
There are many competitors entering the market	58	4.00	1.37	0.34
There are new competitive moves in the industry frequently	58	4.01	1.37	0.32
Average	58	4.01	1.35	0.33
Customer power				
The bargaining power of customers is usually high	58	3.98	1.30	0.32
The bargaining power of suppliers is usually high	58	4.08	1.24	0.30
Average	58	4.03	2.27	0.31
Leadership Response				
The leadership is aware of external environments that may pose future opportunities and threat for the company	58	4.34	1.06	0.30
The company leadership regularly monitors and analyze the competitive environment and use the information to set direction and determine activities	58	4.24	1.14	0.26
The leadership has developed competitors intelligent system	58	4.10	1.18	0.28
The company's' products are not differentiated	58	4.03	1.25	0.28
Average		4.18	.92	0.28
Grand Mean	**58**	**4.09**	**1.25**	**0.30**

Table 4.13 shows how respondents rated various items of the competitive environment scale. Items rated highly by the respondents include "the leadership is aware of external environments that may pose future opportunities and threat for the company" (Mean=4.34, SD=1.06, CV=0.30), and the company leadership regularly monitors and analyze the competitive environment and use the information to set direction and determine activities (Mean=4.24, SD=1.14, CV=0.26).

This means that majority of the respondents strongly agreed their company leadership is aware and is prepared for the competition in an industry environment. The performance will prevail given the fact that firms focus their competitive strategy towards enhancing their resource pool.

Today's organizations are operating in a highly turbulent environment which calls for knowledge-based strategies that can enable organizations to achieve the desired performance. This is evident from the work of Nonaka (1991) who observed that in an economy where the only certainty is uncertainty, the one sure source of competitive advantage is knowledge. These findings are in line with Porter (1996) who advanced that opportunities and threats are characteristics of the industry environment. The items were all rated above 4 meaning that the respondent strongly agreed that competitive environmental factors affected the performance of companies listed in Nairobi Securities Exchange to a great extent. The average mean for competition was Mean=4.01, SD=1.35, CV=0.33, customer power was Mean=4.03, SD=2.27, CV=0.31, and Intelligent system (Mean=4.18, SD=0.92, CV=0.28).The grand mean was 4.09 (standard deviation of =1.25, CV=0.30).

4.3.12 Non-Financial Performance Measures

Non-Financial Performance was measured using five items anchored by a five-point Likert scale where 1= Strongly Disagree 2= Moderately Disagree 3= Neutral 4= Moderately Agree 5= Strongly Agree. The results were presented in Table 4.14.

Table 4.14: Mean, STD Deviation and Coefficient of Variation for Measures of Non-Financial Performance

Firms Performance	N	Mean	Std. Deviation	Coefficient of Variation
Our customers are loyal to our products/services	58	4.56	0.99	0.21
The customer satisfaction index is high	58	4.50	0.99	0.22
The organization has growing market share	58	4.60	0.93	0.20
We retain our employees because they are satisfied	58	4.39	1.09	0.24
The stakeholders are highly satisfied with organization performance	58	4.44	0.99	0.22
Grand mean	58	4.50	1.00	0.22

The findings in Table 4.14 shows that our customers are loyal to our products/services had a mean of 4.56 (standard deviation of 0.99, CV=0.21).The customer satisfaction index is high had a mean of 4.50 (standard deviation of 0.99 CV=0.22).The organization has growing market share had a mean of 4.60 (standard deviation of 0.93, CV=0.20). We retain our employees because they are satisfied had a mean of 4.396 (standard deviation of 1.09, CV=0.24). The stakeholders are highly satisfied

with organization performance had a mean of 4.44 (standard deviation of 0.99, CV=0.22). The grand mean was 4.50 (standard deviation of 1.00). The respondents strongly agreed that the non-financial indicators of performance were high in their organizations. This implies that customer loyalty; customer satisfaction, market share, employee retention and stakeholder satisfaction are suitable measures of performance. The grand mean was4.50, the standard deviation of 1.00 and coefficient of variance was 0.22, implying that the respondents viewed non-financial performance as high.

4.3.13 Financial Indicators of Performance

The results of the descriptive statistical analysis of the financial indicators of performance are presented in Table 4.15 below. Twelve (12) items were used to measure aspects of the financial performance of organizations. Items used to measure organization performance in terms of profits, return on equity, dividends, were originally based on a continuous scale. To make them more suitable for further analysis, they were recorded using SPSS into five categories: Less than 1 Million, 1-200 Million, 201 to 300 Million, 301 to 400 Million and Over 400 Million. Each category was then assigned a code (Less than 1 Million=1, 1-200 Million=2, 201 to 300 Million=3, 301 to 400 Million=4 and Over 400 Million=5).

Table 4.15: Mean, STD Deviation and Coefficient of Variation for Financial Performance Measures

	N	Mean	Std. Deviation	Coefficient of Variation
Organization profit 2010	58	3.16	1.60	0.50
Organization profit 2011	58	3.34	1.57	0.47
Organization profit 2012	58	3.22	1.56	0.48
Organization profit 2013	58	3.17	1.55	0.48
Return on Equity 2010	58	3.21	1.64	0.51
Return on Equity 2011	58	3.31	1.61	048
Return on Equity 2012	58	3.29	1.59	0.48
Return on Equity 2013	58	3.03	1.58	0.52
Dividends 2010	58	3.28	1.48	0.45
Dividends 2011	58	3.22	1.43	0.44
Dividends 2012	58	3.16	1.43	0.45
Dividends 2013	58	3.71	1.54	0.41
Grand mean	58	3.21	1.34	0.41

Profits for 2011 had the highest mean score (Mean=3.34, SD=1.57, CV=0.47) while profits 2013return on equity 2013 and dividends for 2012 had the lowest mean scores 3.17(SD=1.55, CV=0.48),3.03(SD=1.58, CV=0.52), and 3.16(SD=1.43, CV=0.44) respectively. Out of 12 items, only four variables with a mean score below the grand mean of 3.21. By and large, the respondents viewed the performance of their companies on all financial indicators used in this study as moderately high. The grand mean was 3.21 (standard deviation of 1.34 and Coefficient variation of 0.41).

4.3.14 Summary of Mean scores for Measures of all the Variables

The results in table 4.16 show that the mean ratings for the variables measured on a five-point Likert scale ranged from 1 to a maximum of 5.00. The highest mean score was 4.062 for the task orientation leadership style. The least mean score was 3.023 from the technology. Generally, the overall mean score was approximately 4.This implies that the respondents in Nairobi Securities Exchange rated non-financial performance, competitive environment, and task-oriented leadership style high.

Table 4.16 Summary of Mean score for Measures of all Variables

Variable	Item	N	Means
Organizational Capacity (Leadership Style)	Task Oriented Leadership Style	58	4.06
	Team Oriented Leadership Style	58	3.94
	Individual-Oriented Leadership Style	58	3.89
Organizational Capacity (Resources)	Financial Resources	58	3.59
	Physical Resources	58	3.24
	Employees Skills	58	3.50
	Technology	58	3.02
Strategy Implementation	Program Implementation	58	4.51
	Communication	58	4.53
	Change management	58	4.50
Competitive Environment	Competitive Environment	58	4.09
Non-Financial Performance	Non-Financial Performance	58	4.50
Financial Performance	Financial Performance	58	3.21
Grand mean		58	3.90

4.3.15 Relationships among Predictor and Criterion Variables

The study sought to establish whether there were significant associations among performance, organizational capacity in terms of leadership style and resources, strategy implementation and competitive environment. Pearson correlation analysis was used to test the strength of association/relationship between the research variables. Correlation is a measure of the relationship or association between two continuous numeric variables.

Correlation indicates both direction and degree to which they co-vary with one another from case to case without implying that one is causing the other. Correlation analysis results give a correlation coefficient(R) which measures the linear association between two variables (Crossman, 2013). Values of the correlation coefficient range from -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linearity. A correlation of -1 indicates that two variables are negatively linearly related and a correlation coefficient of 0 indicates that there is no linear relationship between two variables (Wang, 2012). Table 4.17 shows that the Pearson correlation coefficient of all the variables was from 0.832 to 0.970 and this implies that all the variables had a perfect positive correlation with performance. The variables used as components of interaction terms were centered on minimizing the problem of multicollinearity between interaction terms and their components (Aiken & West, 1991).

4.4 Test of Hypotheses

This section presents the results of a test of hypotheses as guided by the objectives of this study. The study was based on the premise that there is a significant relationship between performance, organizational capacity of companies listed on Nairobi Securities Exchange and this relationship is mediated by strategy implementation. The study also hypothesized that competitive environment had a moderating effect on the relationship between organizational capacity and firm performance. Organizational capacity was computed as a composite index of leadership style and organizational resources. Leadership style was measured as a composite of the task, team and individual orientations of a leader. Organizational resources were measured as composite index of financial resources, physical facilities, employee's skills and technology. Further, the dependent variable (firm performance) was measured as

financial and non-financial performance. Non-financial was measured as a composite index representing customer loyalty, customer satisfaction, market share, employee's satisfaction, stakeholders' satisfaction and Employee turnover. Financial measures of performance consisted of profits, return on equity and dividends per year, obtained from annual reports of Nairobi Securities Exchange.

Data collected to measure firm performance included both financial (from secondary data) and non-financial (from primary data). Therefore the researcher divided the hypothesis testing into two categories, financial and non-financial performances. Hypotheses were tested one at a time, beginning with a non-financial performance followed by financial performance.

To establish the statistical significance of the respective hypotheses, multiple regression analysis was conducted at 95% confidence level. Multiple regression was used to explore the predictive ability of a set of independent variables on one dependent measure (variable). The justification for the use of multiple regression in this study was based on the fact that in the hypothesized relationships, multiple determinants (independent variables) were considered to have the predictive ability on a single dependent measure. Since the aim of this study was to predict the relationships between a dependent variable and one or multiple independent variables using a regression equation, unstandardized regression coefficients were used.

4.4.1 Organizational Capacity and Non-financial performance

The first objective aimed at establishing the relationship between organizational capacity and performance of listed companies in Nairobi Securities Exchange. The main predictor variable was organizational capacity which was represented by two variables (leadership styles and organizational resources). The empirical literature demonstrated the existence of a major knowledge gap on the individual and combined effect of key leadership dimensions on the Non-financial performance of companies in Nairobi Securities Exchange. Studies by past scholars were largely concerned with the effect of leadership styles on organization performance in general. This study, therefore, was founded on the premise that it is important to establish the individual and combined effect of the two dimensions of the predictor variable on the Non-financial performance of firms listed in Nairobi Securities Exchange.

For this study, organizational capacity was conceptualized as a variable with two components, leadership style, and organizational resources. It was evident from the literature that the combined effect of leadership style and organizational resources has a potential for greater influence on firm performance than individual effect of each construct. The analysis was performed using composite scores computed from measures of leadership style and organizational resources (organizational capacity) and non-financial performance. The data was used to test the following hypothesis:

H1: Organizational Capacity has an effect on Firm's Performance

A simple regression analysis was performed to test this hypothesis. The results are presented in Table 4.17

Table 4.17: Regression Results for the Effect of Organization Capacity on Non-Financial Performance

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	
1	0.967	0.935	0.934	0.39006	
ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	122.997	1	122.997	808.403	0.000
Residual	8.520	56	0.152		
Total	131.517	57			
Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.152	.119		1.276	0.207
Organizational Capacity	0.923	.032	.967	28.432	0.000

1. Predictor: (Constant), Organizational Capacity
   Dependent Variable: Non-Financial Performance

The regression results in Table 4.17 show that organizational capacity accounted for 93.5% of the variance in non-financial performance (R^2=.935). The overall significance model produced (F (1, 56) = 808.403, p < .05). The overall model reveals a statistically significant effect (p < .05) between non-financial performance and organizational capacity, implying that organizational capacity influences firm performance. Also, organizational capacity was statistically significant predictor of non-financial performance (β=.923 t=.28.432, p < .05). The regression results indicate that a unit change in organizational capacity causes an increase of 0.923 in non-financial performance. Therefore, the hypothesis that there is a positive relationship between organizational capacity and firm performance was confirmed.

The results on Table 4.18 imply that leadership style and organizational resources jointly cause an increase in non-financial performance. These results provide support for the study by Wheelen and Hunger (2004) which concluded that organizational resources and leadership style together constitute specific organizational capability which has greater synergy. When the organization's resources are combined, they form a number of organization capabilities which amount to greater organizational capacity that in turn has a greater effect on firm performance.

4.4.1.1 Leadership Style and Non-Financial Performance

A composite index was computed for each dimension for leadership style and organizational resources. The study sub-hypothesis on leadership style was as follows;

$H_{1a:}$ There is a significant relationship between Leadership style and Non-financial performance. A simple linear regression analysis was performed to test the hypothesis. The regression results are presented in table 4.18.

The R-square is high implying a good model fit (adjusted R^2=0.932, p<0.05). This implies that there is still the possibility of improving the model fit by identifying and adding to the model other factors influencing the dependent variable. This also implies a good fit for the model

The ANOVA results for indicating that the significance of the F (1, 56) = 786.744, p < .05). The results imply that leadership style significantly and positively influences non-financial performance (p < .05), of companies listed in Nairobi securities Exchange.

Table 4.18: Regression Results for the influence of Leadership Style on Non-Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	0.935	0.934	0.932	0.390	
ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression Residual Total	122.778 8.739 131.517	1 56 57	122.778 0.156	786.744	0.000
Coefficients					
Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant) Leadership Style	-.168 1.047	.131 .037	 .966	-1.279 28.049	0.204 0.000

1. Predictors: (Constant), Leadership Style
   Dependent Variable: Non-Financial Performance

The beta coefficient is strong and statistically significant (β (1, 56) = 1.047, t=28.049 p < .05). Thus, be concluded that leadership style has a significant relationship with the Non-financial performance of firms listed in Nairobi Securities Exchange. Hence the hypothesis that leadership style has a significant relationship with the Non-financial performance was accepted. The study findings are consistent with previous research (O'Reilly, 2010) whose study shown that it was only when leaders' effectiveness at different levels was considered in the aggregate that significant performance improvement occurred. The study results also support Singh (2004) who conceptualized those management philosophies and shared values are forces that shape organizational performance.

The resulting model was: Y (Non-financial Performance) = 1.047 Leadership Style.

4.4.1.2 Organization Resources and Non-Financial Performance

The following hypothesis was tested:

$H_{1b:}$ There is a significant relationship between Organizational Resources and non-Financial Performance.

The above-stated hypothesis was tested using simple linear regression analysis. The results are presented in Table 4.19.

Table 4.19: Regression Results for the influence of Organizational Resources on Non-Financial Performance

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	
1	0.970	0.940	0.939	0.37551	
ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression Residual Total	123.621 7.896 131.517	1 56 57	123.621 0.141	876.69 2	0.000
Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant) Organizational Resources	-.027 1.048	.120 .035	 .970	-2.227 29.609	0.821 0.000

1. Predictor: (Constant), Organizational Resources
2. Dependent Variable: Performance

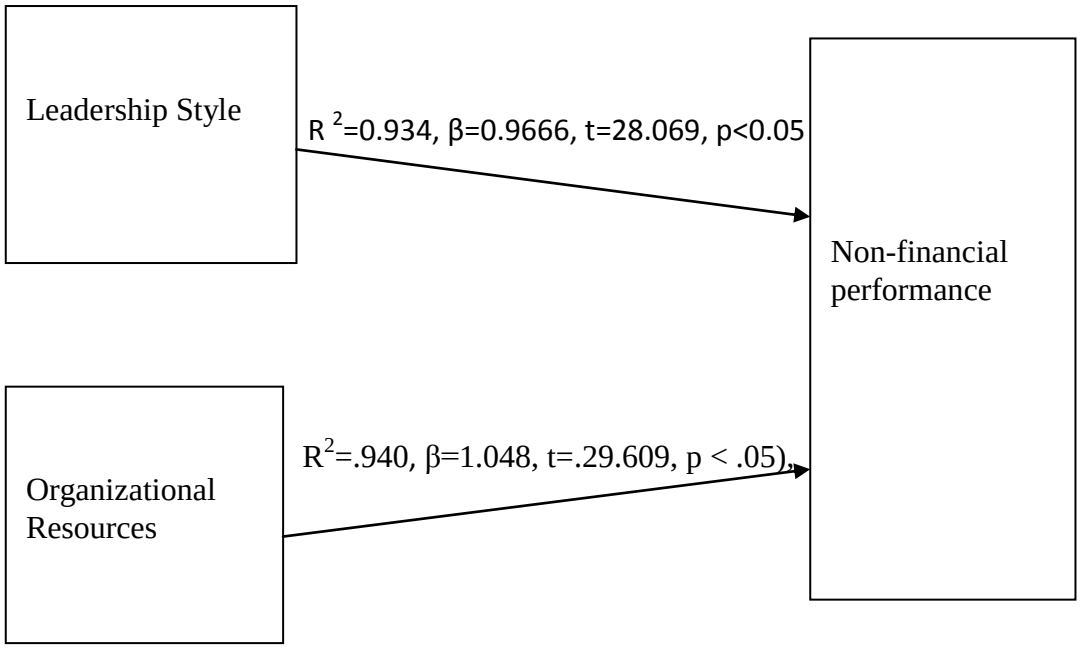
The regression results in Table 4.19 show that organizational resources accounted for 93.9 % of the variance in non-financial performance (adjusted R^2=.939). The overall model was statistically significant (F (1, 56) = 876.692, p < .05). The overall model reveals a statistically significant relationship (p < .05) between non-financial performance and organizational resources, implying that organizational resources influence firm performance. Also, the beta coefficient of organizational resources on non-financial performance was positive and statistically significant (β=1.048

t=.29.609, p < .05), meaning that a unit change in organizational resources increases firm performance by 1.048. Thus, the hypothesis that there is a significant relationship between organizational resources and non-financial performance was therefore confirmed. From the results, there is sufficient statistical evidence to support the relationship between organizational resources and non-financial performance. The results of this study support the work of Bagire (2012) who tested for sub-variables of resources with strategy as predictors of performance and concluded that resources (both tangible and intangible) have a role in understanding firm performance.

The resulting model was: Y (Non-financial Performance) = 1.048 Organizational Resources

The relationship between leadership style and organizational resources is further demonstrated by the figure 4. 6:

Figure 4.6: The influence of Leadership Style and Organizational Resources



From Figure 4.6, the contribution of organizational resources to non-financial performance was highest (β=1.048, p < .05), followed by leadership style (β=0.9666, P<0.05). This meant that for every unit increase in leadership style and organizational resources, non-financial performance increases by 0.9666 and 1.048 respectively. The results suggest that each of the dimensions of organizational capacity significantly contributes to non-financial performance. The results support the works

of Barney (1991) and Becker *et al.* (2001) who noted that synergetic effect (from a combination of variables) rather than a set of independent practices leads to competitive advantage.

4.4.2 The Mediating role of Strategy Implementation in the Relationship between Organizational Capacity and Non-Financial Performance

The study set out to assess the intervening role (mediating effect) of strategy implementation on the relationship between organizational capacity and organizational performance of companies listed on Nairobi Securities Exchange. The following hypothesis was formulated and tested:

Hypothesis 2: The influence of Organizational Capacity on non-financial Performance is mediated by Strategy Implementation

Hypothesis two was tested using four-step model Baron and Kenny (1986); Kenny *et al* (1997) four step method. Mediation implies a situation where the effect of the independent variable on the dependent variable can best be explained using a third mediator variable which is caused by the independent variable and is itself a cause of changes in the dependent variable. In order to confirm a mediating variable (strategy implementation) and its significance in the regression model, one must show that while the mediator is caused by the initial independent variable (organizational capacity) and, in turn, is a cause of changes in the dependent variable (firm performance), the initial independent variable loses its significance when the mediator is included in the model. The four steps and their interpretations are as follows:

In step 1: Confirm the significance of the relationship between organizational capacity (independent variable) and non-financial performance (dependent variable) without the mediator (strategy implementation). If the effect is significant, the test moves to the second step. However, if the test is not significant, the process is terminated, implying that there is no relationship between organizational capacity and performance, which is a prerequisite condition for testing the presence of a mediating effect.

In step 2: Confirm the significance of the relationship between organizational capacity and strategy implementation. If the effect is significant, the test moves to the third step. However, if the effect in not significant, the process is then terminated, implying that strategy implementation does not have a relationship with organizational capacity. This is a prerequisite in testing the presence of a mediating effect.

In step 3: Test for the significance of the relationship between strategy implementation and non-financial performance in the presence of the organizational capacity. If the effect is significant then the analysis goes to the final step, but if the effect is not significant, the process is terminated implying that strategy implementation does not have a mediating role.

In step 4: Confirm the insignificance (or the meaningful reduction in effect) of the relationship between the organizational capacity and non-financial performance in the presence of strategy implementation. If the effect is insignificant or shows a meaningful reduction in effect nearing zero, this implies that strategy implementation has a mediating role. But if the test shows significant results between organizational capacity and non-financial performance, then the strategy implementation does not have a mediating role in the relationship between organizational capacity and performance of the companies listed on the Nairobi Securities Exchange.

Presented in Table 4.20 are regression results for the test of hypothesis two. As shown in the table, step 1 shows the results of stepwise regression analysis where only organizational capacity and non-financial performance are entered in the analysis. The results indicate that organizational capacity explained 63.1% of the variance in non-financial performance (R^2 = 0.631). In step 2, strategy implementation was the dependent variable and organizational capacity became the predictor variable. The results show that organizational capacity explained 65.5% of the variance in strategy implementation (R^2 = 0.655). Performance changes from 63.1% to 65.5% in step 2. (R^2 change = 0.024). In step 3, the relationship between the mediating variable and the dependent variable was tested and the results show that strategy implementation accounted for 41.4% of the variance in non-financial performance (R^2 = 0.414). There was a change in adjusted R^2 from 0.655 to 0.414 (R^2 change = -0.241).

Table 4.20: Regression Summary Results for the Mediation of Strategy Implementation in the Relationship between Organizational Capacity and Non-Financial Performance

Steps	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change
Step 1	.795	.631	.627	.28212	
Step 2	.809	.655	.651	.29704	.024
Step 3	.643	.414	.407	.35584	.-241
Step 4	.795	.631	.623	.28381	.217

1. Predictor: Organizational Capacity, Dependent Variable: Non-Financial Performance)
2. Predictor: Organizational Capacity, Dependent Variable: Strategy implementation
3. Predictor: Strategy implementation, Dependent Variable: Non-Financial Performance)
4. Predictors: Strategy implementation, Organizational Capacity, Dependent Variable: Non-Financial Performance)

In step 4 multiple regression analysis was performed to determine whether the relationship between organizational capacity and non-financial performance is direct or through strategy implementation. Strategy implementation added significantly to non-financial performance as the variation changed from 0.414 to 0.631 in step 4 (R^2 change = 0.217). This implies that organizational capacity contributed 63.1% of the total variance in non-financial performance, after controlling for strategy implementation.

Further, the Analysis of Variance (ANOVA) presented in Table 4.21 shows statistical significance of the overall regression model.

Table 4.21: ANOVA Results for the Mediation of Strategy Implementation in the Relationship between Organizational Capacity and Non-Financial Performance

Steps		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**	**F change**
Step 1	Regression	11.454	1	11.454	143.907	.000	
	Residual	6.686	84	.080			
	Total	18.140	85				
Step 2	Regression	14.077	1	14.077	159.535	.000	15.628
	Residual	7.412	84	.088			
	Total	21.488	85				
Step 3	Regression	7.503	1	7.503	59.256	.000	.-634.744
	Residual	10.636	84	.127			
	Total	18.140	85				
Step 4	Regression	11.454	2	5.727	71.097	.000	11.841
	Residual	6.686	83	.081			
	Total	18.140	85				

1. Predictor: (Organizational Capacity)
2. Predictor: (Organizational Capacity-Dependent: Strategy implementation)
3. Predictor: (Strategy implementation)
4. Predictors: (Strategy implementation, Organizational Capacity)

1,3 & 4 Dependent: (Non-financial Performance)

As presented in table 4.21, step 1 shows that the predictor variable, organizational capacity had a significant contribution to non-financial performance ($F=143.907$, $P<0.05$). Results in step 2 which involves the mediator (strategy implementation) acting as predicted variable, indicated that the model was significant ($F=159.535$ $P<0.05$). In step 3 the model tested whether strategy implementation had a significant influence on non-financial performance. The results indicated statistical significance ($F=59.256$, $P<0.05$) as shown in step 3. Lastly, in step 4, when controlling for strategy implementation the overall model was statistically significant ($F=71.09$, $p<0.05$). All the four steps above were statistically significant. The next step involves computing regression coefficients to determine the level of change of

non-financial performance contributed by organizational capacity through strategy implementation. The results of the regression coefficients from the four models are presented in table 4.22.

Table 4.22: Stepwise Regression Coefficients for the Mediation of Strategy Implementation in the Relationship between Organizational Capacity and Non-Financial Performance

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
Step 1	(Constant)	1.286	.286		4.495	.000
	Organizational Capacity	.743	.062	.795	.996	.000
Step 2	(Constant)	.706	.301		.344	.021
	Organizational Capacity	.824	.065	.809	12.631	.000
Step 3	(Constant)	2.045	.347		5.900	.000
	Strategy implementation	.591	.077	.643	.698	.000
Step 4	(Constant)	1.286	.297		4.329	.000
	Strategy implementation	8.191	.104	.000	.000	.000
	Organizational Capacity	.743	.106	.795	7.003	0.201

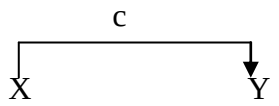
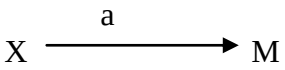
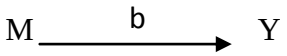
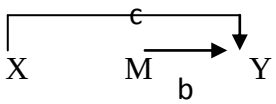
1. Predictor: (Organizational Capacity)
2. Predictor: (Organizational Capacity, Dependent: Strategy implementation)
3. Predictor: (Strategy implementation)
4. Predictors: (Strategy implementation, Organizational Capacity)

1,3 & 4 Dependent variable: (Non-financial Performance)

The results in table 4.22 show that in step I, organizational capacity (predictor) had a significant contribution to non- financial performance (B =0.743,t= 0.996.P<0.05) a unit change in organizational capacity caused an increase in non-financial performance by 74.3%. Results in step 2 indicate that organizational capacity had a significant contribution to strategy implementation (B=0.824, t= 12.631, P<0.05). In step 3, strategy implementation as the predictor of non-financial performance indicated significant contribution (B =0.591, t= 0.698.P<0.05). Finally, in step 4 when controlling for strategy implementation, organizational capacity becomes statistically insignificant (B =0.743, t= 7.003, P>0.05), implying that the influence of organizational capacity on performance is through strategy implementation. This, therefore, confirms hypothesis two that strategy implementation mediates the

relationship between organizational capacity and performance. These results support Thompson *et al.* (2007) who suggested that strategy implementation is largely an internal administrative activity that requires the cooperation of all operating managers to push the needed changes in the organization and is thus a mediating variable.

Table 4.23: Summary of the Findings of the Test of Mediation of Strategy Implementation in the Relationship between Organizational Capacity and Non-Financial Performance

	Regression model	**Visual Depiction**
Step 1:Effect of Organizational capacity on Non-financial performance	Simple regression with X predicting Y to test path c alone Y=1.286+ .743X	
Step 2: Effect of organizational capacity on strategy implementation	Simple regression with X predicting M to test path a M= .706+ .824X	
Step 3: Effect of strategy implementation on Non-financial performance	Simple regression analysis with M predicting Y to test for significance of path b Y=2.045 +.591M	
Step 4: Effects of organizational capacity and strategy implementation on Non-financial performance	Multiple regression with X and M predicting Y to test path c alone Y=1.286 + 8.19M +.743X	

Key: X=Organizational Capacity, M=Strategy Implementation, Y=Non-Financial Performance

The results in Table 4.23 provide a summary of the four steps used in testing for mediation as recommended by Baron and Kenny (1986). In step 4, Baron and Kenny (1986) model state that if the effect of independent variable on dependent variable when the mediator is controlled for, mediation is confirmed. In this study, the effect of organization capacity (independent variable) is not statistically significant ($\beta=0.743$, $p>0.05$) while the effect of mediator (strategy implementation) is statistically significant ($\beta=8.191$, $p<0.05$).

4.4.3 Organizational Capacity, Competitive Environment, and Non-Financial Performance

The third objective was designed to determine the effect of competitive environment on the relationship between organizational capacity and performance of listed companies in Nairobi Securities Exchange. Benito and Benito (2005) suggested that the relationship between environmental proactivity and business performance be subjected to multiple circumstances and moderating variables and that it should be studied from a contingent point of view. Porter, (1996) from the organizational economic field has emphasized the linkage between environment and performance and viewed environments as primary determinants of performance. The moderating effect was computed using the method proposed by Baron and Kenny (1986). A moderator is a variable that specifies conditions under which a given predictor is related to an outcome. The moderating effect is assessed in terms of how the effect of the explanatory variables changes when the moderator variable is introduced.

The following hypothesis was formulated:

Hypothesis 3: Competitive Environment moderates the relationship between Organizational Capacity and Firm Performance

Moderation implies an interaction effect, where introducing moderating variable changes the direction or magnitude of the relationship between two variables. A moderation effect could be (a) Enhancing, where increasing the moderator would increase the effect of the predictor (Independent Variable) on the outcome (Dependent Variable); (b) Buffering, where increasing the moderator would decrease the effect of the predictor on the outcome; or (c) Antagonistic, where increasing the moderator would reverse the effect of the predictor on the outcome. A three-step stepwise regression analysis was used to test this hypothesis

Step 1: Dependent variable is regressed on the independent variable.

Step 2: Moderating variable is added to the regression equation.

Step 3: The interaction term (between independent and moderator variables) was added to the regression equation. All the variables comprising organizational capacity, competitive environment, and the interaction term were entered in the regression model. To confirm moderation, the interaction term should be significant ($p<0.05$).

The results of stepwise regression predicting that the effect of organizational capacity on performance is moderated by the competitive environment are reported in Table 4.24.

Table 4.24: Regression Results for the Effect of Competitive Environment on the Relationship between Organizational Capacity and Non-Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Ratio
Step 1	.959	.920	.918	.43402	642.169
Step 2	.967	.935	.933	.39341	397.379
Step 3	.971	.943	.940	.37138	299.859

1. Predictor: (Constant), Organizational Capacity
2. Predictor: (Constant), Organizational Capacity, Competitive Environment
3. Predictors: (Constant),Organizational Capacity, Competitive Environment Organizational Capacity*Competitive Environment
   Dependent variable: Non-Financial Performance

The results in step 1, Table 4.24 show that organizational capacity alone accounts for 91.8% of the variance on non-financial performance (adjusted R^2=0.918, F=642.17). In step 2, the results show that competitive environment and organizational capacity account for 93.3% (adjusted R^2=0.933, F=397.38) variation in non- financial performance. In step 3, the cross product of organizational capacity and competitive environment (organizational capacity*competitive environment) were added into the model to determine whether competitive environment moderated the relationship between organizational capacity and non-financial performance. The interaction term (organizational capacity and competitive environment) accounted for 94.0% of the variation in non-financial performance. The results in step 3 showed that the interaction term was entered into the model, it reduced non-financial performance as the variation decreased from 0.933to 0.940 (R^2 change= −0.007). This implied that

organizational capacity, competitive environment and the interaction term (Organizational Capacity*Competitive Environment) causes variation of 94.0% on non-financial performance.

Analysis of variance (ANOVA) was computed to determine the significance of the overall models. The results of analysis of variance for the three models are presented in Table 4.25

Table 4.25: Results of Analysis of Variance (ANOVA) for the Moderating effect of Competitive Environment on the Relationship between Organizational Capacity on Financial Performance

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**	**F Change**
Step 1	Regression	120.968	1	120.968	642.169	.000[a]	
	Residual	10.549	56	.188			
	Total	131.517	57				
Step 2	Regression	123.005	2	61.502	397.379	.000[a]	-244.79
	Residual	8.512	55	.155			
	Total	131.517	57				
Step 3	Regression	124.070	3	41.357	299.859	.000[a]	-97.52
	Residual	7.448	54	.138			
	Total	131.517	57				

1. Predictor: (Constant), Organizational Capacity
2. Predictor: (Constant), Organizational Capacity, Competitive Environment
3. Predictors: (Constant), Organizational Capacity, Competitive Environment, Organizational Capacity* Competitive Environment
   Dependent variable: Non-financial Performance

The results of the analysis of variance presented in Table 4.25shows a statistical significance for the direct effect of organizational capacity on non-financial performance ($F= 642.169$, $p<0.05$). At step 2, the model of organizational capacity and non- financial performance was statistically significant $F=397.379$, $p<0.05$). In step 3, the overall model was statistically significant ($F=299.859$, $p<0.05$).

Regression coefficients for the test of hypothesis three are presented in Table 4.26

Table 4.26: Results of Beta Coefficient for the Moderating effect of competitive Environment on the Relationship between Organizational Capacity and Non-Financial Performance

Model	Predictors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Beta	Std error	Beta		
Step 1	Organizational Capacity	.488	.019	.959	25.341	0.000
Step 2	Organizational Capacity	.898	.114	1.765	7.854	.000
	Competitive Environment	-.869	.240	-.815	-3.628	.318
Step 3	Organizational Capacity	.249	.007	.980	36.455	0.000
	Competitive Environment	.314	.025	1.235	12.493	0.313
	Interaction between Organizational Capacity and Competitive Environment	-.869	.240	-.815	-3.628	.355

1. Predictor: (Constant), Organizational Capacity
2. Predictors: (Constant), Organizational Capacity, Competitive Environment
3. Predictors: (Constant), Organizational Capacity, Competitive Environment, Organizational Capacity* Competitive Environment
   Dependent variable: Non-Financial Performance

As shown in Table 4.26, the beta was significant at all the three steps of the analysis. Of importance is the fact that the effect of interaction term between organizational capacity and competitive environment on non-financial performance was not significant(B=--0.815, t=-3.628, p>0.05), implying that for every unit change in interaction between organizational capacity and competitive environment, there is minimal or no corresponding change in non-financial performance. These results provided insufficient evidence to support the hypothesis that competitive environment

moderated the relationship between organizational capacity and non-financial performance.

Hypothesis three (H3) was thus unconfirmed. These results contradict Prescott (1986) results that environments modify the strength of the relationship between strategic variables and performance.

4.4.4 The Joint Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Non-Financial Performance

The study set out to establish whether the joint effect of organizational capacity, Strategy implementation and competitive environment on non-financial performance was greater than their individual effect on firm performance. The composite index was computed for each variable. The following hypothesis was formulated and tested:

H4: The joint effect of Organizational Capacity, Competitive Environment and Strategy Implementation on Performance is significantly different from their individual effects on Firm Performance.

A significant difference in hypothesis four meant that the joint variables contribute to non- financial performance than individual predictor variables, based on the concept of synergy. Synergy is a state in which two or more things work together in a particularly fruitful way that produces an effect greater than the sum of their individual effect, (Ishmael 2013).

To test the hypothesis, first, the multiple regression analysis was performed, followed by simple regression analyses for each individual predictor variable to facilities comparison of the results. The results of the regression analyses are shown Table 4.27.

Table 4.27: Regression Results for the Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Non-Financial Performance

Predictors	**R**	**R Square**	**Adjusted R Square**	**F Ratio**
Organizational Capacity, Strategy Implementation and Competitive Environment	.982	.964	.962	429.760
Organizational Capacity	.976	.953	.952	808.403
Strategy Implementation	.954	.909	.908	562.211
Competitive Environment	.929	.863	.860	351.841

Dependent variable: Non-Financial Performance

When all the three variables (Organizational Capacity, Strategy Implementation, and Competitive Environment) were entered simultaneously into the regression equation, the results presented in Table 4.27 were obtained. Model summary: R^2=. 964, F=429.76, p<0.05. The three predictor variables explained 96.4% of the variance in non-financial performance. Individually, organizational capacity accounted for 95.3%, strategy implementation 90.9% and competitive environment 86.3% of variances in non-financial performance. The joint effect on non-financial performance is slightly greater than that of each of the individual predictor variables as indicated in Table 4.27.

The results for the significance of the overall model are presented in Table 4.28

Table 4.28: Results of Analysis of Variance (ANOVA) for the Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Non-Financial Performance

Predictors	Sum of Squares	df	Mean Square	F	Sig.
Organizational Capacity, competitive Environment and Strategy Implementation	126.230	3	42.077	429.760	.000
	5.287	53	.098		
	131.517	57			
Organizational Capacity,	122.997	1	122.997	808.403	.000
	8.520	56	.110		
	131.517	57			
Strategy Implementation,	119.604	1	119.604	562.211	.000
	11.913	56	.213		
	131.517	57			
competitive Environment	113.459	1	113.459	351.841	.000
	18.058	56	.322		
	131.517	57			

Dependent Variable: Non-financial performance

Results of ANOVA involving all the three predictor variables jointly are presented in Table 4.28. As shown in the table, the model was statistically significant ($F=429.760$, $p< 0.05$). Results for individual analysis of each predictor variable, indicate that organizational capacity had statistically significant effect on non-financial performance, ($F=808.403$, $p< 0.05$). The same applies to strategy implementation ($F=562.211$, $p< 0.05$) and competitive environment ($F=351.841$, $p< 0.05$).

The test of the regression model on the joint effect of the three predictor variables on non-financial performance further produced the results in Table 4.29. For comparison purpose, regression models for individual predictor variables were also included in the Table 4.29.

Table 4.29: Regression coefficients for the Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Non-Financial Performance

	Predictors	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig**
		Beta	Std Error	Beta		
a)	(Constant)	.113	.124		.907	.369
	Organizational Capacity	.456	.119	.896	3.829	.000
	Strategy implementation	.399	.070	.419	5.740	.000
	Competitive Environment	-.344	.211	-.323	-1.628	.109
b)	(Constant)	-.152	0.119		1.276	.207
	Organizational Capacity	0.923	.014	.976	28.423	.000
c)	(Constant)	2.045	0.347		5.900	.000
	Strategy implementation	0.591	0.077	0.643	0.698	.000
d)	(Constant)	-.379	.205		-1.848	.070
	Competitive Environment	.990	.053	.929	18.757	.000

Dependent Variable: Non-financial performance

The coefficients for the joint and individual effect of organizational capacity, strategy implementation, and competitive environment are shown in Table 4.29

Results for the joint effect of organizational capacity, strategy implementation and competitive environment presented in Table 4.29 show that not all the predictor variables were significant contributors to non-financial performance. The effect organizational capacity was statistically significant (β=.456, t=28.423, $p<0.05$), implying that a unit change in organizational capacity increased non-financial performance by 45.6%. Strategy implementation was also statistically significant (β=.399, t=0.698, $p<0.05$). This meant that a unit change in strategy implementation

caused 39.9% increase in non-financial performance. However, the effect of competitive environment on non-financial performance was statistically insignificant (β= -.344, t=-18.757, p>0.05), implying that a unit change in competitive environment reduced non-financial performance by34.4%, which was not significant at p<0.05. using these results, multiple regression equations is fitted as follows:

Y =.456OC +.399IS +-.344CE

Where Y= Non-Financial Performance

OC=Organizational Capacity

IS=Strategy Implementation

CE= Competitive Environment

For individual predictor variables, organizational capacity was statistically significant (β=0.923, t=28.432, t=3.829, p<0.05) which implied that a unit change in organizational capacity increased non-financial performance by 92.3%. The regression coefficient for strategy implementation was also statistically significant (β=0.591, t=5.740, p<0.05), meaning that for a unit change in strategy implementation, non-financial performance increased by 59.1%. The beta coefficient result for the competitive environment was equally statistically significant (β=.990, t=18.757, p<0.05), suggesting that a unit change in the competitive environment changed non-financial performance by 99.0%. All the beta coefficient results for individual predictor variables are positive and significant.

Results on a comparison between the joint and individual effect (Table 4.29) on non-financial performance, indicate that organizational capacity (Table 4.26) explained 92.3% of the variance in firm performance (R^2 =0.953), and was statistically significant (p<0.05), an indication that organizational capacity significantly effects firm performance. Strategy implementation explained 90.9% of the variance in firm's performance (R^2 =0.909) and statistically significant (p<0.05). The study findings also showed that the competitive environment explained 86.3% of variance in non-financial performance. Likewise, the beta coefficients for individual predictor variables were positive and significant (organizational capacity, β=.923 p<0.05, strategy implementation, β=.591 p<0.05 and competitive environment, β=.990 p<0.05.

When all the predictor variables were combined and regressed on non-financial performance, the beta coefficients were much lower in every case than they were when the effect of each predictor variable was tested separately. This is illustrated by the following comparative figures for joint effect and individual effect respectively. Organizational capacity β=0.456 versus β =o.923; β =0.399 versus β =0.591 and β =-344 versus β =0.990, respectively.

From the findings on the test of hypothesis four, it is observed that the joint effect of organizational capacity, competitive environment and strategy implementation on non-financial performance was much lower than their individual effects because the joint effect beta coefficients are lower than their individual variable effects. Based on absolute values of the coefficients, the hypothesis four (H4) was thus unconfirmed although the magnitude of the differences was not tested statistically.

4.4.5 Test of Hypotheses on Financial Performance

The tests of hypotheses were carried on financial indicators of performance which was measured using profits, return on equity and dividends. Measures of organizational capacity (represented by leadership style and organizational resources measures), strategy implementation and competitive environment, were computed using SPSS by calculating the average score to have a composite index for each variable. A composite index was computed as the sum of responses divided by the total number of indicators/measurement items.

The financial indicators were calculated for a four year period based on information from financial statements filed with Nairobi Securities Exchange (Handbook 2012-2013). Items used to measure firm performance in terms of profits, return on equity, dividends, were originally based on a continuous scale. To make them more suitable for further analysis, they were subdivided into five categories: Less than 1 Million, 1-200 Million, 201 to 300 Million, 301 to 400 Million and Over 400 Million. Each category was then assigned a code (Less than 1 Million=1, 1-200 Million=2, 201 to 300 Million=3, 301 to 400 Million=4 and Over 400 Million=5). Furthermore, a composite score of firm performance measure was computed by mathematically manipulating the financial measures (computing the average score of profits, return on equity and dividends).

4.4.5.1 Organizational Capacity and Financial Performance

In hypothesis one, the categories defining organizational capacity were regressed against financial performance (profits, return on equity, dividends). Hypothesis 1 Hypothesis $1_{,}$ 1_a and 1_b tested the effect of each indicator of the predicator variable on financial performance. The composite index of the three indicators (Profits, Return on equity and Dividends) constituted the measure for the dependent variable. Simple linear regression analysis was used to test the following hypotheses.

Hypothesis 1: There is a positive relationship between Organizational Capacity and Firm's Performance

Hypothesis1was tested using composite scores for both organizational capacity and financial performance. Simple linear regression analysis was used. The results are presented in Table 4.30

Table 4.30: Regression Results for Effect of Organizational Capacity and Financial Performance

Predictor	**Model summary**		**ANOVA**		**Beta Coefficients**		**t**	**Sig**
	R2	**Adjusted R**	**F**	**Sig.**	**Unstandardized**	**Standardized**		
Organizational capacity	.722	.717	145.725	.000	.184	.850	12.072	.000

Dependent Variable: Non-financial performance

The regression results in Table 4.30 show that the overall model was statistically significant (F=145,725, p<0.05), implying that organizational capacity explained 72.2% of the variation in financial performance (adjusted R^2=0.722). The regression coefficient was statistically significant (B=0.184, p<0.05). This suggests that for every unit increase in organizational capacity increases financial performance by 0.184 or 18.4%. This indicates that a firm that invests in organizational capacity achieves a growth rate of 18.4% in their financial performance. The regression result confirms the hypothesis that there is a positive relationship between organizational capacity and firm's performance for the companies listed in Nairobi Securities

Exchange. The study results support the findings by Herath and Mahmood (2014), which show that organizational capacity creates a firm's performance and competitive advantage.

After ascertaining the contribution of organizational capacity, which was a composite index representing leadership style and organizational resources, the researcher went ahead to test sub-hypotheses for leadership style and organizational resources stated as follows:

Hypothesis Ia: Leadership Style has a positive influence on Financial Performance;

Hypothesis Ib: Organizational Resources has a positive influence on Financial Performance;

Table 4.31: Regression Results for individual Effect of Leadership Style and Organizational Resources on Financial Performance

Predictor	**Model summary**		**ANOVA**		**Beta Coefficients**		**t**	**Sig**
	R2	**Adjusted R**	**F**	**Sig.**	**Unstandardized**	**Standardized**		
Leadership style	.721	.716	144.687	.000	.345	.849	30.909	.000
Organizational resources	.741	.736	160.240	.000	.367	.861	12.659	.000

Dependent variable: Financial performance.

Results in Table 4.31, show that leadership style accounted for 71.6% of the variance in financial performance (adjusted R^2=0.716). The overall model was significant (F=144.687, P<0.05). The Beta coefficients were statistically significant (B=0.345, P<0.05). In model 2, organizational resources accounted for 73.6% of the variance on financial performance (adjusted R^2=0.736). The model was statistically significant (F=160.240, P<0.05). The Beta coefficient was statistically significant (B=.367, P<0.05). The regression results for both leadership style and organizational resources on firm the hypotheses that leadership style and organizational resources have a

positive influence on financial performance for companies listed in Nairobi Securities Exchange. The study results support the finding of Waldman, *et al* (2004) and Hakala's (2010) whose study also found that combination of resources, and behavioral patterns relating the organization, help transform its resources into performance.

4.4.5.2 Organizational Capacity, Strategy Implementation, and Financial Performance

The study set out to assess the intervening role (mediating effect) of strategy implementation on the relationship between organizational capacity and financial performance of companies listed on Nairobi Securities Exchange. Strategy implementation was measured by a composite index of program implementation, communication, and change management. The following hypothesis was formulated and tested:

Hypothesis 2: The influence of organizational capacity on financial Performance is through Strategy Implementation

The hypothesis was tested using the stepwise method proposed by Baron and Kenny (1986). In order to confirm this relationship, four regression analyses were conducted and significance of the coefficients examined at each step. Step 1, tested the effect of independent variable (organizational capacity) on dependent variable (financial Performance). Step 2 tested the influence of predictor variable (organizational capacity) on strategy implementation (which takes the role of the dependent variable in this step. Step 3 tested the effect of which strategy implementation, which becomes independent variable and regressed on the dependent variable (financial performance). Step 4 involved testing the influence of predictor variable (organizational capacity) on dependent variable (financial performance) in the presence of mediator (strategy implementation). The summarized results of the four regression models are presented in Table 4.32, 4.33, 4.34 and 4.35.

Table 4.32: Regression Summary Results for the Mediation of Strategy Implementation in the Relationship between Organizational Capacity and Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Ratio
1	.850	.722	.717	.34406	145.73
2	.990	.828	.825	.66661	269.96
3	.904	.818	.815	.27862	251.617
4	.907	.822	.816	.277787	127.13

1. Predictor: Organizational Capacity, Dependent Variable: Financial Performance
2. Predictor: Organizational Capacity, Dependent Variable: Strategy implementation
3. Predictor: Strategy implementation, Dependent Variable: Financial Performance
4. Predictors: Strategy implementation, Organizational Capacity, Dependent Variable: Financial Performance

The results in Table 4.32 indicate that in step 1, organizational capacity alone accounts for 71.7% of the financial performance as represented by adjusted $R^{2,}$ (F=145.73). In step 2, the results indicate that organizational capacity (predictor Variable) accounts for 82.5%, (F=269.96) of variation in strategy implementation. R^2 changes from.0.717 in step 1 to 0.825 in step 2. In step 3, strategy implementation accounts for 81.5% of the variation in financial performance. Adjusted R^2 changes from 0.825 in step 2 to 0.815 in step 3. The results in step 4 show that when strategy implementation was included in the model, organizational capacity accounted for 81.6% of variation on financial performance. From the results, R^2 changes from 71.7% in step 1 to 81.6% in step 4 (R^2 change=.092). Thus, the results in Table 4.33 indicate that organizational capacity and strategy implementation accounted for 81.6 % of the variance in financial performance,

The next step in stepwise regression involves checking the significance of the overall models. According to Baron and Kenny (1986), to meet the criteria for mediation, R2 and regression coefficients must be significant in step one to 3, while in step 4, the effect of independent variable (organizational capacity) should not be significant in the presence of mediator (strategy implementation). The results of analysis of variance for the four models are presented in Table 4.33.

Table 4.33: Results of Analysis of Variance (ANOVA) for the Effect of Strategy Implementation on the Relationship between Organizational Capacity and Financial Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.	F Change
Step 1	Regression	17.250	1	17.250	145.725	.0000	
	Residual	6.629	1	.118			
	Total	23.879	1				
Step 2	Regression	119.960	1	119.960	269.960	.000	124.235
	Residual	24.884	56	.444			
	Total	144.845	57				
Step 3	Regression	19.532	1	19.532	251.617	.000	18.343
	Residual	4.347	56	.78			
	Total	23.870	57				
Step 4	Regression	19.633	2	9.816	127.133	.000	124.484
	Residual	4.257	55		.77		
	Total	23.879	57				

1. Predictor: Organizational Capacity, Dependent Variable: Financial Performance
2. Predictor: Organizational Capacity, Dependent Variable: Strategy implementation
3. Predictor: Strategy implementation, Dependent Variable: Financial Performance
4. Predictors: Strategy implementation, Organizational Capacity, Dependent Variable: Financial Performance

The results in Table 4.33, step 1 show that with only one predictor variable, organizational capacity had a significant contribution to financial performance ($F=145.725$, $P<0.05$). In step 2 organizational capacity is regressed on strategy implementation. The mediator (strategy implementation) was treated as a dependent variable. The result indicates the model was significant, ($F=269.960$, $P<0.05$, F change=124.235). In step 3, the model was statistically significant ($F=251.617$, $P<0.05$).

There is an observed change in F from 269.960 in step 2 to 251.617 in step 3 (F change=18.343). Finally in step 4, when controlling for strategy implementation, F changes from 251.617 in step 3 to127.133. In step 4, (F change=124.484) and the model was statistically significant (F=127.133, P<0.05). Overall the F statistic for step 1, 2, 3 and 4 are statistically significant.

Further analysis was carried out to determine the significance of the individual predictor variables as well as the direction of the regression coefficient. The results are presented in Table 4.34.

Table 4.34: Regression Coefficients for the Mediation of Strategy Implementation on the Relationship between Organizational Capacity and Financial Performance

Model	Predictors	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.119	.115		27.105	.000
	Organizational capacity	.184	.015	.850	12.072	000
2	(Constant)	.421	.223		1.887	.064
	Organizational capacity	.486	.030	.910	16.430	.000
3	(Constant)	3.314	.077		42.793	.000
	Strategy Implementation	.367	.023	.904	15.862	.000
4	(Constant)	3.249	.096		33.900	.000
	Organizational capacity	.034	.030	.156	1.140	.259
	Strategy Implementation	.309	.056	.762	5.555	.000

1. Predictor: Organizational Capacity, Dependent Variable: Financial Performance
2. Predictor: Organizational Capacity, Dependent Variable: Strategy implementation
3. Predictor: Strategy implementation, Dependent Variable: Financial Performance
4. Predictors: Strategy implementation, Organizational Capacity, Dependent Variable: Financial Performance

Table 4.34, show that in step 1, organizational capacity had a significant effect on financial performance (β=0.850, t=12.072, P<0.05). In step, 2 results indicate that organizational capacity had a significant effect on strategy implementation (β=0.910, t=16.430, p<0.05). In step 3, strategy implementation had a significant effect on financial performance (β=0.904, t=15.862, p<0.05). In step 4 (Table 4.34), independent variable (organizational capacity) is insignificant ((β=-0.156 t=1.140, p>0.05) when the mediator (strategy implementation) is controlled. This is an indication that strategy implementation mediates the relation between organizational capacity and financial performance of the companies listed in Nairobi Securities Exchange Therefore, the hypothesis that the influence of organizational capacity on performance is through strategy implementation was confirmed. The study findings support Suleiman and Abu-Jarad (2012) whose study found a significant relationship between strategy implementation and performance of manufacturing firms in Indonesia.

4.4.5.3 Organizational Capacity, Competitive Environment, and Financial Performance

This study sought to assess the moderating effect of competitive environment on the relationship between organizational capacity and financial performance. The hypothesis was stated as follows:

Hypothesis 3: Competitive environment has a moderating effect on the relationship organizational capacity and financial performance

The hypothesis was tested using stepwise regression analysis as proposed by Baron and Kenny (1986). The first step involved testing the influence of predictor variable (organizational capacity) on financial performance. Step 2: Fit a regression model predicting the outcome variable from both the predictor variable and the moderator variable. The third step involves creating an interaction term (organizational capacity* competitive environment) and adding it to organizational capacity and competitive environment. Moderation is assumed to take place if the interaction term in step 3 is significant. Results of regression analysis are displayed in Table 4.35.

Table 4.35: Regression Results for moderating effect of Competitive Environment on the Relationship between Organizational Capacity on Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Ratio
1	.850	.722	.717	.34406	145.725
2	.852	.725	.715	.34547	72.542
3	.856	.733	.719	.34339	52.854

Step 1: Predictor: (Constant), Organizational Capacity
2: Predictors: (Constant), Organizational Capacity, Competitive Environment
3: Predictors: (Constant), Organizational Capacity, Competitive Environment Organizational Capacity*Competitive Environment
Dependent variable: Financial Performance

The results in Table 4.35 step 1, shows that organizational capacity alone accounts for 71.7% of the variance on financial performance (adjusted R^2=0.717,F=145.73). In step 2,the results show that competitive environment and organizational capacity account for 71.5 % (adjusted R^2=0.715, F=72.54) of change in financial performance. In step 3, a product of organizational capacity and competitive environment (organizational capacity*competitive environment) were added into the model to determine the effect of competitive environment on the relationship between organizational capacity and financial performance. The interaction term accounted for .715% of the variation in financial performance. The results in step 3 showed that when interaction term was entered into the model, the variance of financial performance slightly improved from 0.715 to0.719 and the F-ratio decreased from72.54to 52.854.

Analysis of variance (ANOVA) was undertaken to determine the significance of the overall regression models. The results are presented in Table 4.36 as shown in the table, the F ratio was significant at $p<0.05$ in respect of each regression model. Thus the regression models satisfied the requirement for the goodness of fit.

Table 4.36: Results of Analysis of Variance (ANOVA) for the Moderating effect of competitive Environment on the Relationship between Organizational Capacity on Financial Performance

model		Sum of Squares	Df	Mean Square	F	Sig.	F Change
Step 1	Regression	17.250	1	17.250	145.725	.0000	
	Residual	6.629	56	.118			
	Total	23.879	57				
Step 2	Regression	17.315	2	8.658	72.542	.000	73.183
	Residual	6.564	55	.119			
	Total	23.879	57				
Step 3	Regression	17.813	3	5.938	52.854	.000	19.688
	Residual	6.066	54	.112			
	Total	23.879	57				

Step 1: Predictor: (Constant), Organizational Capacity
2: Predictors: (Constant), Organizational Capacity, Competitive Environment
3: Predictors: (Constant), Organizational Capacity, Competitive Environment, Organizational Capacity*-Competitive Environment: Dependent variable: Financial Performance

The results on Table 4.36 step 1, shows a statistical significance for the direct influence of organizational capacity on financial performance ($F= 145.725$, $p<0.05$). In step 2, overall model of standardized values of organizational capacity and financial performance was statistically significant $F=72.545$, $p<0.05$), with 73.183 change in F. In step 3, the overall model was statistically significant ($F=52.85$ $p<0.05$). The results in Table 4.35 indicate that all the F statistics for were statistically significant implying that organizational capacity and competitive environment are fit to predict financial performance.

Further, regression analysis was conducted to determine the slope of the regression line in the three models. The results are presented in Table 4.37

Table 4.37: Regression Coefficients for the Moderating effect of competitive Environment on the Relationship between Organizational Capacity and Financial Performance

Model	Predictors	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.119	.115		27.105	000
	Organizational capacity	.184	.15	.850	12.072	000
2	(Constant)	3.174	.137		23.134	.000
	Organizational capacity	.258	.100	1.188	2.565	. 013
	Competitive Environment	-.155	.210	-.342	.738	.464
3	(Constant)	3.364	.201		16.763	.000
	Organizational capacity	.097	.159	.448	.610	.545
	Competitive Environment	-.028	.231	-.061	.120	.905
	Interaction term(Organizational capacity* Competitive Environment	.017	.013	.473	1.291	.202

Dependent variable: Financial performance

The results in Table 4.37(based on standardized values) show that with only one predictor variable, organizational capacity had a significant contribution to financial performance (β =0.850, t= 12.072 $p<0.05$). This implies that one standard deviation change in organizational capacity contributes 85.0% change in financial performance. In step 2 organizational capacity had a significant effect on financial performance (β =1.188, t=2.565, $p<0.05$) implying that118.8% of the change in financial performance is attributable to one standard deviation change in organizational capacity. Competitive environment was statistically insignificant (β =.342, t=.738, $p>0.05$) implying that one standard deviation change in competitive environment, financial performance increases by 34.2%. This, however, was not significant. In step 3, when the interaction term was added in the regression model, the coefficient for the interaction term was statistically insignificant (β =-0.473, t=1.291 $p>0.05$). These results show insufficient evidence to support the moderating effect of competitive environment on the relationship between organizational capacity and financial performance and therefore the hypothesis was not confirmed.

4.4.5.4 Joint Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Financial Performance

The study sought to determine whether the joint effect of organizational capacity, strategy implementation, and competitive environment on financial performance was significantly different from their individual effects on performance. The composite index was computed for each variable. The following hypothesis was formulated and tested:

H4: The joint effect of organizational capacity, competitive environment and strategy implementation on financial performance is significantly different from their individual effects on financial performance

To test the hypothesis, multiple (combined effect) and simple regression analysis was performed for each predictor variable. Multiple regression analysis was performed with the study variables entered simultaneously to establish whether the joint effect of organizational capacity, competitive environment, and strategy implementation is significantly different from their individual effects on financial performance.

Table 4.38: Regression Results for the Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Financial Performance

Predictors	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Ratio
Organizational Capacity, Strategy Implementation and Competitive Environment	.912	.831	.822	.27341	88.480
Organizational Capacity	.850	.722	.717	.34406	145.725
Strategy Implementation	.904	.818	.815	.27862	251.617
Competitive Environment	.832	.692	.687	.36226	125.959

Dependent Variable: Financial Performance

When all the three variables (Organizational Capacity, Strategy Implementation and Competitive Environment) were entered simultaneously, the model summary results show R^2=.831, F=88.48, p< 0.05), .The joint effect explained 83.1% of the variance in financial performance. Individually, organizational capacity accounted for 72.2%, and F-ratio of 145.73,p< 0.05, while strategy implementation accounted for 81.8%, (F=251.62, p< 0.05),) and competitive environment accounted for 69.2%, (F=125.96, p<0.05) of variances in financial performance. The effect of combined organizational capacity, strategy implementation and competitive environment is slightly more than that of the individual predictor variables as indicated in Table 4.38

Analysis of Variance (ANOVA) was undertaken to determine the significance of the overall model. The summarized results are presented in Table 4.39 below.

Table 4.39: Results of Analysis of Variance (ANOVA) for the Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Financial Performance

Predictors		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
Organizational Capacity, Strategy Implementation and Competitive Environment	Regression	19.843	3	6.614	88.480	.000
	Residual	4.037	54	.075		
	Total	23.879	57			
Organizational Capacity ,	Regression	17.250	1	17.250	145.725	.0000
	Residual	6.629	56	.118		
	Total	23.879	57			
Strategy Implementation	Regression	19.532	1	19.532	251.617	.000
	Residual	4.347	56	.78		
	Total	251.617	57			
Competitive Environment ,	Regression	16.530	1	16.530	125.959	.000
	Residual	7.349	56	.131		
	Total	23.879	57			

Dependent Variable: Financial Performance

When all the three variables (Organizational Capacity, Strategy Implementation, and Competitive Environment) were entered simultaneously, the result of the ANOVA test showed that the model was statistically significant ($F=88.480$, $p< 0.05$). The overall models revealed the statistical significant relationship between organizational capacity, strategy implementation, and competitive environment on performance. On individual analysis of each predictor variable, the result for organizational capacity indicated an overall statistical significance, ($F=145.725$, $p< 0.05$), strategy implementation results showed statistical significance of ($F=251.617$, $p< 0.05$) and

competitive environment was also statistically significant (F=125.959, p< 0.05). The F- test results were all significant, implying that organizational capacity, strategy implementation, and competitive environment have a significant effect on financial performance. The results are shown in Table 4.39.

Further analysis was carried to determine the significance of the effect of combined and individual predictor parameters in order to determine whether the joint effect of organizational capacity, competitive environment, and strategy implementation is significantly different from their individual effects on financial performance. The results are presented in Table 4.40

Table 4.40: Regression Coefficients for the Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Financial Performance

Predictors		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	3.159	.109		29.089	.000
	Organizational capacity	-.134	.104	-.616	1.283	.205
	Strategy Implementation	.354	.061	.871	5.815	.000
	Competitive Environment	.310	.185	.681	1.676	.099
2	(Constant)	3.119	.115		27.105	000
	Organizational capacity)	.184	.15	.850	12.072	000
3	(Constant)	3.314	.077		42.793	.000
	Strategy Implementation	.367	.023	.904	15.862	.000
4	(Constant)	3.028	.131		23.128	.000
	Competitive Environment	.378	.034	.832	11.223	.000

Dependent Variable: Financial performance

Results for the joint effect of organizational capacity, strategy implementation and competitive environment show that not all the predictor variables were significant contributors to financial performance. Organizational capacity was statistically insignificant (β=-.134, t=-1.283, p>0.05), implying that a unit change in organizational capacity causes a decrease in financial performance by 13.4%. Strategy implementation was also statistically significant (β=.354, t=5.815, p<0.05). This meant that a unit change in strategy implementation caused 35.4% increase in financial performance. But the competitive environment was statistically insignificant (β=.310, t=-1.676, p>0.05), implying that a unit change in competitive environment increased financial performance by 31%.The regression model that was used to estimate the financial performance of firms listed in Nairobi Securities Exchange. Regression model for the joint effect of organizational capacity strategy implementation and competitive environment is fitted as follows:

P=.-134OC+0.354 SI + 0.310 CE

Where P=Financial Performance

OC=Organizational capacity

SI=Strategy Implémentation

CE= Competitive Environment

Regression coefficients in Table 4.40 show that organizational capacity was statistically significant at β=0.184, t=12.072, p<0.05, strategy implementation was statistically significant (β=0.367, t=15.862, p<0.05) and competitive environment coefficient was also significant (β=0.378, t=11.223, p<0.05). All the beta coefficient results for individual predictor variables are positive and significant

Table 4.40 further shows that coefficient of organizational capacity, strategy implementation, and competitive environment individually have significant and positive effect on financial performance. On the other hand, when the parameters are considered jointly, strategy implementation alone has a significant effect on financial performance.

Therefore, from the study findings, the researcher concluded that the joint effect of organizational capacity, competitive environment and strategy implementation on financial performance was not significantly different from their individual effects

because the joint effect beta coefficients are lower than their individual predictor effects and notably, organizational capacity in the joint effect was negative and insignificant. Therefore, the fourth hypothesis that the joint effect of organizational capacity, strategy implementation, and competitive environment is significantly different from their individual effects on financial performance was unconfirmed.

4.5 Discussion of the Findings

The study set out to accomplish four main objectives. The first was to establish the effect of capacity on the performance of listed companies in Nairobi Securities Exchange. The second objective was to determine whether the influence of organizational capacity on performance is direct or through strategy implementation. The third objective was to establish the influence of competitive environment on the relationship between organizational capacity and firm performance. The fourth objective was to establish whether the joint effect of organizational capacity, strategy implementation, and competitive environment on performance is greater than their individual effect on firm performance. The objectives were derived from various research gaps identified from a wide review of the literature, which led to the development of the conceptual model and conceptual hypotheses.

Various statistical tests such as simple linear and multiple regression analysis were performed to test the hypotheses. The study measured performance along the dimensions of the balanced scorecard, consisting of financial and non-financial indicators of performance. Hypotheses were tested one at a time, beginning with non-financial performance and financial performance respectively. In the discussion of the results, confirmatory patterns with previous studies were identified while inconsistencies were also highlighted. The discussion was then narrowed down to research gaps. The sections are arranged according to the objectives and hypotheses of the study.

4.5.1 Organizational Capacity and Firm Performance

The first objective was to establish the effect of organizational capacity on the performance of listed companies on the Nairobi Securities Exchange. The study provides a two-fold identification of organizational capacity created by the synergistic combination of leadership style and organizational resources which ultimately result

in the organizational capability to perform. Organizational capacity was operationalized into leadership style and organizational resources. Leadership style comprised orientations to the task, team and individual components, while organizational resources comprised components of financial, physical facilities, employees' skills and technology. From the literature, traditional leadership models tend not to make a distinction between leader–subordinate interactions and leader–team interactions. As such, there are considerable gaps in our understanding of the unique interplay between task, teams, and individual approaches. Literature has also emphasized that scholars need to focus on a broader array of leadership approaches integrated with other organizational factors to produce a synergetic effect on performance. Therefore researcher set out to test the effect of each leadership style orientation and organizational resources on firm performance. Three hypotheses were formulated and simple linear regression analysis was performed to test them. In line with literature which suggests that organizations need to use multiple performance measures, the study adopted the balance scorecard measures for both non-financial and financial performance indicators.

The results from the test of hypothesis indicate that organizational capacity has positive and significant effect on non-financial performance (adjusted $R^2 = 0.934$, $F=808.403$, $\beta =0.923$, $t=28.432$, $p < .05$). Similarly, the effect of organizational capacity on financial performance was also significant, (adjusted $R^2 = 0.722$, $F=145.725$, $\beta =0.184$, $t=12.072$, $p < .05$). These results confirm that a firm's organizational capacity increases both financial and non-financial performance, implying that firms that invest in improving their organizational capacity will improve their performance. From the sub-hypothesis 1(a) leadership style had a significant effect on firm performance (adjusted $R^2 = 0.932$, $F=786.744$, $\beta =1.047$, $t=28.049$, $p < .05$). This implies that a firm can improve performance by increasing leadership capacity. Firms that invest in improving leadership capacity have a better chance of increasing its performance. The style the leader uses to increase performance is an important factor. These findings are consistent with a study by Allio (2012), who found that servant leadership style is more acceptable than authoritative leadership style and that servant leadership is more effective because it reflects a better use of a leader's power.

The findings of the study also concur with Ling *et al.* (2008) and Gomes and Osbone (2009). Ling *et al.* (2008) found that transformational leadership had extensive managerial discretion to influence firm performance, while Gomes and Osbone (2009) confirmed that leadership and resources are key determinants of performance. The findings of this study support the findings of a study by O'Regan *et al.* (2005) which found that firms with transformational leadership had a significant correlation with performance. They concluded that firms emphasizing transformational leadership style will have higher performance outcomes than firms emphasizing the transactional style of leadership.

On the other hand, results of this study were contrary to Tosi *et al.* (2004*)* study findings that the top managers' ratings of chief executive officer charisma, a key attribute of transformational leadership, were unrelated to firm performance. Waldman *et al* (2001) failed to confirm main effects of chief executive officer charisma on firm performance. Similarly, results of this study were also inconsistent with Hmieleski's (2006) study of 66 firms that found no evidence to support a positive main effect of chief executive officer transformational leadership on firm performance.

The findings from the test of hypothesis one (b) indicated that organizational resources had a significant effect on firm performance (adjusted $R^2 = 0.939$, $F=876.697$, $\beta =1.048$, $t=29.609$, $p < .05$). A unit change in organizational resources led to an increase in performance by 87.6%. This implies that a firm can improve performance by increasing organizational resources (consisting of financials, physical facilities, employee skills, and technology).

The results of this study further support the findings by Bharadwaj (2000*)* which indicated that firms with high information technology capability as a resource tended to outperform a control sample of firms on a variety of profit and cost-based performance measures. Viewed from a resource-based perspective, the empirical findings of this study indicate that resource capability is an essential component of firm capacity to effect higher performance.

The results of the current study further confirm Barrick, *et al.* (2015) study findings which provided empirical evidence that collective organizational engagement mediates the relationship between the three organizational resources and firm performance. From their findings, they concluded that when organizations systematically design entry-level jobs to enrich and enlarge work, implement human resource investments and expectation-enhancing practices, and are led by a transformational leader, they maximize collective organizational engagement, which increases firm performance.

Further the findings by this study that organizational resources affect performance lend support to the findings by Khandekar and Sharma (2005*)* that resource capability are positively correlated with organizational performance. In addition, human resource capability was found in this study to be a significant predictor of sustainable competitive advantage. This is consistent with Graton (2000) in her study which places the human resource capabilities at the center of activities to achieve performance. Firms that make greater use of their resource capabilities were likely to gain and enjoy superior performance. When an organization develops and upgrades employee skills, it creates a key lever for success. This increases firm's capacity to perform.

The findings that organizational resources affect performance to support the earlier findings of Hitt, *et al* (2001), whose study demonstrated that resources matter to firm performance. Wernerfelt (1984), in his study of resources and returns, also made the similar conclusion that resources such as brand names, technology, skilled personnel, trade contacts, machinery, efficient procedures and capital are the foundation for attaining and sustaining competitive advantage position.

The results of the current study indicate that a firm with appropriate resources has the ability to achieve its desired performance. Resources for this study include financial, physical facilities, employee's skills and technology. These variables contribute to strengthening organizational capacity. These findings are partly supported by Bharadwaj, (2000) who focused on the association between information technological capability and firm performance. Firm-specific information technology resources were classified as infrastructure, human resources, and information technology -

enabled intangibles. Results indicated that firms with high information technological capability tended to outperform a control sample of firms on both financial and non-financial performance.

The findings of this study are also consistent with the results by Mustapa *et al.* (2015) whose study found that organizational capacity was consistent with the resource-based-view perspective that performance of a company was significant and positively influenced by its organizational capacity. With regard to organizational capacity, the resource-based-view (RBV) perspective implies that firms need to obtain sources of competitive advantage such as unique resource capabilities to create and implement valuable strategies. Firm resources are described by Garbuio *et al.* (2010), as assets, capabilities, organizational processes, organizational attributes, knowledge, information, technologies controlled by a firm.

The current study further supports the findings of Hassan *et al.* (2012), who found from his study that organizational capabilities enable a firm to achieve higher levels of financial performance. Newbert *et al,* (2008) reported that the higher level of firm's internal capabilities of leveraging resources leads the firms to outperform their rivals with a low level of such capacities. Organizational capacity plays a pivotal role among other dynamic capabilities in using the prevailing bulk of organizational resources to exploit opportunities (Sun and Anderson, 2010). Organizational leadership orientation that can exploit organizational resources makes the relationship between organizational capacity and firm performance stronger and directional.

In Addition to the above, the findings by Sirmon *et al.* (2008) are confirmed by the findings of the current study by demonstrating that leadership style affects performance. For those managers who use leadership styles that are context-specific in terms of focus on the task at hand, team effort, individual employees' needs and resource allocation actions affect performance. The leadership responsibility is to manipulate organizational tangible and intangible resources to create value for the organization. The actions of managers in relation to their different leadership styles and resource management capacities are what cause variations in performance. These study findings support Holcomb *et al.* (2009) who concluded that managers differ in

their resource management abilities, and these differences matter in firm outcomes, hence causing variations in performance.

This study contributes to the growing body of literature on leadership style and organizational resources. This study provides a framework for understanding how organizational capacity may be appropriately viewed as a predictor of firm performance. The resource-based view of the firm has stressed that resources can achieve competitive advantage. Firms with strong dynamic capabilities are capable of exploiting available bulk of organizational resources (Grant, 1996; Newbert, Gopalakishnan, and Kirchoff, 2008). The findings of this study further support Newbert, *et al.* (2008) who reported that the higher level of firm's internal capabilities of leveraging resources leads the firms to outperform their rivals with a low level of such capacities. Other studies (Frishammar and Andersson, 2007; Hou, 2008; Sun and Anderson, 2010) support the findings of the current study that organizational capacity plays a pivotal role in exploiting the prevailing bulk of organizational resources to achieve desired performance.

4.5.2 Organizational Capacity, Strategy Implementation, and Performance

The second objective was to establish whether the influence of organizational capacity (leadership style and organizational resources) on performance is direct or through strategy implementation. Strategy implementation focused on program implementation, communication, and change management while firm performance included both financial and non-financial indicators of performance. The findings for non-financial measures produced adjusted $R^2 = 0.623$, $F = 71.097$, $\beta=0.743$ $t=.7.003$, $p > .05$ while results for financial measures were adjusted $R^2 = 0.816$, $F = 127.133$, $\beta=.034$ $t=1.140$, $p > .05$. In both cases, organizational capacity lost its significance in step four. This implies that strategy implementation mediates the relationship between organizational capacity and performance. In the process of testing for mediation, strategy implementation indicated significantly and positive relationship to firm performance. Thus, organizations that want to improve their performance can invest on their strategy implementation factors. Leadership in these organizations have to use approaches oriented to the task, team and individual styles and allocate resources in terms of physical facilities, financials, employee skills and technology to achieve strategy implementation which in turn will increase performance.

The results of the current study support Mahdani *et al* (2012), who found a significant relationship between strategy implementation and the performance of the manufacturing firms in Indonesia. Program implementation, communication, and change management are important elements of strategy implementation. Mahdani *et al* (2012) study concluded that strategy implementation is affected by senior management style, unclear strategy and conflicting priorities, ineffective senior management team, poor vertical communication, poor coordination across functions, and inadequate down-the-line leadership skills and development. These are clearly represented in this study in the form of organizational capacity and strategy implementation.

The findings of this also study support the study by O'Regan *et al.* (2006), who demonstrated an association between strategy characteristics and the dimensions of leadership in a ranked order according to their degree of importance. This was from an analysis of 194 Manufacturing Firms in Indonesia. Their analysis indicates that a balanced transformational and transactional leadership style is likely to lead to better performance. The study also found that firms strongly emphasizing any of leadership styles performed better than firms with uncertain or weak leadership styles.

The results of the current study are consistent with the findings of Schroder et al (2007) that strategy implementation influences performance, both directly, and as a mediating variable. Their study investigated the relationships between the firm and industry characteristics, market strategy and strategy implementation on export performance. Effective strategy implementation is an important contributor to firm performance. The researcher, therefore, recommends that for institutions to thrive and compete they must implement their strategies effectively. Organizational actions in program implementation communication and change management should be carefully thought out, tailored to the organization and made part of an overall implementation plan. Institutions that want to thrive and compete effectively must implement strategy effectively.

Further, the findings of this study support Jalali's (2012) research, which concluded that strategy implementation mediates the relationship between organizational characteristics and performance. Organizations' performance can vary depending on

how managers implement their strategy. They should be conscious that a central role in improving export performance is played by strategy implementation. So decision makers should control the process of implementation and identify the possible obstacles that hinder the proper implementation of strategic plans. It means that they should employ managers with leadership experience for allocating specific resources need for implementing the strategies effectively.

These findings further support *Deloitte and* Touch'e (2003*)* study indicated that strategy implementation is an intervening variable which enables companies to develop effective competencies in strategic thinking in realizing performance. Strategy implementation is largely an internal administrative activity that requires the cooperation of all operating managers to push the needed changes in the organization. These results also supported earlier researchers' findings who indicated that leadership and resources are key drivers of strategy implementation (Hrebiniak 2005; Hitt *et al.* 2007; Hsieh and Yik, 2005). Barney (1991) pointed that strategy implementation should be supported by capability and competent leadership and three resources which produce firm performance are physical facilities, the human and organizational capital. This was consistent with Parnell (2010) findings who confirmed a link between business strategy implementation and performance.

The `results of this study are in agreement with Suleiman and Abu-Jarad (2012) findings of a significant relationship between strategy implementation and performance of the manufacturing firms in Indonesia. Strategy implementation was operationalized into a program of budget and control of resources and performance of the manufacturing firms measured by return on equity. Strategy implementation is a critical cornerstone and ally in the building of a capable organization and then the use of the appropriate levers of implementation will be the pivotal hinge in the organization, *(*Beer and Eisenstat, 2000*).* Strategy implementation helps in achieving performance

The present results are consistent with Kohtamäki *et al*, (2012), findings that indicated strategy implementation mediated the relationship between participative strategic planning and firm performance. This supports the current study that if organizations want to increase their performances, they have to consider the effectiveness of their

strategy implementation. Leadership style should focus on personnel involvement and communication, this increases commitment to work which in turn accelerates strategy implementation (Collier *et al.,* 2004). This ability to implement strategies in an accelerated process creates an organization that can rapidly adopt new strategies and adapt to changes in the business environment increasing firm performance, (Doz and Kosonen, 2008).

The results of this study concur with O'Regan *et al.* (2005*)* findings show that strategy implementation has a mediating relationship between leadership style and a range of performance measures. These results further provide a practical guide for chief executives on the alignment of leadership style, resources and strategy implementation as a means of attainment of performance. Ireland and Hitt (1999), eloquently summarize this relationship by stating that "the formulation and deployment of strategic actions by effective leaders result in strategic competitiveness and above-average returns".

4.5.3 Organizational Capacity, Competitive Environment, and Firm Performance

The third objective was to establish the moderating effect of competitive environment on the relationship between organizational capacity and firm performance. A competitive environment focused on competition related variables, and organizational capacity was operationalized as leadership style and organizational resources, while firm performance consisted of both financial and non-financial indicators of performance. The effect of the competitive environment for this study is viewed as a moderator and it influences the effect of organizational capacity on firm performance.

The moderating effect was tested using the method proposed by Baron and Kenny (1986). The findings for non-financial measures showed that when the interaction term was included in the model in step 3, the coefficient of determination for the interaction term was statistically insignificant (adjusted R^2=.940, F= 299.859, β =-0. 815, t=-3.628, p>0.05). Again through a similar process, using financial performance measures, the coefficient of determination and the slope for the interaction term were statistically insignificant (adjusted R^2=.719, F= 49.504, β =-0. 473, t=1.291, p>0.05). The results of the regression coefficients did not provide evidence to support the

moderating effect of competitive environment on the relationship between organizational capacity and performance in both cases. Hypothesis three (H3) was thus unconfirmed. The study results are inconsistent with Njagi and Kombo (2014) who used external environmental condition as a moderating variable and found that external environmental condition had a significant influence on the relationship between strategy implementation and firm performance. The current study was inconsistent with earlier researchers whose study demonstrated the moderating importance of environment on performance, (Hafsi & Farashahi, 2002; Kiggundu et al, 1983).

The results of the current study conflicted with Zahra (1996) findings that firm competitive environment moderates the relationship between technology strategy and financial performance. Managers with strong organizational capacity are able to understand the conditions under which they are operating in and use their capacity to overcome challenges, leading to achieving profitability. Similarly, Haleblian and Finkelstein (1994) found the environment to be significant in the relationship between top manager's high discretion in making strategic choices and firm performance. Prescott (1986) also disagreed with findings of the current study by demonstrating that environments, as measured by characteristics of market structures, moderated the strength of relationships between strategic variables and performance. Aragon-Correa and Sharma (2003) found that characteristics of the business environment (uncertainty, complexity, and munificence) moderated the relationship between the dynamic capability of a proactive environmental strategy and competitive advantage. Lumpkin G.T. and Dess G. G. (19xx) study found that in dynamic environments, characterized by rapid change and uncertainty, proactive firms had higher performance relative to competitively aggressive firms. This is against the results of the current study.

Similarly, the current results are inconsistent with the findings by Oginni and Adesanya (2013*)* whose study found a significant relationship between environmental factors and firm growth. Environmental factors in the manufacturing sector were identified together with their respective significance impact on the growth of the business organizations in the manufacturing sector of Lagos metropolis. Factors such as competition among others were found to show a direct significance the growth of

business organizations in the manufacturing organizations and where adequate attentions are not paid to these factors, it would definitely impede the survival of the business organizations thus making the growth impossible.

The current study results also confirm findings by earlier researchers such as Jauch *et al.* (1980), who by employing moderated regression analysis, examined the interacting effects of environmental changes on eight strategic decisions and two performance measures. Their results indicated that an environmental change has little relationship to performance. Further, the results of this study agreed with Hafsi and Gauthier, (2003) who showed a clear relationship between the proposed dimensions of leadership, environment, and strategy, and firm performance. Their study used competitive dynamics variables such as number of competitors, size of main competitors, entry, and exit of competitors and the effect of such movements

The inconsistencies between the findings of this study and the previous studies could be attributed to differences in conceptualization and measures of the environment. In addition, the differences may be dependent on the organizational capacity to deal with the competitive environment. The strength of the firm's capacity to deal with competition determines its success.

4.5.4 Organizational Capacity, Strategy Implementation, Competitive Environment and Firm Performance

In line with a resource-based view, the study hypothesized that the joint effect of organizational capacity, competitive environment and strategy implementation on performance is significantly different from their individual effects on firm Performance.

Comparison of the results of the joint effect with those of the individual effects of predictor variables on non-financial performance, coefficients (R^2 and β) of organizational capacity, strategy implementation and competitive environment individually showed higher values than the values of the joint effect. When all the predictor variables were combined and regressed on non-financial performance, the results indicated that organizational capacity was significant, (R^2=0.964, F= 429.760, β =-0. 896, t=3.829, $p<0.05$) while Strategy implementation was also significant

(R^2=.964, F= 429.760, β =-0.419, t=5.740, p<0.05) for companies listed in Nairobi Securities Exchange. But competitive environment was not a significant contributor to non-financial performance (R^2= .964, F= 429.760, β = -.323t=-1.628, p>0.05). Therefore, from the study findings, the researcher concluded that joint effect of organizational capacity, competitive environment and strategy implementation on non-financial performance was not significantly different from their individual effects on performance.

On the other hand, the findings on financial performance measures effect on joint effect, organizational capacity was statistically insignificant (R^2=.831, F= 88.480, β =-.134, t=1.283, p>0.05). Also, strategy implementation (R^2=.831, F= 88.480, β =.354, t=5.815, p<0.05) and competitive environment coefficient were statistically significant (R^2=.831, F= 88.480, β =-.310, t=1.676, p>0.05) on financial performance. Both organizational capacity and competitive environment are not significant contributors to financial performance when combined with other predictors in multiple regression models.

The results of the test of joint and individual effects of predictor variables (organizational capacity, strategy implementation, and competitive environment) on both non-financial and financial performance were presented, described and explained earlier in this chapter. As shown and explained then, the values of R^2 and beta coefficients for each variable independently was much higher than their respective values from the joint regression model. These findings meant that individually, organizational capacity, strategy implementation, and competitive environment had a significant effect on the performance of business firms but when these variables were combined and analyzed simultaneously, their contribution to performance was reduced. For non-financial performance, competitive environment lost significance and for financial performance, organizational capacity and competitive environment lost significance too. This could further be interpreted to mean that the concept of synergy is not always ensured, alerting managers to undertake an analysis of competing approaches to a combination of variables that will maximize performance. This study finding supports Ishmael (2013) who pointed out that not all synergy is positive. This could also suggest that performance should be evaluated keenly considering all variables because not all components may be key contributors to

overall performance, (Schulze *et al.* 2012). Synergy is an important concept for managers as it reinforces the need to work together in a cooperative manner. Probably more attention through further research should be given to evaluation process. The systematic identification of promising areas for synergy management both across and within business divisions also deserves closer attention as already suggested by Porter, (1985), who suggested that synergy projects related to business development and cross-divisional cooperation, both going in line with strategic integration, have to be kept apart by all means.

Overall, this study found that individually, predictor variables (organizational capacity, strategy implementation, and competitive environment) contributed significantly to both financial and non-financial measures of performance. Therefore, from these results, the researcher concluded that all the predictor variables were good measures of both financial and non-financial performance. The use of both measures of performance is supported by Luliya et al., (2013) whose study results support the importance of using both financial and non-financial measures to predict performance.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to determine the influence of various combinations of predictor variables (organizational capacity, strategy implementation, and competitive environment) on both non-financial and financial performance of companies listed on the Nairobi Securities Exchange. The chapter provides a summary of the major findings of the study, the implication of the findings to theory and practice, and recommendations. It also highlights the limitations of the study and outlines proposed areas of future research. Foremost, the study sought to establish the relationship between organizational capacity on the performance of listed companies in Nairobi Securities Exchange and factors that contribute to the said relationship. This relationship was split into several components that formed a basis for setting up objectives and formulating hypotheses. The first objective sought to determine the effect of organizational capacity on both non-financial and financial performance of companies listed on the Nairobi Securities Exchange.

The second objective was set to establish whether the influence of organizational capacity on firm performance is direct or through strategy implementation. The third objective aimed at establishing the effect of competitive environment on the relationship between organizational capacity and performance of listed companies in Nairobi Securities Exchange. The fourth objective was intended to determine whether the joint effect of organizational capacity, strategy implementation, and competitive environment is greater than their individual effect on the performance of companies listed in Nairobi Securities Exchange.

5.2. Summary of the Findings

This thesis focused on organizational capacity, strategy implementation, competitive environment and firm performance of companies listed on Nairobi Securities Exchange. The conceptual framework for the study was derived from the evidence from existing empirical literature. To understand the behavior of performance, a multi-dimensional approach was used by combining leadership style and resources (to

form a variable called organizational capacity) as an independent variable, strategy implementation as a mediating variable and competitive environment as a moderating variable.

The major concern in this study was that whereas many studies have been done on the effect of organizational capacity (leadership style and organizational resources) on firm performance, the amount of variance explained in performance has ranged from small to moderate, suggesting that the relationship is dependent on other factors. From the extensive literature review, this study identified two such factors, namely strategy implementation as the mediator and competitive environment as the moderator.

The study targeted all the 62 firms listed in the Nairobi Security Exchange which were in operation as of June 2013. The response rate was 93.5%. Descriptive statistics and regression analysis were used to analyze data. The majority of the respondents were departmental managers (74.1 %) who had worked in the organizations for 4-9 years. Most of the companies (74.1 %) have been in operation for over 10 years. The study had four objectives from which six hypotheses were developed and tested. The data collection tool was a Likert scale questionnaire ranging from 1-5 (small extent/strongly disagree to greater extent/strongly agree), which was filled by respondents as per the data collection procedures explained in chapter 3 (3.4).

The results of the test of hypotheses for the first objective indicated that organizational capacity contributed significantly to firm performance. The model coefficients were all positive, which meant that if leadership style matched specific to tasks, teams and individual employees and engaged appropriate resources, a positive effect on performance would be realized. The first hypothesis that there is a relationship between organizational capacity and performance of business organizations was confirmed.

The second objective sought to establish whether the influence of organizational capacity on firm performance is direct or through strategy implementation. The data for this hypothesis was analyzed using stepwise multiple regression whose results indicated that the influence of organizational capacity on performance is through strategy implementation, hence confirming the hypothesis. Strategy implementation

has a mediating role in the relationship between organizational capacity (leadership style and organizational resources) and performance.

The third objective sought to establish the effect of competitive environment on the relationship between organizational capacity and performance. The results of the analysis showed that the competitive environment does not have a significant moderating role on the relationship between organizational capacity and company performance. Thus the hypothesis was not confirmed.

The last objective was intended to establish whether the joint effects of organizational capacity, strategy implementation, and competitive environment on performance are greater than their individual effects on performance and the corresponding hypothesis was developed and tested. The hypothesis on joint effect was not supported. It was therefore concluded that that the joint effect of organizational capacity, competitive environment and strategy implementation on performance was not significantly greater than their individual effects. Individually, organizational capacity ((leadership style and organizational resources), and strategy implementation have a positive and significant influence on performance. Summary of objectives, hypotheses, and research findings are presented in Table 5.1.

Table 5.1: Summary of Tests of the Hypotheses and Results

Objective	Hypothesis	Research Findings	Remarks on hypotheses
Objective 1: To establish the relationship between Organizational Capacity and Performance of listed companies in Nairobi Securities Exchange	Hypothesis 1: Organizational Capacity has effect on Firm's Performance	The effect of organizational capacity on both non-financial and financial performance was significant	confirmed

Objective 2: To determine whether the influence of Organizational Capacity on Performance is direct or through Strategy Implementation for companies listed in Nairobi Securities Exchange	Hypothesis 2: The influence of Organizational Capacity, on Performance, is through Strategy Implementation	The results indicated that the influence of organizational capacity on performance was through strategy implementation	confirmed
Objective 3: To determine the effect of Competitive Environment on the relationship between Organizational Capacity and Performance of companies listed in Nairobi Securities Exchange	Hypothesis 3: Competitive Environment has a moderating effect on the relationship between Organizational Capacity and Firm Performance	The finding indicated that competitive environment has an insignificant moderating effect on the relationship between Organizational Capacity and performance of business organizations.	Not confirmed
Objective 4: To establish whether the joint effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Performance is greater than their individual effects on Firm performance.	Hypothesis 4: The joint effect of Organizational Capacity, Competitive Environment and Strategy Implementation on Performance is significantly different from their individual effects on Firm Performance.	The results of the study indicated that Organizational Capacity, Strategy Implementation, and Competitive Environment were not significantly different from their individual effects on Firm Performance.	Not confirmed

Summary of results in Table 5.1 shows that the study had four objectives and four major hypotheses. As evident in Table 5.1, two out of four hypotheses tested were confirmed and two were unconfirmed.

5.3 Conclusion

This section presents the conclusion of the study, made in line with the objectives and hypotheses. These objectives were developed after reviewing the literature and the hypotheses were developed in line with the objectives. The hypotheses were confirmed or not confirmed based on the levels of significance of various statistical tests.

5.3.1 The Relationship between Organizational Capacity and Performance

Objective one of the study was to establish the relationship between organizational capacity on firm performance. Results revealed that organizational capacity had an effect on performance. Based on the results presented in chapter four and summarized in chapter five, the following conclusions are made: Firm performance depends on partially on organizational capacity comprising leadership styles and organizational resources. When organizations use leadership style approaches related on task, teams, and individual, this increases organizational capacity and desired performance can be achieved. Likewise, when the organizations have strong resource bases, in terms of finances, physical facilities, employees skills and technology, their organizational capacity increases. This translates to increased performance.

When leadership style and resources are combined, they form a bundle which becomes a strong foundation to build effective organizational capacity. It is this efficient bundling of resources and leadership style that result in more complex interdependencies which become difficult for competitors to imitate, thus, giving an organization opportunity to increase performance. Organizational capacity presents a set of unique inputs and capabilities that can course performance differentials between firms. The results supported the tenets of the resource-based view of the firm that superior performance is dependent on the organization's capacity in terms of leadership style and resources.

5.3.2 Effect of Organizational Capacity on Performance Mediated by Strategy Implementation

Hypothesis two (H2) explored the relationship between firm performance, organizational capacity and strategy implementation. It proposed that the influence of organizational capacity on performance is through strategy implementation. Strategy

implementation was measured as a composite index of program implementation, communication and change management. The results of the test of mediation provide evidence to confirm that the effect of organizational capacity on the performance of business organizations is through strategy implementation. That is, strategy implementation mediates the relationship between organizational capacity and performance.

So the performance of a business organization can increase or decrease depending on the effectiveness of strategy implementation. In order to implement strategy successfully, organizations should ensure commitment leadership and, allocation of sufficient resources through effective program implementation, communication and change management to achieve superior performance.

5.3.3 Effect of Competitive Environment on the Relationship between Organizational Capacity and Performance

Hypothesis three (H3) explored the relationship between firm's performance, organizational capacity, and competitive environment by suggesting that competitive environment has a moderating effect on the relationship between organizational capacity and firm performance. Based on the findings of this study, the researcher concluded that competitive environment does not moderate the relationship between organizational capacity and performance. Therefore, if the business firms have the strong organizational capacity, then competitive environment may not be a significant factor because the organization capacity has the ability to effectively perform even in the presence of competition. The organization has resources to manage and control market challenges and move on achieve superior performance. On the other hand, organizational leadership should have external orientation and an open managerial perspective to cope with certain uncertainty in the industry environment. It is essential for an organization to be able to quickly and strategically position itself to minimize the effect of negative events and to take advantage of opportunities faster than the competitors. If the organizational capacity is effective, competition is not a serious threat.

Contingency theory assumes that the environment poses certain information processing, resource, or legitimacy demands on the organization. These demands, in turn, are either met or not met through the organization's capacity and strategy implementation leading to different levels of organizational effectiveness. If decision makers construct the environment as complex and unstable, this may imply that the organizational capacities of their firms are inadequate, so they have a reasonable explanation to offer others when they show a less-than-satisfactory performance.

Treating environmental uncertainty as an independent variable, decision makers may view their firm or unit as ineffective. When a unit or organization is performing poorly in a decision maker's eyes, one possible response is to blame the situation on the environment by constructing it as highly uncertain, thus accounting for the effectiveness gap while, at the same time, maintaining a more positive self-image and some sense of control. Organizations should develop their capacities in terms of leadership styles and resources to overcome competition.

5.3.4 The Joint Effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Performance

The fourth objective was to establish whether the joint effect of Organizational Capacity, Strategy Implementation and Competitive Environment on Performance is greater than their individual effect on Firm performance. Based on results for non-financial performance, competitive environment lost significance when the variables were tested jointly, while for the case of financial performance, organizational capacity and competitive environment were also insignificant, implying that jointly, organizational capacity, strategy implementation, and competitive environment was not significantly greater than their individual effect. In both cases, only strategy implementation was a significant contributor to firm performance. When variables were combined, they were expected to produce synergy and hence produce the desired performance. The joint effect of the three variables was less significant contributors to firm performance when compared to their individual effect on firm performance. The researcher concluded that the concept of synergy is not direct and not all variables of this study are key contributors of synergy or not all synergy is positive.

From the findings, the researchers further concluded that the concept of synergy is not always obvious; alerting the organization to evaluate individual factors per time since combining them may introduce antagonizing complexities. Firm performance is a multidimensional element requiring a contribution from leadership style, organizational resources, strategy implementation and industry environment since these firm factors individually were all significant. The careful evaluation process should be used and that the process of synergy management should comprise the identification of promising areas, the ex-ante evaluation of synergy potentials, and the ex-post realization of synergy effects. Otherwise, the concept of joint effect needs further consideration.

Finally, the results confirmed the relationship between organizational capacity and performance of business firms. Strategy implementation has a mediating effect on the relationship between organizational factors and firm performance. The results also did not confirm the moderation effect of competitive environment and lastly, the joint effect of organizational capacity, strategy implementation, and competitive environment on performance is not greater than their individual effect on performance. The findings provide empirical evidence to support theoretical understanding of the resource based value of organizational capacity (leadership style and organizational resources). It has also shown the mediating role of strategy implementation. Contrary to what is widely known, competition may not seriously affect business performance and it is advisable to evaluate business factors one at a time since combining them may introduce complexities which may affect performance negatively. The study has a potential significant implication for theory, policy and practice in strategic management.

5.4 Implication of the Research Findings

The current research examined the relationship between organizational capacities, strategy implementation, competitive environment and firm performance. The mediating role of Strategy implementation and the moderating role of competitive environments were explored. The study results have contributed to theory, practice, and knowledge as presented below:

5.4.1 Theoretical Implications

A theoretical argument pursued in this study is that business organizations having resources that are valuable and rare can achieve superior performance. The resource-based view suggests that a firm can be understood as a collection of physical capital resources, human capital resources and organizational resources (Barney, 2001a) and that the strength of some resources is dependent upon interaction or combinations with other resources and this causes performance variations in different firms. Firms can protect themselves against resource imitation, transfer or substitution, (Barney, 1991; Peteraf and Barney, 2003; Duta, et al. 2005 and Casselman and Samson, 2007). Further the study uses contingency approach that requires that managers diagnose a given situation and make decisions relative to the conditions present, (Miller 1988).

The study findings are consistent with its underpinning theories. These theories provided a rationale for the variables used in this study and their linkages. The conceptual framework developed from the literature facilitated an informed interrogation of key variables and concepts underpinning the study. Leadership is a component of human capital resources, and depending on the skills of the leader, the organizations can develop capabilities to discover and design strategies which amount to differential performance. Leadership involves influencing all the others organizational resources which in turn influences business performance.

Contingency theory suggests that an appropriate match must be made between strategy implementation and industry environmental conditions. Competition is a characteristic of industry environment where firms compete over the available opportunities. The presence of competition in the environment does not mean that it should affect performance. It all depends on the strengths of organizations' capacity. This is supported by Sutton and Callahan (1987), who argued that poor performance may be seen as an evidence of not knowing how to deal with competition in the environment and unable to control. This also implied that performance is contingent on organizational factors such as strategy implementation, and so long as the organization has a strong resource position, competition can be controlled.

The current study found that organizational capacity affects firm performance. Organizational capacity was operationalized into leadership style and organizational resources. These results support the resource-based view in that organizational capacity is attributable to capabilities arising from firm resources. The study supports the tenet of the resource-based theory that performance differentials between firms depend on having a set of unique inputs and capabilities. For this study unique inputs and capabilities are represented in organizational capacity in the form of leadership style and resources. Different levels of organizational capacities from different firms lead to variations in performance. The effective performance will be determined by how well an organization is endowed with these resources. The implication of findings adds value to resources based view that firms can achieve superior performance by developing their resource base.

It was found that organizational capacity has a significant effect on the performance of firms listed in Nairobi Securities Exchange. These findings support the prediction by the resource based view that combining different resources gives a firm a competitive advantage by making it difficult to replicate, hence difficult for competitors to imitate. These findings add value to the use of resource-based theory and organizations seeking to improve their performance can improve their organization capacity in terms of leadership styles and resources.

The study found that the relationship between organizational capacity and firm performance is mediated by strategy implementation. Development of organizational capacity depends on appropriate leadership style so as to have effective strategy implementation which ultimately leads to firm performance. A firm performance will depend on how leadership style organizes other firm resources to implement strategies. These findings support contingency theory emphasizing that effectiveness of leadership is dependent on matching a leadership style to right situation and that an appropriate match must be made between strategy implementation and competitive environmental conditions. The findings of the current study validate contingency theory and firms searching for strategies to achieve superior performance can design strategies related to organization capacity and strategy implementation. Where firms have performance challenges, they should appraise their capacities to implement strategies.

The study results indicated that competitive environment is not a significant moderator of the relationship between organizational capacity and firm performance for firms listed in Nairobi security Exchange. These findings were interpreted to mean that the firms listed in Nairobi security exchange were in control of their competitive environment and hence competition had an insignificant influence on performance. Poor performance may be seen as an evidence of not knowing how to deal with the environment and unable to control (Sutton and Callahan, 1987). This connection between perceived environmental uncertainty and performance is typically explained using ideas from contingency theory (Miller, 1988), that the environment poses certain information processing, resource, or legitimacy demands on the organization. These demands, in turn, are either met or not met through the strength or weakness of the organizational capacity, hence leading to different levels of performance. Effective leadership styles carry out the functions and exhibit the behaviors' on tasks, individual employees, and the teams. The challenge for the leadership is to balance his or her orientations on task, individual and teams and how he/she allocates resources for strategy implementation. Leadership may strategically transform the organization in a competitive environment by using the appropriate approaches in the prevailing environmental conditions. This cautions organizations to focus more on developing leadership and resources. Competition can be tough, but the value for performance is how effective organizational capacity is.

The study findings indicated that the joint effect of organizational capacity, strategy implementation, and competitive environment is not greater than their individual effects on firm performance. The joint effect was not significant. The results suggest that it is not all firm factors that are key contributors to performance, implying that firms should consider firm factors individually. The study assumed that the joint effect would produce synergy which would raise performance to higher levels. But the outcome of this study is that not all variables produce synergy. This puts caution to the application of synergy concept. Some variables combination may introduce complexities and the firm may not identify problematic areas fast enough to make appropriate decisions on less performing variables. To determine performance, variables should be tested individually.

The results in the present study are consistent with the findings by other researchers in the areas of strategic management which introduced explanatory determinant of firm performance. In addition to supporting Gomes and Osborne (2009) results that leadership and resources are determinant of firm performance, it also introduced the mediating role of strategy implementation. For theory building, resources need to be considered in relation to strategy implementation. That is how resources are configured with strategy implementation. This is supported by other researchers, (Jalali 2012, and Hassan et al., 2012). The current study supports the prediction of resource-based view and contingency theories, making them useful in strategic management.

5.4.2. Implication for Practice

The study reports that each of the investigated variables had an effect on performance. Business organizations are major contributors of economic development in Kenya as such the findings of this study should assist the practitioners in decision making. Specifically, decision-related to leadership and organizational resources using contingent approaches and appropriate leadership styles. Task, teams, and individual are measures of leadership dimensions while resources could be categorized into financial, physical facilities, employees' skills and technology. The organizational leadership should formulate and implement policies and practices that will foster resources management in all areas of the organizations.

The findings revealed a statistically significant relationship between organizational capacity and strategy implementation. The effect of strategic implementation on performance was also significant. This implies that leadership should consider program implementation processes, communication systems and plan for management of change effectively to implement strategies which in turn amount to superior performance. Organizational capability is an important component for strategy implementation. Strategy implementation is greatly affected by strategy, leadership, change management, resources, work plans, and communication. The strategic action will largely be determined by leadership and resources available for strategy implementation. Therefore since strategy implementation mediates the relationship between organizational capacity and firm performance, managers should provide leadership in strategy implementation. If strategy implementation is effective,

organizations will improve performance, but if they are ineffective on strategy implementation, this would lead to poor performance. Therefore, both private and public organizations should adopt leadership styles that enhance organizational performance. Organizations should acquire and develop resources and use them strategically to implement their strategies. One of the reasons why organizations fail is because they give less attention to strategy implementation process, (Kaplan and Norton, 2005).

The findings revealed an insignificant statistical relationship of competitive environment as a moderator of the relationship between organizational capacity and firm performance. The effect of competitive factors on performance was not significant. To managers, this implies that competitive environment may not be a serious threat if the organizational capacity is strong and effective. If the organizational leadership is strategically equipped, the competitive environment does not affect performance. This is supported by other researchers that ineffectiveness in an organization may be seen as evidence of not knowing how to deal with the environment that is, not being in control (Pfeffer, 1981; Sutton and Callahan, 1987). This connection between environmental uncertainty and effectiveness is typically explained in both the strategic management literature, using ideas from contingency theory. So long as the leadership is using appropriate styles and a strong resource base, the competitive environment should not significantly influence firm performance. Organizations should focus on developing their leadership skills and resources.

From the current study, it is evident that organizational capacity has a direct positive relationship with firm performance and by extension to the economic growth of the country. This is true for companies listed in Nairobi Securities Exchange. Other companies can use listed companies for benchmarking. This can have a direct link to improving the country's economy. Organizations that want superior performance should invest more on building on organizational capability/capacity in terms of leadership and resources. This will increase their chances of successful strategy implementation. With a strong organizational capability, they will manage and control competition which further ensures superior performance.

5.4.3 Contribution to Knowledge

The study introduced a model showing the relationship of organizational capacity, strategy implementation, competitive environment and firm performance which was empirically tested. The model incorporated both financial and non-financial measures of performance. The study linked independent, mediating and moderating variables providing the basis for effective firm performance. This demonstrated that Performance differential between firms depend on having a set of unique organizational capacities which will be determined by how well an organization is endowed with these capability/capacity. This contributes to addressing the knowledge gaps on firm performance.

The research also serves as a reference point for studying the relationship between organizational capacity and performance. Other researchers can test other moderating variables to this relationship to find out which ones are more significant. Previous empirical researches on the influence of leadership style and performance recommended further research on resource capacity integrated with other organizational factors. This encourages more research leading to addition to the body of knowledge.

Further the study contributes to understanding the link between organization capacity while at the same time confirms the findings of previous studies that have found a significant link between leadership style and firm performance. Previous studies focused on examining one or two variables, such as Herath & Mahmood (2014), Mishral et al. (2014) and Ojokuku (2012) and O'Reilly (2009). The study, therefore, contributes to increased understanding that combining different resources (leadership style and other resources) may result in more complex capacities which are harder to be imitated by competitors. This may add knowledge to managers who are focusing on improving their performance.

The study contributed to existing knowledge by empirically establishing that competitive environment is not a significant moderator of the relationship between organizational capacity and firm performance. Most previous studies on the competitive environment have been done in the context of developed countries (Tam and Zeng, 2007: Bridoux 2005 and Rumelt 1991). Hence the findings of these studies

may not be applicable to organizations in developing countries due to contextual differences. The findings of this study would, therefore, be more relevant in Kenyan context. Strategic moves by any of competitors can alter prevailing relationships and thereby change the situation in a firm's environment but if the organization capacity is strong, they are able to control the effect of their competitors in their markets to their advantage. The current study also Contributes towards addressing the gaps identified from the previous studies hence facilitating the growth of literature in the subject area and serves as a reference and base for other studies.

5.5 Limitations of the Study

The first constraint was the small size of the population of the listed companies in the Nairobi securities exchange. There were sixty-two companies and after four of them were eliminated, only fifty-eight were eligible for the study. Generalizability of these findings may be limited by the small size of the population studies. Future researchers should consider bigger populations or bigger sample sizes. Besides, the study was cross-sectional to a large extent. Perhaps a better picture would have been obtained had more years been taken into consideration.

Finally, the study focused on determining the effect of organizational capacity, strategy implementation and competitive environment on performance in various industries. Whereas this may be important for generalizability, it may also be limiting because combining performance of all industries may not be very appropriate since different industries have different challenges. For example, strategy implementation in state companies is highly politicized and different from private companies where politics is highly controlled.

5.6 Directions for Future Research

One aspect of the research was that the data was collected from a single source, mainly one manager to respond to the variables of the study. Relying on a response from one person in a big organization may have some weaknesses. Future researchers should involve more people across the management hierarchy and in different settings such as focus groups.

The study involved four variables namely leadership style, organizational resources, strategy implementation and competitive environment and performance. Future researchers should conduct a comparative study, replicating this study in a big population covering many industries. Such large population would be a useful extension of this study and would further enrich the current findings.

The study looked at the moderating effect of competitive environment on the relationship between organizational capacity and firm performance. The results did not confirm the significance of competitive environment. This is interesting bearing in mind the huge attention given to competitive environment by gurus of strategic management, (Porter 1986). Since the environment is wide and highly dynamic, other business environmental factors could be considered such as economic and technological factors. However, the current study has opened up fertile grounds for future research.

Finally, the cross-sectional approach applied in this study did not allow making clear causal attributions for the observed relationships. Further research should endeavor to use longitudinal studies to provide a clear picture of how organizational capacity, strategy implementation, and competitive environment impact on firm performance over a period of time. The study findings have shown that performance is a multidimensional variable and the most organizational factors should be considered when planning for firm performance. Future researchers should probe more into what contributes to performance in a multi-dimensional approach especially in specific industries which have similar challenges. Since synergetic contribution from joint effect seemed elusive in this study (though it's a concept highly emphasized in strategic management), the researcher, suggests that future researchers pay more attention in that direction.

REFERENCES

Aaltonen, P. & Ikavalko, H. (2002). Implementing strategies successfully. *Integrated Manufacturing Systems,* 13(6): 415-418

Adair J. (1973). *Action-Centred leadership*. New York: McGrew- Hill.

Adjimah, Paul Harrison, and Akli Lawrence Perry(2014). The effectiveness of Entrepreneurship Development Programs in Ghanaian Polytechnics. *International Review of Management and Marketing* 4.178.

Agle, B. R., Nagarajan, N. J., Sonnenfeld, J. A., & Srinivasan, D. (2006). Does CEO charisma matter? An empirical analysis of the relationships among organizational performance, environmental uncertainty, and top management team perceptions of CEO charisma. *Academy of Management Journal*, 49, 161–174.

Aladwani, A.M. (2001). Change management performance: A review of the empirical literature strategies for successful ERP implementation between 1987 and 1997. *Business Process Management Journal*, 7(3): 266-275.

Allinson, C.W., Armstrong, S.J. and Hayes, J. (2001). The effects of cognitive style on the leader-member exchange: a study of manager-subordinate dyads. *Journal of Occupational and Organizational Psychology*, 74 (2): 201-20.

Ansoff, H. I. (1991). Critique of Henry Mintzberg's design school: Reconsidering the basic premises of strategic management. *Strategic management journal*, 12(6): 449-461.

Ansoff, H. I. and McDonnell, E. J. (1990).*Implanting Strategic Management*. (2nd ed). San Diego: Prentice Hall.

Armstrong, S.J., & Sadler-Smith, E. (2006). Cognitive style and its relevance for the management of careers, paper presented at the 66th Academy of Management Conference, Atlanta, GA, and 11-16 August.

Angulo-Ruiz, F., Donthu, N., Prior, D., and Rialp, J. (2014). The financial contribution of customer-oriented marketing capability. *Journal of the Academy of Marketing Science*, *42*(4), 380-399.

Awino, Z. B. and Gituro W. (2011). An empirical investigation of supply chain management best practices in large private manufacturing firms in Kenya. *Prime Journals. Business Administration and Management (BAM)*. Vol. 1(2): 26-31, March 2012. www.primejournal.org/bam

Bagire Vincent (2012). The strategy – resource configurations and performance implications in Nongovernmental Organizations *Unpublished Ph.D. Thesis*: University of Nairobi.

Banker, R. D., S. Lee, G. Potter and D. Srinivasan, (1996). Contextual analysis of performance impacts of out-based incentive compensation. *Academy of Management Journa*l 39(4): 920-48

Banker, R. D., G. Potter and D. Srinivasan, (2000). An empirical investigation of an incentive plan that includes nonfinancial performance measures. *The Accounting Review* 75(91): 65-92.

Barney, Jay, (1986). Strategic factor markets: expectations, luck, and business strategy. *Management Science*, 32(10): 1231-1241.

Barney, Jay, (1991). Firm resources and sustained competitive advantage", *Journal of Management*, 17(1): 99-120.

Barney, J.B. (2001a). Is the resource-based "view" a useful perspective for strategic management research? Yes. *Academy of Management Review*, 26, 41-56.

Baron, R.M, and Kenny, D.A. (1986). The moderator-mediator variable distinction in social psychological research-conceptual, strategic and statistical consideration. *Journal of Personality and Social Psychology*, 51(6): 1173-1182.

Bass, B. M. (1997). Does the transactional–transformational leadership paradigm transcend organizational and national boundaries?. *American Psychologist*, 52(2), 130.

Bass B. M. (1990). *Bass and Stogdill's handbook of leadership: theory research and managerial applications* (3rd edition). New York: Free Press.

Bass, B. M., and Avolio, B. J. (1997). *Full range leadership development: Manual for the Multifactor leadership questionnaire*. Palo Alto, CA: Mind Garden. 43-44.

Bass, B. M., Avolio, B. J., and Goodheim, L. (1987). Biography and the assessment of transformational leadership at the world-class level. *Journal of Management*, 13(1):7-19.

Bass, B. M., and Ronald E. Riggio. (2006). *Transformational leadership*, 2nd ed. Mahwah, NJ: Lawrence Erlbaum.

Baum, J. R., Locke, E. A., and Kirkpatrick, S. A. (1998). A longitudinal study of the relation of vision and vision communication to venture growth in entrepreneurial firms. *Journal of Applied Psychology*, 83, 43–54.

Bharadwaj, A. S. (2000). A resource-based perspective on information technology capability and firm performance: An empirical investigation MIS Quarterly Vol. 24 No. 1, pp. 169-196

Beer, S.A., Church, A.H., and Waclawski, J. (2000). The right personality is everything: linking personality preferences to managerial behaviors. *Human Resource Development Quarterly*, 11(2):133-57

Benito O. G. and Javier G. Benito (2005). Environmental proactivity and business performance: An empirical analysis, *International Journal of Business and Management* 5(6).

Bergh, D., and Lim, E. (2008). Learning how to restructure absorptive capacity and improvisational views restructuring actions and performance. *Strategic Management Journal,* 29: 593-616. http://dx.doi.org/10.1002/smj.676.

Bhatnagar, J. (2006). Measuring organizational learning capability in Indian managers and establishing firm performance linkage. *The Learning Organization, 12* (5), 416-433

Blalock, A. B. (1999). Evaluation research and the performance management movement from estrangement to useful integration?. *Evaluation*, 5(2): 117-149.

Boerner, S., Eisenbeiss, S. A., and Griesser, D. (2007). Follower behavior and organizational performance: The impact of transformational leaders. *Journal of Leadership &Organizational Studies,* 13(3): 15-26.

Bolden R. Gosling J. Mortunano, A, and Dennison P. (2003). A review of leadership theory and competency framework: Report for Chase Consulting and the Management Standards Centre, Centre for leadership studies, University of Exeter, United Kingdom.

Boyd, B. K., Dess, G. G., and Rasheed, A. M. A. (1993). "Divergence between archival and perceptual measures of the environment: Causes and consequences," *The Academy of Management Review* 18, 204-227.

Boyne, G. A., Meier, K. J., O'Toole, L. J., and Walker, R. M. (2005). Where next? Research directions on performance in public organizations. *Journal of Public Administration Research and Theory*, 15(4): 633-639.

Boyne, G. A. (2003). Sources of public service improvement: A critical review and research agenda. *Journal of Public Administration Research and Theory*, 13(3): 367-394.

Breckenridge, M.B. (2000). *An exploration of the Factors that Influence Leadership Effectiveness in a Corporate Environment*. Indiana, PA.

Brewer, G. A., Selden, S. C., Facer, I. I., and Rex, L. (2000). Individual conceptions of public service motivation. *Public Administration Review*, 60(3): 254-264.

Bridoux Flore, (2005). A resource-based approach to performance and competition: An overview of the connections between resources and competition. *Journal of Public Administration Research and Theory*, 15(4): 633-639.

Burgelman, R. A. (1983).A process model of internal corporate venturing in the diversified major firm. *Administrative Science Quarterly,* 28, 223-244.

Burgelman, R. A. (1991). Intra-organizational ecology of strategy making and Organizational adaptation: Theory and field research. *Organization Science*, 2(3): 239-262.

Cairns, T.D. (1996). Hersey and Blanchard's situational leadership theory: A study of leadership styles of senior executives in service and manufacturing businesses of a large Fortune 100 company. *Unpublished doctoral dissertation,* Nova Southeastern University, Fort Lauderdale, FL

Calsson, S.A. (2004). Strategic knowledge managing in the context of networks, Chapter 32. In *Handbook of Knowledge Management* Volume I, (Ed) Holsapple Cycle, Chicago.

Casselman, R. Mitch, and Samson, D. (2007). Aligning knowledge strategy and knowledge capabilities. *Technology Analysis & Strategic Management*, 19(1): 69-81.

Canals, J. (2000). *Managing corporate growth.* Oxford University Press: New York.

Caldeira, M. M. and John, M. W. (2001). *Using resource-based theory to interpret the successful adoption and use of information systems & technology in manufacturing small and medium sized enterprises*The 9th European Conference on Information Systems Bled, Slovenia, 27-29.

Carmeli, A. and Tishler, A. (2004). The relationship between intangible organizational elements and organizational performance, *Strategic Management Journal.* 25, 1257-1278.

Chaimankong, M. (2012). Impact of Strategy Implementation on Performance of Generic Strategy: Evidence from Thailand, *The South East Asian Journal of Management* 6 (1).

Chima G. U. Kingsley, (2007). Organizational Leadership Strategies in Indigenous Companies in a Developing Economy. *Nigerian Management Review,* I 1.

Christmann, P. (2000). "Effects of "best practices" of environmental management on cost advantage: The role of complementary assets", *Academy of Management Journal*, 43(4): 663-680.

Chiyoge, B. S. (2009). Influence of Core-Competencies on the Relationship between Co-Alignment Variables and Performance of Profit – Oriented Parastatals in Kenya, *Unpublished Ph.D. Dissertation*, University of Nairobi.

Chu, W. Chen, C. and Wang, C. (2008). The market share profitability relationships in The securities industry. *The Service Industries Journal.* 28 (6): 813-829.

CMA (2002), The *Capital Markets (Licensing Requirements) General Regulations*, Nairobi Published by Capital Markets Authority.

Coleman, K. P. (2007). *International organizations and peace enforcement*. Cambridge: Cambridge University Press.

Cooper, D. R., and Schindler, P. S. (2003). *Business Research Methods* (8th Ed). New York: McGraw-Hill.

Coopers, D.R., and Schindler, P.S. (2006). *Business Research Methods.* 8th Ed. New York: McGraw-Hill

Corbeil, R. C. (1992), *Action-oriented evaluation in organizations*: Canadian Practices. Wall & Emerson, Inc, Toronto, and benign environment. *Strategic Management Journal,* 10: 75-87 http://dx.doi.org/10.1002/smj.4250100107.

David Hunger and Thomas L. Wheelen. (1996). *Strategic Management*. Addison – Wesley.

Dasborough, M. T., and Ashkanasy, N. M. (2002). Emotion and attribution of intentionality in leader-member relationships. *Leadership Quarterly,* 13: 615.

David, F.R. (2001). *Strategic management: Concepts and cases*. (6thed) Prentice Hall, New Delhi.

David, F. R. (1986). The strategic planning matrix—a quantitative approach. *Long Range Planning*, 19(5): 102-107.

Davis, J. (2007). *Pioneering MSP makes its mark,* eWeek, 24(15): 16.

Day, R. C., and Hamblin, R. L. (1964). Some effects of close and punitive styles of supervision. *American Journal of Psychology,* 61: 499–510.

Deeds, D. (2001). The role of R & D intensity, technical development and absorptive capacity in creating entrepreneurial wealth in high technology start-ups. *Journal of Engineering and Technology Management,* 18: 29-48. http://dx.doi.org/10.1016/S0923-4748(00)000321

Deery, S. J., & Iverson, R. D. (2005). Labor-management cooperation: Antecedents and impact on organizational performance. *Industrial & Labor Relations Review,* 58(4): 588-609.)

De Kluyver, C. & Pearce, J. I. (2003). *Strategy–a view from the top*. 8thEd. New York: McGraw-Hill.

de Leeuw, S., Minguela-Rata, B., Sabet, E., Boter, J., & Sigurðardóttir, R. (2016). Trade-offs in managing commercial consumer return for online apparel retail. *International Journal of Operations & Production Management*, *36*(6), 710-731.

Deloitte and & Touche' (2003). *Business planning and strategy implementation*. Online, August 2010. Available at http./www .deloitte.com.

Denrell, J. (2004). The performance of the organization. *Journal of Management and Governance,* 8(4): 345-*349.*

Dierickx, I., and Cool, K. (1989), "Asset stock accumulation and sustainability of competitive advantage, *Management Science,* Vol. 35, pp. 1504-11.

Dominici, G., and Guzzo, R. (2010). Customer satisfaction in the hotel industry: A case study from Sicily. *International Journal of Marketing Studies, 2*(2), 3-12.

Dooley, R.S., Fryxell, G.E., and Judge, W.Q. (2000). Belaboring the not-so-obvious: consensus, commitment, and strategy implementation speed and success. *Journal of Management,* 26: 1237–1257.

Doyle, C. S. (1994). *Information literacy in an information society: A concept for the information age*. Diane Publishing.

Doyle, P. (1994). Setting business objectives and measuring performance. *European Management Finance* (on Line), (http:// www.answers.com/ topic/Journal, 12(2): 123-132.

Dvir, T., Eden, D., Avolio, B. J., and Shamir, B. (2002). The impact of transformational leadership on follower development and performance: A field experiment. *Academy of Management Journal*, 45(4): 735-744.

Duncan, R. B. (1972). Characteristics of organizational environments and perceived environmental uncertainty. *Administrative science quarterly*, 313-327.

Duta,S., Narasimhan, O. and Rajiv, S. (2005). Conceptualizing & measuring capabilities methodologies and empirical application. *Strategic Management Journal*, 26, 277-285.

Dyson, R.G., (2004). Strategic development and SWOT analysis at the University of Warwick. *Journal of Operation Research*, 154 (3): 631.

Eagly, A.H., and Johanneses-Schmidt, M.C. (2001). The leadership styles of women and men. *Journal of Social Issues*, 57: 781-797.

Ensley, M. D., Pearce, C. L., and Hmieleski, K. M. (2006). The moderating effect of environmental dynamism on the relationship between entrepreneur leadership behavior and new venture performance. *Journal of Business Venturing,* 21: 243–263.

Ekaterini, G. (2010). The impact of leadership styles on four variables of executives workforce. *International Journal of Business and Management* 5(6)

Elbanna, S. (2008). Planning and participation as determinants of strategic planning effectiveness. Evident from Arabic context. *Management Decisions*, 46 (5): 779.

Ferdinand, A. (2002). Marketing Strategy Making: Proses dan Agenda Penelitian. *Jurnal Sain Pemasaran Indonesia*, 1(1): 1- 22.

Fernandez, Sergio. 2005. Developing and testing an integrative framework of public sector leadership: Evidence from the public education arena. *Administration Research and Theory* 15 (2): 197-217.

Flatten, T. C., Greve, G. I., & Brettel, M. (2011). Absorptive capacity and firm performance in SMEs: The mediating influence of strategic alliances. *European Management Review*, 8: 137-152. http://dx.doi.org/10.1111/j.1740-4762.2011.01015.

Forbes, M., and Lynn, L. E. (2005). How does public management affect government performance? Findings from international research. *Journal of Public Administration Research and Theory*, 15(4): 559-584.

Frishammar, J., and Horte, S. A. (2007). The role of market orientation and Entrepreneurial orientation for new product development performance in manufacturing firms. *Technology Analysis and Strategic Management*, 19(6): 788. http://dx.doi.org/10.1080/09537320701711231

Fryxell, G.E., and Barton, S.L. (1990). Temporal and contextual change in the measurement structure of financial performance: Implications for strategy research. *Journal of Management*, 16: 553-569.

Furrer, O., Howard T. and Gousseuskaia, A. (2008). The structure and evolution of the strategic management field: A content analysis of 26 years of strategic management research. *International Journal of management review* DO1.10.111/j.1468.2370.00217.

Galbraith, Craig and Schendel, Dan, (1993). A Making strategic planning 'fun and easy.' *Management Journal*, 4: 153-173.

Garbuio. M., Adelaide, W., King A. W. and Lovallo, D. (2010). Looking Inside: Psychological Influences on Structuring a Firm's Portfolio of Resources. *Journal of Management*. Published online 6 Sept. 2012.

Glamuzina, M. (2015). Levels of leadership development and top management's effectiveness: Is there a clear-cut relationship?. *Management: Journal of Contemporary Management Issues*, *20*(Special issue), 89-131.

George, B. (2003). *Authentic Leadership*. San Francisco, CA: Jossey-Bass.

Gill, R. (2003). Change Management - or change leadership? *Journal of' Change Management*, 3(4), 307-318.

Goleman, D. (2000). Leadership that gets results. *Harvard Business Review*, March-April, 78-90.

Gomes, R. C. (2006). Stakeholder management in the local government decision-making area: Evidence from a triangulation study with the English local government, *Brazilian Administrative Review*, 3(1): 46-63.

Gomes, R. C. and Stephen P. Osborne (2009). The Role of Stakeholders in Determining Local Government Performance: Evidence from Brazil, *Public Management Review,* 10: 261-273.

Gosselin, M. (2005). An empirical study of performance measurement in manufacturing firms.*International Journal of Productivity and Performance Management,* 54(5/6): 410-38.

Gooty, J., Connelly, S., Griffith, J., and Gupta, A. (2010). Leadership, effect, and emotions: A state of the science review. *Leadership Quarterly*, 21:979-1004.

Graen, G., Liden, R., and Hoel W. (1982). The role of leadership in the employee withdrawal process. *Journal of Applied Psychology*, 65: 868-872.

Grandori, A. (2001). Governance structures, coordination mechanisms and cognitive models, *Journal of Management and Governance*, 1: 29-42.

Gubbi, S. R., and Elango, B. (2016). Resource Deepening Vs. Resource Extension: Impact on Asset-Seeking Acquisition Performance. *Management International Review*, *56*(3), 353-384.6.

Hafsi T. and Gauthier, B. (2003), Environment, strategy, and leadership patterns as a determinant of firm performance: A study of Cameroonian firms, *Professeurs titulaires, Cahier de recherché,* 25(01).

Halawi, L., Aronson, J. and McCarthy R. (2005) "Resource-based view of knowledge management for competitive advantage" *The Electronic Journal of Knowledge Management,* V3 (2): 75-86.

Hambrick, D. C., and Crozier, L. M. (1986). Stumblers and stars in the management of rapid growth. *Journal of Business Venturing*, 1(1): 31-45.

Hambrick, D. C. (2007). Upper echelons theory: An update. *Academy of management review*, 32(2): 334-343.

Hambrick, D. C. and Mason, P.A. (1984). Upper echelons: The organization as a reflection of its top managers, *Academy of Management Review*, 9(2): 193-206.

Hambrick, D.C. and Snow C. C. (1977). A contextual model of strategic decision making in organizations, *Academy of Management Proceedings* 108-112.

Harvey, P., Martinko, M. J., and Gardner, W. L. (2006). Promoting authentic behavior in organizations: an attributional perspective. *Journal of Leadership & Organizational Studies*, 13: 1-11.

Hawawini, G., Subramaniam V., and Verdin P. (2003) Is performance driven by industry or firm specific factors? A new look at the evidence. *Strategic Management Journal* 24: 1-6.

Helfat, C. E. (2000). Guest editor's introduction to the special issue: The evolution of Firm capabilities. *Strategic Management Journal*, 21(10-11): 955-959.

Helgesen, S. (1990). *The female advantage: Women's ways of leadership*. New York: Currency and Doubleday.

Herath, H. M., and Mahmood, R. (2014). Strategic orientations and SME performance: the moderating effect of absorptive capacity of the firm. *Asian Social Science*, 10(13): 95.

Hersey P. and Blanchard K.H. (1988). *Management of Organizational Behavior: Utilizing Human Resources*. Englewood Cliffs, NJ: Prentice-Hall International.

Hesselbein, F., Goldsmith, M., and Beckhard, R. (1996). *El líder del futuro*. Bilbao: Ediciones Deusto.

Hiroyuki Itami, (2000). *Mobilizing Invisible Assets*, Cambridge, MA: Havard University Press.

Hitt, M.A., Bierman, L., Shimizu, K., and Kochhar, R. (2001). Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource-based perspective. *Academy of Management Journal,* 44: 13–28.

Hitt, M.A., Clifford, P.G., Nixon, R.D., and Coyne, K.P. (1999). *Dynamic strategic resources: development, diffusion & integration.* Chichester: John Wiley & Sons.

Hitt, M.A., Dacin, M.T., Levitas, E., Arregle, J.L., and Borza, A. (2000). Partner selection in an emerging and developed market context: Resource-based and organizational learning perspectives. *Academy of Management Journal,* 43: 449–467.

Hitt, M. A., Bierman, L., Shimizu, K., and Kochhar, R. (2001). Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource-based perspective. *Academy of Management Journal,* 44.

Hrebiniak, L. G. (2005). Making strategy work: A guide to effective execution and change. *Wharton school publication in association with Pearson education, USA.*

Hrebiniak, L.G. (2006). Obstacles to effective strategy implementation. *Organizational dynamics*, 35(1): 12-31.

Hmieleski, K. M., Colem. l. S. and Robert A. Baron (2010). Shared Authentic Leadership and New Venture Performance, *Academy of Management Journal*, 52: 473-488.

Hmieleski, K. M., and Baron, R. A. (2009). Entrepreneurs' optimism and new venture performance: A social cognitive perspective. *Academy of management Journal*, 52(3): 473-488.

Hmieleski, K. M. and Ensley, M. D., (2005). A comparative study of new venture top management team composition, dynamics and performance between university-based and independent start-ups. *Research Policy*, 34(7): 1091-1105.

Hsieh, T. Y., & Yik, S. (2005). Leadership as the starting point of strategy. *McKinsey Quarterly*, 1: 67-76.

Holcomb, T. R., Holmes Jr, R. M., & Connelly, B. L. (2009). Making the most of what you have: Managerial ability as a source of resource value creation. *Strategic Management Journal*, 30(5): 457-485.

Hoopes D.G., Madsene, T.L., and Walker, G. (2003). Why is there a resource-based view? Towards a theory of competitive heterogeneity: *Strategic Management Journal*, 24: 889-902.

Hoopes D. G, Madsen T.L. and Walker G. (2003). Guest editors' introduction to the special issue: Why is there a resource-based view? Toward a theory of competitive heterogeneity. *Strategic Management Journal.* 24:889-902.

Hou, J. J. (2008). Toward a research model of market orientation and dynamic capabilities. *Social Behaviour and Personality*, 36(9): 1251-12http://dx.doi.org/10.2224/sbp.

Hough, L., Eaton, N.K., Dunnette, M.D., Kemp, J.D., and McCloy, R.A. (1990). Criterion-related validities of personality constructs and the effect of response distortion on those validities. *Journal of Applied Psychology*, 75.

Hough, J.R., and Ogilvie, D.T. (2005). An empirical test of cognitive style and strategic decision outcomes. *Journal of Management Studies*, 42(2): 417-48,581-595.

House, E. R. (1986). *New directions in educational evaluation*. London: Taylor &Francis.

House, R.J. (1976). A theory of leadership. I in Hunt, J.G., and Larson, L.L. (Eds), *Leadership: The Cutting Edge*. Carbondale, IL: Southern Illinois University Press. pp. 189-207.

Hoque, Z. (2004). A contingency model of the association between strategy, environmental uncertainty, and performance measurement: impact on firm performance, *International Business Review*, 13(4): 485-502.

Huang, F., & Rice, J. (2009). The role of absorptive capacity in facilitating "open innovation" outcomes: A study of Australian SMEs in the manufacturing sector. *International Journal of Innovation Management*, 13(2): 201-220. http://dx.doi.org/10.1142/S1363919609002261.

Hutzschenreuter, T.and Kleindienst, I. (2007). Strategy process research: what have we learned and what is still to be explored, *Journal of Management*, 32(5): 673720.

Ibrahim M., Sulaiman, M. & Abu-Jarad I. (2012). The Relationship between strategy implementation and performance of manufacturing firms in Indonesia: the role of formality structure as a moderator. *World Applied Sciences Journal*, 20 (7): 955-964.

Indermun, V. (2013). The impact of management activities and leadership styles on family-owned businesses: a theoretical perspective. *Arabian Journal of Business and Management Review (Oman Chapter)*, *3*(4), 7.

Indermun, V., and Karodia, A. M. (2013). The Site of Purgatory: Management Leadership Styles and its Impact on Employee Performance at a Family Owned Business. *Kuwait Chapter of the Arabian Journal of Business and Management Review*, *3*(1), 43.

Ishmael, O. (2013). Synergy: adaptability concept in managerial decisions accountant's perspective. *European Scientific Journal*, 8(12).

Irungu, S.M. (2007). The Effect of Top Management Teams on the Performance of Publicly Quoted Companies in Kenya. *Unpublished Ph.D. Thesis*, School of Business, University of Nairobi, Kenya.

Ismail, A., Halim F. A, Munna D. N, Abdullah A, Shminan A. S, and Muda A. L. (2010). The mediating effect of empowerment on the relationship between transformational leadership and service quality. J*ournal of Business Management*, 4(4): 3-12.

Jalali, S.H. (2012). Appraising the role of strategy implementation in export performance: A case from the Middle East, Business Intelligence Journal, Vol. 5 No.2:282-291.

Jacques, E. (1990). In Praise of Hierarchy. *Harvard Business Review*, 68, 127-13.

Javidan, M. and Waldman,D. A. (2003). Exploring charismatic leadership in the Public Sector sector: Measurement and consequences, *Public Administration Review*, March/April, 62: 229-239

Johlke, M. C., & Duhan, D. F. (2000). Supervisor communication practices and service employee job outcomes. *Journal of Service Research*, 3(2): 154-165.

John A. Parnell, (2010). Strategic clarity, business strategy and performance, *Journal of Strategy and Management*, 3(4): 304 – 324.

Jolly, D. R., and Therin, F. (2007). New venture technology sourcing: Exploring the effect of absorptive capacity, learning attitudes and past performance. *Innovation, Management, Policy and Practice*, 9(3-4): 235-248.http://dx.doi.org/10.5172/impp.2007.9.3-4.235.

Joiner, T.A., Spencer, X.S. and Salmon, S. (2009), "The effectiveness of flexible manufacturing strategies: the mediating role of performance measurement systems", International Journal of Productivity and Performance Management, 58(2): 119-35.

Kabacoff, R.I., and Stoffey, R.W. (2001). Age Differences in organizational leadership paper presented at 16th Annual Conference of the Society for Industrial and Organizational Psychology, San Diego: California.

Kanter, R. M. (1994). Collaborative advantage. *Harvard Business Review*, 72(4): 96-108.

Kaplan, R. S., and Norton, D. P. (2008). *The execution premium: Linking strategy to operations for competitive advantage*. Harvard Business Press.

Kaplan, R. and Norton, D. (2005). Office of Strategy Management. *Harvard Business Review* October 2010. Available at www.12manage.com/methods.

Kaplan, R. S., and Norton, D. P. (2001). *The strategy-focused organization: How balanced scorecard companies thrive in the new business environment*. Harvard Business Press.

Kariuki, A.W. (2014). Intellectual capital, corporate reputation, and performance of listed companies in Nairobi Securities Exchange. *Unpublished Ph.D.* Thesis, University of Nairobi.

Keith, M., Michael S. Cole, and Robert A. Baron. "Shared authentic leadership and new venture performance." *Journal of Management* 38.5 (2012): 1476-1499.

Kellermanns, F. W., Walter, J., Lechner, C., and Floyd, S. W. (2005). The lack of consensus about strategic consensus: Advancing theory and research. *Journal of Management, 31*(5), 719-737.

Kenny, D.A., Korchmoros J.D. and, Bolger N., (2003). Lower level mediation in multilevel models. *Psychological Methods*. 8: 115-128.

Ketchen, D.J. and Palmer, T.B. (1999). Strategic Responses to poor organizational performance: A test of competing perspectives, *Journal of Management*, 25 (5): 683–706.

Kiliç, M., and Aktuna, A. (2015). Perceptions on the obstacles of strategy execution: The case of Turkish public organizations. *Hacettepe Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, *33*(1).

Kim, C., Zhan, W., and Erramilli, M. K. (2011). Resources and performance of international joint ventures: The moderating role of absorptive capacity. *Journal of Asia Business Studies,* 5(2): 145160. http://dx.doi.org/10.1108/15587891111152311.

Kim, H., and Damhorst, M. L. (2013). Gauging concerns with fit and size of garments among young consumers in online shopping. *Journal of Textile and Apparel, Technology and Management*, *8*(3).

King, A. W., and Zeithaml, C. P., (2001). Competencies and firm performance: Examining the causal ambiguity paradox. *Strategic Management Journal*, 22: 75-99.

Kohtamäki M., Kraus S., Mäkelä M. and Rönkkö, M. (2012). The role of personnel commitment to Strategy implementation and organizational learning within the relationship between strategic planning and company performance", International *Journal of Entrepreneurial Behavior & Research*, 18(2): 159 – 178.

Koumaditis, K., Themistocleous, M., and Rupino Da Cunha, P. (2013). SOA implementation critical success factors in healthcare. *Journal of Enterprise Information Management*, *26*(4), 343-362.

Kozlowski S. and Ilgen M. (2006). A multilevel approach to theory and research in organizations. In K. Klein & S. W. J. Kozlowski (Eds.) *Multilevel Theory, Research and Methods in Organizations*. San Francisco: Jossey-Bass.

Kuhn, H. G., Dickinson-Anson, H., and Gage, F. H. (1996). Neurogenesis in the dentate gyrus of the adult rat: age-related decrease of neuronal progenitor proliferation. *The Journal of Neuroscience*, 16(6): 2027-2033.

Lawrence, P. R. and Lorsch, J. W. (1969). *Developing Organizations: Diagnosis and Action*. New York: Addison-Wesley Publishing Company Inc.

Lee, T. E. (2008). A review of scheduling theory and methods for semiconductor Manufacturing cluster tools. In *Proceedings of the 40th conference on winter simulation* (pp. 2127-2135). Winter Simulation Conference.

Lee, N. and Lings, I. (2008). *Doing business research: a guide to theory and practice*. New York: Sage.

Letting, N.K. (2011). Board of directors attributes strategic decision-making and corporate performance of firms listed on the Nairobi Securities Exchange *Unpublished Ph.D. Thesis*: University of Nairobi.

Lichtenthaler, U. (2009). Absorptive capacity, environmental turbulence, and the complementarily of organizational learning processes. *Academy of Management Journal,* 52: 822-846. http://dx.doi.org/10.5465/AMJ.2009.43670902.

Li, J. J. (2005). The formation of managerial networks of foreign firms in China: The effects of strategic orientations. *Asia Pacific Journal of Management,* 22(4): 423-443. http://dx.doi.org/10.1007/s10490-005-4118-8.

Li, Y., Guohui, S., and Eppler, M. J. (2008). *Making strategy work*. Università Della Svizzera, Italiana.

Liao, J., Welsch, H., & Stoica, M. (2003).Organizational absorptive capacity and responsiveness: An empirical investigation of growth-oriented SMEs. *Entrepreneurship Theory and Practice*, 25(4): 63-85. http://dx.doi.org/10.1111/1540-8520.00032.

Liao, S. H. & Hu, T. C. (2007). Knowledge, transfer and competitive advantage on environmental uncertainty: An empirical study of the Taiwan semiconductor industry, *Technovation,* 27: 402-411.

Li Chen, H. (2005). A competence-based strategic management model factoring in key success and benchmarking: an international competitive advantage. *Strategic Management Journal*, 12(4): 364-382.

Liedtka, J. (2000b). Strategic planning as a contributor to strategic change: a generative model. *European Management Journal,* 18(2): 195-206.

Lin-Van, Y., De-Van, Y., and Yun-Horng, R. (2010). Learning and innovation in small and medium enterprises. *Industrial Management Data and Systems,* 110(2): 175-192. http://dx.doi.org/10.1108/02635571011020296

Ling, Y., Zeki S., Michael, H. and Vega J. (2008).The impact of transformational CEOs on the Performance of small- to medium-sized firms: Does organizational context matter? *Journal of Applied Psychology*, 93(4): 923–934.

Lim, L. L., Laosirihongthong, T., and Chan, C. C. (2006). A case study of learning in a Thai manufacturing organization. *Journal of Applied Business Research.*

Lumpkin, G.T., and Dess, G.G. (1995): Simplicity as a Strategy-Making Process: The Effects of Stage of Organizational Development and Environment on Performance, *Academy of Management Journal,* 38 (5): 1386–1407.

Luliya T., Sununta S., Yuosre B. and Chotchai C. (2013),"Competitive strategies and firm performance: the mediating role of performance measurement", *International Journal of Productivity and Performance Management,* 62(2): 168 – 184.

Lopez, S.P., Peon, J.M.M. and Ordas, C.J.V. (2005). Organizational Learning as Determining Factor in Business Performance. *The Learning Organization, 12* (3), 227-245.

Lusthaus, C. M., Adrien, M.H.G., Anderson,G., Carden, F. & Montalvan, P,(1999). *Enhancing organizational performance: A Toolbox for self-assessment,* Ottawa: International Development Research Centre.

Lyman, T. R. (2000). Supporting microfinance abroad: Introductory legal issues for US grantmakers. *The International Journal of Not-for-Profit Law, 2*(4), 222-224.

MacMillan, H. and Tampoe, M. (2000). *Strategic Management: Process, Content, and Implementation*. New York: Oxford university press.

Maina, F. G. & Sakwa M. M., (2010). Understanding financial distress among listed firms in Nairobi stock exchange: a quantitative approach using the Z-score multi-discriminant financial analysis model. *Jomo Kenyatta University of Agriculture and Technology*, Nairobi, Kenya.

Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic capability: Views of rent creation, *Strategic Management Journal, 22:* 387-401.

Manikutty, S. (2000). Family business groups in India; A resource-based view of the emerging trends. *Family business Review* 13 (4): 279-292.

Matanda, M.J. and Freeman S (2009). Effect of perceived environmental uncertainty on exporter–importer inter-organizational relationships and export performance improvement. *International Business Review*. 18: 89-107.

McNamara G., Aime, F. and Vaaler, M. (2005). Is performance driven by industry or firm specific factors? A response to Hawawini, *et al, Strategic Management Journal* 26: 1075-1081.

McCabe, D. L., & Dutton, J. E. (1993). Making sense of the environment: The role of perceived effectiveness. *Human Relations*, 46(5): 623-643.

McDaniel, C., and Wolf, G.A. (1992). Transformational leadership in nursing service: a test of the theory. *Journal of Nursing Administration*, 22: 60-65.

McGahan, A. M., & Porter, M. E. (1997). How much does industry matter, really? *Harvard Business Review,* 74(6): 61-78.

Meindl, J.R., (1990). The romance of leadership as a follower-centric theory: a social constructionist approach, *Leadership Quarterly*, 6(3): 329-41.

Menon, A., Bharadwaj, S. G., Adidam, P. T., & Edison, S.W. (1999). Antecedents and consequences of marketing strategy making: A model and a test. *Journal of Marketing,* 63(2): 18-40.

Meyers, L. S., Gamst, G., & Guarino, A. J. (2006). *Applied multivariate research: Design and interpretation*. Sage.

Miller, D. (1988). Relating Porter's business strategies to environment and structure: analysis and performance implications, *Academy of Management Journal*, 31: 280-308.

Miller, D. (1997). Configurations revisited. *Strategic Management Journal,* 13(1): 111-125.

Miller, D. (1987). The structural and environmental correlates of business strategy. *Strategic Management Journal*, 8 (1): 55-76.

Mintzberg, H. (1994). Rethinking strategic planning part I: pitfalls and fallacies. *Long range planning*, 27(3): 12-21.

Mintzberg, H. (1990). The design school: reconsidering the basic premise of strategic management. *Strategic Management Journal*, 11: 171-195.

Mishra, G. P., Grunewald, D. & Kulkarni, N. A. (2014). Leadership styles of senior and middle-level managers: A Study of selected firms in Muscat, Sultanate of Oman. *International Journal of Business and Management*; 9(11).

Moynihan, D.P., Pandey S, K. & Bradley E. Wright (2011). Setting the table: How transformational leadership fosters performance information use, *Journal of Public Administration Review*, *72*(2), 206-215.

Moore, M. H. (2002). Managing for Value organization strategy in for-profit, nonprofit & government organization; *Voluntary Sector Quarterly 29(Suppl. 1) 183-204.*

Moore, M. H. (2000). Managing for value: Organizational strategy in for-profit, nonprofit, and governmental organizations. *Nonprofit and Voluntary Sector Quarterly*, 29(1): 183208.

Moore, M. H. (1995). *Creating public value: Strategic management in government*. Harvard University Press.

Morgeson, F. P., DeRue, D. S., & Karam, E. P. (2010). Leadership in teams: A functional approach to understanding leadership structures and processes. *Journal of Management*, 36: 5-39

Mugenda, O. M. and Mugenda, A. G. (2004). *Research Methods. Quantitative and Qualitative Approaches*. Nairobi: African Centre for Technology Studies.

Muscio, A. (2007). The impact of absorptive capacity on SMEs collaboration. *Economics of Innovation and New Technology*, 16: 653-668. http://dx.doi.org/10.1080/10438590600983994.

Mustapa R. I., Ghazali N. A and Mohamad M. H. (2015). The Influence of Corporate Governance and Organizational Capacity on the Performance of Malaysian Listed Companies, *Mediterranean Journal of Social Sciences,* Vol 6 No 3 S1, *2039-2117*

Murray, T. S., and Peyrefitte, J. (2007). Knowledge type and communication media choice in the Knowledge transfer process. *Journal of Managerial Issues,* 19: 111-133.

Murphy, K. R., and Davidshofer, C. O. (1988). Psychological testing. *Principles, and Applications, Englewood Cliffs*.

Nairobi Stock Exchange Handbook (2009). *Corporate information and financial review of listed equity companies*. Nairobi.

Hakala, H. E. N. R. I. (2010). Configuring out strategic orientation. *Business Administration*, *95*.

Narver, J., and Slater, S. (1990). The effect of market orientation on business profitability. *Journal of Marketing*, 54(4): 20-35. http://dx.doi.org/10.2307/1251757.

Njagi, L., and Kombo, H. (2014). Effect of strategy implementation on the performance of Commercial Banks in Kenya, *European Journal of Business and Management* 6(13): 2014.

Noble, C. H. (1999b). Building the strategy implementation network. *Business Horizons*, 42: 19-28.

Noble, C. H. and Mokwa, M. P. (1999). Implementing marketing strategies: Developing and testing a managerial theory. *Journal of Marketing*, 57-73.

Nonoka, I. and Takeuchi, H. (1995). *The Knowledge-creating Company. How Japanese Companies Create the Dynamics of Innovation*. New York: Oxford Press.

Nonaka, I. (1991). The knowledge-creating company, *Harvard Business Review* (November-December), 96-104.

Neuman, W. L. (2006). *Social research methods: Qualitative and quantitative approaches*. New York: Pearson Education Inc.

Newbert, S. L. (2007). Empirical research on the resource-based view of the firm: an assessment and suggestions for future research. *Strategic management journal*, 28(2): 121-146.

Newbert, S. L., Gopalakrishnan, S., and Kirchoff, B. A. (2008). Looking beyond resources: Exploring the importance of entrepreneurship to firm-level competitive advantage in technologically intensive industries. *Technovation*, 28: 6-19. *http://dx.doi.org/10.1016/j.*

Ngugi, R., Amanja, D., and Maana, I., (2012). Capital market, financial deepening and economic growth in Kenya, *International Journal of Social Sciences and Entrepreneurship*, 1(11).

Nguyen, M.Q. and Nguyen, P.V. (2013). The impact of external environment, technology and innovation capacities, and leadership development on organizational performance in the food industry. A qualitative study of food enterprises in Ho Chi Minh City, Vietnam, *International Journal of Business, Humanities and Technology*, 3(4).

Nunnally, J. (1978). *Psychometric methods*. New York: McGraw-Hill.

Nunnally, J. C., Bernstein, I. H., and Berge, J. M. T. (1967). *Psychometric theory* 226. New York: McGraw-Hill.

Ogbeide, G.A. and Harrington, J. R. (2010). The relationship among participative management styles, strategy implementation and performance in the service industry, *International Journal of Hospitality Management*, 23(6): 719-738 ISSN 2167-9606 Print/ ISSN 2167-9614 Online © 2012 World Scholars.

Ogbonna, E. and Harris. L.C. (2000). Leadership style, organizational culture, and performance: Empirical evidence from UK companies, The *International Journal of Human Resource Management*, 11(4); 766-788, DOI: 10.1080/09585190050075114.

Oginni, B. O. and Adesanya, S. A. (2013). Business environmental factors: Implications on the survival and growth of business organizations in the manufacturing sector of Lagos Metropolis, *Business and Management Research*, 2(3).

Ojokuku R. M, Odetayo T. A., and Sajuyigbe A. S., (2012). The impact of leadership style on organizational performance: A case study of Nigerian Banks. *American Journal of Business and Management, 1*(4): 202-207.

Oliver, R. L. and Anderson E. (1987). Perspectives on Behavior –Based versus Outcome-based Salesforce Control Systems. *Journal of Marketing*, 76-88.

Okumus, F. (2003). A framework to implement strategies in organizations. *Management. The decision*, 41(9): 871-882.

O'Reilly, C., Tushman, M., and Harreld, J. B. (2009). Organizational ambidexterity: IBM and emerging business opportunities, *Leadership Quarterly*, 21(1): 104-113

O'Reilly, C.A., Caldwell, D, F., Chatman, J.A., Lapiz M., and Self, W. (2010). How leadership matters: the effects of leaders' alignment on strategy implementation. *Leadership Quarterly*, 21(1): 104-113.

O'Regan N. and Ghobadian, A.S., (2005). Martin The link between leadership, strategy, and performance in manufacturing, *Journal of Small Business Strategy Vol. 15. No. 2*

O'Sullivan, D., & Abela, A. V. (2007). Marketing performance measurement ability and firm performance. *Journal of Marketing*, *71*(2), 79-93.

Özsahin, M., Zehir, C., and Acar, A. Z. (2011). Linking leadership style to firm performance: The mediating effect of the learning orientation. *Procedia-Social and Behavioral Sciences*, *24*, 1546-1559.

Parida, V. (2009). The role of entrepreneurial orientation in overcoming the competency trap of absorptive capacity. *Frontiers of Entrepreneurship Research*. Retrieved from http://digitalknowledge.babson.edu/fe/vo129/iss4/9.

Patel, V.L. Kaufman, D.R. and Magder, S.A. (1996). The Acquisition of medical expertise in complex dynamic environments. In: Ericsson K. A. ed. The Road to Expert Performance: Empirical Evidence from the *Arts & Sciences, Sports, and Games.* Hillsdale, NJ: Lawrence Erlbaum. Pp. 127-165.

Pearce, A. J. and Robinson, B. R. (1997). *Strategic Management: Formulation, Implementation, and Control.* (6th ed.). Irwin: McGraw-Hill.

Pertusa-Ortega, E.M., Claver-Cortes, E. and Molina-Azorin, J.F. (2009): Strategy, Structure, Environment and Performance in Spanish Firms, *Euro-Med Journal of Business*, 3(2): 223-239.

Peters, T. and Waterman, R. (1982). In *Search of Excellence*. New York: Harper and Row.

Peterson, K. D. and Deal, T. E. (1998). How leaders influence the culture of schools. *Educational Leadership*, 56: 28-31.

Peteraf, M. A. and Barney, J. B. (2003). Unraveling the resource-based tangle. *Managerial and decision economics*, 24(4): 309-323.

Pfeffer J., (1977). The ambiguity of leadership. *Academy of Management Review*, 2(1): 104-12.

Pfeffer, J. and Salancik, G. R., (1978). *The External Control of Organizations*. New York: Harper and Row.

Pfeffer, J. and Salancik, G. R., (2003). *The External Control of Organizations: A resource dependence perspective*, Stanford: Stanford Business Books.

Perren, L. and Burgoyne J. (2001). Management and leadership abilities. an analysis of texts, testimony and practice. London, Council for Excellence in Management and Leadership.

Piercy, N. F., Low, G. S., and Cravens, D. W. (2004). Consequences of sales management's behavior and compensation-based control strategies in developing countries. *Journal of International Marketing*, 12(3): 30-57.

Piercy, F., Nigel, B. A. and Craves, D. W. (2001). Examining Business Strategy, Sales management and Salesperson Antecedents of Sales Organization effectiveness. *The Journal of Personal Sailing & Sales Management*, 21: 109 - 121.

Podsakoff P. M., MacKenzie S. B., Lee N, J. and Podsakoff Y. P., (2003). Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies. *Journal of Applied Psychology*, *88*(5), 879-903.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competition*. New York: The Free Press.

Porter, M. E. (1985). *Competitive strategy: Creating and sustaining superior performance*. New York: The Free Press.

Porter, M. E. (1996). What is the strategy? *Harvard Business Review*, 74(6): 61-78.

Prescott, E. C., (1986). Environment as Moderators of the relationship between Strategy and Performance. *The Academy of Management Journal*, 29(2): 329-246.

Priem, Richard L. and Butler, John E. (2001). Is resource-based "view" a useful perspective for strategic management research? The *Academy of Management Review*, 26 (1): 22-40.

Qureshi, M. S. (2010). Determinants and outcomes of Marketing Capabilities in new technology-based firms in Berlin, Germany: an empirical study. *Doctorate Dissertation, Berlin*.

Raduan, C., Abdullah, H. and Alimin, I. I. (2010). A Review of the Relationship between Organizational Resources, Competitive Advantage and Performance, *Journal of International Social Research*, 3.

Ramanujam,V. and Venkatraman,N. (1987). Planning systems characteristics and planning effectiveness, *Strategic Management Journal*, 29 (2): 347-372.

Randall, W.J., and Gary,G. (2006). Applied principles of measuring performance. *European Management Finance* (on Line), (http:// www.answers.com/ topic/Journal, 12(2): 123-132.

Ravenscraft, D. J. (1983). The structure-profit relationship at the line of business and industry level. *The Review of Economics and Statistics*, 22-31.

Richard, O.C. (2000). Racial diversity, business strategy, and firm performance: a resource-based view, *Academy of Management Journal*, 43(2): 164-177.

Riding, R., & Rayner, S. (1998). *Cognitive Styles and Learning Strategies: Understanding Style Differences in Learning and Behaviour*, London: Fulton.

Robbins, T. L., & Miller, J. L. (2004). Considering customer loyalty in developing service recovery strategies. *Journal of Business Strategies*, 21(2): 95-109.

Robbins, S. (2000). *Organizational Behaviour*. San Diego: Prentice Hall

Roderman, B., Schoemaker, T., Spate, B., and Formby, T. (1999). *U.S. Patent No. D404, 381*. Washington, DC: U.S. Patent and Trademark Office.

Roger, J. G. (2008). Transformational leadership: the impact on organizational and personal outcomes, *Emerging Leadership Journeys*, 1: 4-24.

Rowe, A.J, Mason, R.O., Dickel, K.E., Mann, R.B. and Mockler, R.J. (1994). *Strategic Management: A Methodological Approach*. Fourth Edition, Price Hall

Russo, MV, and Fouts, P.A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal*, 40(3): 534–559.

Rumelt, R. P., Schendel, D. and Teece, D. J. (1991). Strategic management and economics. *Strategic Management Journal*, 12(2): 5-29.

Rumelt, R. P. (1991). How much does industry matter? *Strategic Management Journal*, 12: 167-185.

Saunders M., Lewis, P. & Thornhill, A. (2007). *Research methods for business students*, Financial Times, Fourth Edition, San Diego.

Savedoff, W. D. (ed.). 1998. *Organization matters Agency problems in health and education in Latin America.* Washington, D.C., Inter-American Dev. Bank.

Saville, P., Sik, G., Nyfield, G., Hackston J. and MacIver, R. (1996). A demonstration of the validity of the occupational personality questionnaire in the measurement of job competencies across time and in separate organizations. *Applied Psychology: An International Review*, 45: 243-262.

Sekaran, U. (2006). *Research Methods for Business. A Skill Building Approach*, New York: John Willey & Sons, Inc.

Schroder, H.M. (1994). Managerial competence and style, in Kirton, M.J. (Ed.). *Adaptors and Innovators: Styles of Creativity and Problem Solving*, New York: Routledge. pp. 91-113.

Schwenk, C. R. (1995). Strategic decision making. *Journal of Management*, 21(3):471-493.

Schulze, B., Thielmann, B., Sieprath, S., and Hess, T. (2005). The Bertelsmann AG: An exploratory case study on synergy management in a globally acting media organization. *International Journal on Media Management, 7*(3-4), 138-147.

Schmidt, S. L., and Brauer, M. (2006). Strategic governance: How to assess board effectiveness in guiding strategy execution. *Corporate Governance: An International Review*, 14(1): 13-22.

Shah, A.H (2005). The foundations of strategy implementation. *Global Business Review*, 6(2): 293-302.

Shakti, N., and Gupta, P. S. (2010). Structural and optical properties of sol-gel prepared ZnO thin film. *Applied Physics Research*, *2*(1), 19.

Singh, N., and Krishnan, V. R. (2008). Self-sacrifice and transformational leadership: the mediating role of altruism. *Leadership & Organization Development Journal*, 29(3): 261–274. http://dx.doi.org/10.1108/01437730810861317.

Singh S. P2004). *Corporate Strategy,* Delhi: A.I.T.B.S. Publisher &Distributors.

Short, J. C., Ketchen, D. J. Jr., and Palmer, T.B. (2002). The role of sampling in strategic management research on performance. A two study analysis. *Journal of Management*, 28(3): 363-385.

Siggelkow, N. (1998). Evolution towards Fit, *Administrative Science Quarterly, Vol.47:125-159.*

Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of management review*, *32*(1), 273-292.

Sirmon, D. G., Hitt, M. A., Ireland, R. D., & Gilbert, B. A. (2011). Resource orchestration to create competitive advantage breadth, depth, and life cycle effects. *Journal of Management*, *37*(5), 1390-1412.

Slater, S., Olson, E., and Hult, T. (2006). The moderating influence of strategic orientation on the strategy formation capability-performance relationship. *Strategic Management Journal*, 27:1221-1231.

Simonton, D.K (1994). *Who Makes History & Why?* New York: The Gilford Press.

Sinkula, J. M., Baker, W. A., and Noordewier, T. (1997). A framework for market-based organizational learning: Linking values, knowledge, and behavior. *Academy of Marketing Science Journal*, 25(4): 305-318. http://dx.doi.org/10.1177/0092070397254003.

Spencer, X., Sarah, Y., Joiner, T.A. and Salmon, S. (2009), Differentiation strategy, performance measurement systems and firm performance: evidence from Australia, *International Journal of Business*, 14 (1): 1-22.

Starbuck, W.H. (2004). Methodological challenges posed by measures of performance. *Journal of Management and Governance*, 8(4): 337-343.

Sterling, J. (2003). Translating strategy into effective implementation, dispelling myths and highlighting what works, *Strategy and Leadership*, 31(3): 27-34.

Stordeur, S., Vandenberghe, C., and D'hoore, W. (2000). Leadership styles across hierarchical levels in nursing departments. *Nursing Research*, 49, 37-43.

Stiles, J. (2003). A philosophical justification for a realist approach to strategic alliance research, *Qualitative Market Research: An International Journal*, *6*(4), 263-271.

Sun, P. Y., and Anderson, M. H. (2010). An examination of the relationship between absorptive capacity and organizational learning and a proposed integration. *International Journal of Management Reviews*, 12(2): 130-150. http://dx.doi.org/10.1111/j.1468 2370.2008.00256.

Sutton, R. L, and Callahan A. L., (1987). The stigma of bankruptcy: Spoiled organizational image and its management, *Academy of Management Journal* 30: 405-436.

Swart, J. (2006). Intellectual capital: disentangling an enigmatic concept. *Journal of Intellectual Capital*, 7(2): 136-159.

Schmalensee, R. (1985). Do markets differ much? *The American Economic Review*, 341-351.

Tabachnick, B. G., & Fidell, L. S. (2007). Multivariate analysis of variance and covariance. *Using multivariate statistics*, 3: 402-407.

Tabachnick, B. G., and Fidell, L. S. (1996). *Using multivariate statistics.* New York: Harper Collins.

Tam, V.W. & Zeng S.X (2007). Towards business environment of foundry industry. *Emirates Journal for Engineering Research*, 12 (3): 109-115.

Tangen, S. (2005). Demystifying productivity and performance. *International Journal of Productivity and performance management*, *54*(1), 34-46.

Tapinos, E., Dyson, R.G. and Meadows, M. (2005). The impact of performance measurement systems on direction setting, a case study of University of Warwick, *Production Planning and Control*, 16(2): 189-98.

Taslak, S (2004). Factors restricting success of strategic decisions: evidence from the Turkish textile industry, *European Business Review*. 16(2): 152-164.

Teece, D. J., Pisano, G., and Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7): 509-533.

Teo, T. S. H., Tan, M., and Buk, W. K. (1997). A contingency model of internet adoption in Singapore. *International Journal of Electronic Commerce*, 2(2): 95-118.

Tishler, A. and Carmeli, A. (2004). The relationships between intangible organizational elements and organizational performance. *Strategic Management Journal*, 25(13): 1257-1278.

Thompson, Strickland and Gamble (2007). *Crafting and Executing Strategy: Texts and Readings*. (15th ed). Irwin: McGraw-Hill.pp.356-447.

Tosi, H. L., Misangyi, V. F., Fanelli, A., Waldman, D. A., and Yammarino, F. J. (2004). CEO charisma, compensation, and firm performance. *The Leadership Quarterly*, 15: 405–420.

Venkatraman, N., and & Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of approaches. *Academy of management review*, *11*(4), 801-814.

Venkatraman, N. and Ramanujam, J. (1987). Measurement of business economic performance; an examination of method convergence. *Journal of Management Review*, 11: 801-814.

Verbeeten, F.H.M. and Boons, A.N.A.M. (2009), Strategic priorities, performance measures, and performance: an empirical analysis in Dutch firms, *European Management Journal*, 27(2): 113-28.

Verheul, I., Wennekers, S., Audretsch, D., and Thurik, R. (2002). An eclectic theory of entrepreneurship: policies, institutions, and culture. In *Entrepreneurship:Determinants and policy in a European-US comparison* (pp. 11-81). Springer US.

Vries, R.E., Roe, R.A., and Taillieu, T.C.B. (1998). The need of supervision: its impact on leadership effectiveness. *The Journal of Applied Behavioral Science, December*, 486-501.

Vroom, V., Yetton, P. W., and Jago, A. G. (1974). *A normative model of leadership styles. Unpublished student handout, School of Organization and Management,* New Haven, CT: Yale University.

Waldman, D .A. Ramirez, G.G., House, R.J., and Puranam, P. (2001). Does leadership matter? CEO leadership attributes and profitability under conditions of perceived environmental uncertainty. *Academy of Management Journal*, 44: 134-143.

Waldman, D. A., and Yammarino, F. J. (1999). CEO charismatic leadership: Levels-of-management and levels-of-analysis effects. *Academy of Management Review,* 24: 266–285.

Walker, G. (2004). *Modern Competitive Strategy*. Irwin: McGraw-Hill.

Walker, G., Kogut, B., and Shan, W. (1997). Social capital, structural holes and the formation of an industry network. *Organization science,* 8(2): 109-125.

Wang, C., and Han, Y. (2011). Linking properties of knowledge with innovation performance: The moderate role of absorptive capacity. *Journal of Knowledge Management,* 15(5): 802-819. http://dx.doi.org/10.1108/ 13673271111174339.

Wang, S., Hong, Y., Archer, N., and Wang, Y. (2011). Modeling the Success of Small and Medium Sized Online Vendors in Business to Business Electronic Marketplaces in China: A Motivation–Capability Framework. *Journal of Global Information Management (JGIM), 19*(4), 45-75.

Wernerfelt, B. (1984). A resource-based theory of the firm, Strategic Management Journal, Vol. 5, pp. 171-80.

Wheelen, T.L. and J.D. Hunger, (2006). *Strategic Management and Business Policy* (10 ed.). New Jersey, Prentice-Hall.

Whetten, D., Cameron, K., and Woods, M. (2000). *Developing Management Skills for Europe*, 2nd ed. Harlow: Pearson Education.

Widodo, (2011) Building strategy quality, *International Journal of Business and Management,* 8 (6): 180-192.

Wright, P. M., Dunford, B. B., and Snell, S. A. (2001). Human resources and the resource-based view of the firm. *Journal of management*, 27(6): 701-721.

Yangchao, G., Shunlin, Y., Lincheng, Y., and Chialiao, S. (2011). A research on the relationship between market orientation, absorptive capability, organizational innovation climate and innovative behavior in Taiwan's manufacturing industry. *African Journal of Business Management*, 5(19): 7855-7863.

Yeoh, P. (2009). Realized and potential absorptive capacity: Understanding their antecedents and performance in the sourcing context. *Journal of Marketing Theory and Practice,* 17(1): 21-36. http://dx.doi.org/10.2753/ MTP1069-6679170102.

Yin, R. K. (1981). The case study crisis: some answers. *Administrative Science Quarterly*, 26(1): 58-65.

Yukl, G. (2002). The future of leadership research: challenges and opportunities. *Journal of Research in Human Resource Management*, pp. 359-365.

Yu, W. and Ramanathan R., (2011). Effects of business environment on operation strategy: an empirical study of retail firms in China. *NUBS Research Paper Series.* 19, 708-722.

Zaccaro, S. J., Heinen, B., & Shuffler, M., (2009). Team leadership and team effectiveness. In E. Salas, G. F. Goodwin, & C. S. Burke (Eds.), *Team effectiveness in complex organizations: Cross-disciplinary perspectives and approaches*. New York: Routledge. Pp. 83-111

Zahra, S.A. and Covin, J.G. (1993) 'Business Strategy, Technological Policy and Firm Performance', *Strategic Management Journal*, 14: 451–78.

Zairi, M. (2003). Performance Excellence: *A Practical Handbook*, Dubai: eTQM Publishing House. pp. 5-2.

Zeithmal, C.P. and Fry L.W. (1984): Contextual and Strategic Differences among Mature Business in Four Dynamic Performance Situations, *Academy of Management Journal*, 27: 841–860.

APPENDICES

APPENDIX A: LETTER OF INTRODUCTION

Dear Sir/Madam,

RE: Organizational Capacity, Strategy Implementation, Competitive Environment and Firm Performance of Companies Listed on Nairobi Securities Exchange

I am a doctoral Candidate in the Department of Business Administration, School of Business, University of Nairobi. I am in my research year of my postgraduate studies focusing on leadership, resources, strategy implementation, industry environment and firm performance of companies listed on Nairobi Securities Exchange.

Please assist me in gathering enough information to present a representative finding on the current status on the above topic by completing the attached questionnaire. Your participation is entirely voluntary and the questionnaire is strictly anonymous.

If you are interested in the results from this study you are welcome to request a copy of the final report by supplying your name and email address. Any queries regarding the questionnaire or the overall study can be directed to the undersigned. Please be assured that this information is sought for research purposes only and your responses will be strictly confidential. No individual's responses will be identified as such and the identity of persons responding will be treated as confidential. All information will be used for academic purposes only.

Thank you very much for helping in this important study.
Sincerely,

Agnes Gitahi: Mobile Telephone Number: 0726-844656
agwngari@yahoo.com
D80/80281/09

APPENDIX B: RESEARCH QUESTIONNAIRE

Part I: Respondent's and organizational Information

This questionnaire is designed to collect data from companies that are listed in Nairobi Securities Exchange, which will be analyzed to establish the effects of organizational capacity, strategy implementation, and competitive environment on performance. The data shall be used for academic purposes only, and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated. All information in this questionnaire will remain absolutely confidential and will be seen only by academic researchers involved in this study.

Name of Organization……

Please state your position/title ……

Number of years worked with the organization

Less than 1	[ ]	1- 3	[ ]	4 – 9	[ ]
10 -15	[ ]	16-19	[ ]	Over 20	[ ]

What is the market coverage of your organization?

National [ ]
Regional (within East Africa) [ ]
Continental (Within Africa) [ ]
International (Africa and Beyond) [ ]

What is the number of years the organization has been in operation?
Less than a year [ ]
Between 1 – 3 [ ]
Between 4 – 6 [ ]
Between 7 – 10 [ ]
Over 10 years [ ]

Which of the following categories best describes your firm's business activity?

Agriculture [ ] Investment [ ] Manufacturing& Allied [ ] Automobiles &Accessories [ ] Banking [ ] Commercial & Services [ ] Construction & Allied [ ] Energy & Petroleum [ ] Insurance [ ] Telecommunication & Technology [ ]

What is the number of employees in your organization?

Less than 50 [ ]

Between 50-100 [ ]

Between100-150 [ ]

Over 150 [ ]

Part II: Organizational Capacity (Leadership Style): Indicate the extent to which the following statements express leadership style in your organization
1=Not at all: 2=Small extent: 3=Moderate extent: 4=Great extent: 5=Very great extent

Task-Oriented Style	1	2	3	4	5
The leadership defines the task structure					
The leadership has written statement of what the organization aspires to become or achieve (e.g. vision statement); the vision stretches the organization but is achievable and provides enough detail to inform planning.					
Major decisions are made in light of their strategic implications					
The leaders have a clear vision of the future					
The leadership develops the strategic plan					
The leadership allocates work and resources based on strategic needs					
The leadership controls quality					
The leadership monitors and evaluates performance against plan					
The leadership adjusts the work plans based on strategy					
The current vision and plan for the future represent the "best thinking" from all of the members of your leadership team					
Team- Oriented Style					
There are team leaders in place					
Different teams work under different leaders					
Team building exercises are organized regularly					
Team leaders meet at least once a month					
The leadership has institutionalized intra-group communication					
The leaders provide conditions necessary for employee motivation					

Individual-Oriented Style					
The leadership in this organization attends to personal problems					
Leaders praise individuals when they perform well					
Leaders recognize and use individual abilities					
The leaders develop the individual employees					
All individual employees understand and can make the connection between what they do and how they contribute to the future vision of the company.					
Individual employees spend most of their time on activities that contribute to the future and vision of the organization and have set clear and measurable goals that support company strategy.					

Part 111: Organizational Capacity (Organizational Resources): indicate the extent to which these statements represent resource position in your organization**? 1=Not at all:2=Small extent: 3=Moderate extent: 4=Great extent: 5=Very great extent**

	1	**2**	**3**	**4**	**5**
Financial resources					
The leaders effectively pool resources and expertise toward a shared goal.					
The leadership regularly access inventory and competencies and assets of the organization.					
My organization has adequate budgetary allocation for strategy implementation					
My organization has adequate and ready sources of financing					
My leaders ensure prudent utilization of funds budgeted for strategy implementation					
Physical facilities					
There is enough office space					
There is extra space that can be used when need arises					
In general, the facilities available are enough to cater for strategy implementation					
The leadership regularly evaluates the capacity requirements needed as part of the planning process for any new programs, services and/or activities.					
Employees skills					
The organization has an overall approach to human resource development					
Human resource development programs are tied to the needs for strategy implementation					
The organization has a training and development policy that support strategy implementation					

Technology					
There are adequate planning, systems, and training in place for managing organizational technologies					
The available Information Communication Technology facilities are adequate for corporate strategy implementation					
The organization has acquired relevant and adequate technologies for strategy implementation					

Part 1V: Strategy Implementation: Indicate the extent of your agreement disagrees the following statements relating to your firm's strategy implementation**.**
1=Strongly disagree: 2=Disagree: 3= Do not know: 4=Agree: 5=Strongly agree

	1	**2**	**3**	**4**	**5**
Strategy implementation					
The organization appropriately plans its strategy implementation programs on monthly and annually basis.					
There is a timely allocation of financial resources to implement strategies.					
There are written plans, policies, and procedures that guide implementation of each strategy.					
Recognition of employees and reward systems are pegged on strategy implementation					
Organizational strategies are evaluated at least four times a year					
There is a framework of monitoring and evaluation for strategy implementation in place.					
Top leadership meets at least once a month to review strategy implementation					
Communication					
Strategy implementation is facilitated by well-functioning communication system					
Staff members receive feedback information related to the strategy implementation progress					
communications systems (hardware) are functioning at the level required most of the time					
Change management					
The organization experiences resistance to change the status quo					
The organization is able to align the organization culture to the corporate strategy					
The organization has effectively used incentives to encourage the required behavior for strategy implementation					
The governing structure has the mechanisms to review and assess organizational performance and, if appropriate, create conditions to support change					

Roles within the organization (groupings as well as individual) are clearly defined, yet flexible enough to adapt to changing needs					
Definition of employees roles is linked to the needs of corporate strategy implementation					
Performance appraisal is based on performance indicators linked to corporate strategies					
Recruitment of new staff is directly linked to strategy implementation					

Part 1V Competitive Environment: (Indicate the level at which you agree with the following statements relating to your firm's competitive environment.
1= Strongly Disagree: 2= Moderately Disagree: 3= Neutral: 4= Moderately Agree: 5= Strongly Agree

	1	**2**	**3**	**4**	**5**
There are many substitute products in the industry					
There are many competitors entering the market					
There are new competitive moves in the industry frequently					
The bargaining power of customers is usually high					
The bargaining power of suppliers is usually high					
The leadership is aware of external environments that may pose future opportunities and threat for the company					
The company leadership regularly monitors and analyze the competitive environment and use the information to set direction and determine activities					
The leadership has developed competitors intelligent system					
The company's' products are not differentiated					

Part VI: FIRM PERFORMANCE

a) Fill in the Financial Performance as required:

	2009	2010	2011
Profits per year			
Return on equity per year			
Dividends per year			

b) Non-Financial indicators: Indicate to what extent you agree or disagree with the following statements relating to your firm's non-financial performance? Use the keys provided to TICK:
1= Strongly Disagree: 2= Moderately Disagree: 3= Neutral: 4= Moderately Agree: 5= Strongly Agree

	1	2	3	4	5
Our customers are loyal to our products/services					
The customer satisfaction index is high					
The organization has growing market share					
We retain our employees because they are satisfied					
The stakeholders are highly satisfied with organization performance					
Employee turnover is usually low					

If you would like to make any other comments regarding any of the items included in the questionnaire, please write them in the space provided below.
……
……
……
……
……
……
……

THANK YOU FOR YOUR PARTICIPATION IN THIS STUDY

APPENDIX C: COMPANIES LISTINGS AS OF JUNE 2012

ECONOMIC SECTOR	LISTED COMPANY	BUSINESS PRODUCTS/SERVICES
Agriculture	1. Eaagads Limited	Coffee growing and sales
	2. Kakuzi Limited	Coffee, tea, passion fruit, avocados, citrus, pineapple, others
	3. Kapchorua Tea Company Limited	Tea growing, processing, and marketing
	4. Limuru Tea Company Limited	Tea growing
	5. Rea Vipingo Sisal Estate	Sisal
	6. Sasini Tea and Coffee	Tea, coffee
	7. Williamson Tea Kenya Limited	Tea growing, processing, and distribution
Automobiles and Accessories		
	1. Car & General Kenya	Automobiles, engineering, agriculture
	2. CMC Holdings	Automobile distribution
	3. Marshalls East Africa	Automobile assembly
	4. Sameer Africa Limited	Tires
Banking		
	1. Barclays Bank (Kenya)	Banking, finance
	2. CFC Stanbic Holdings	Banking, finance
	3. Diamond Trust Bank Group	Banking, finance
	4. Equity Bank Group	Banking, finance; cross-listed on the Uganda Securities Exchange
	5. Housing Finance Company	Mortgage financing
	6. Kenya Commercial Bank Group	Banking and finance. Cross-listed on the Uganda Securities Exchange, the Dar-es-Salaam Stock Exchange and the Rwanda Over The Counter Exchange
	7. National Bank of Kenya	Banking, finance
	8. National Industrial Credit Bank	Banking, finance
	9. Standard Chartered Kenya	Banking, finance
	10. Cooperative Bank of Kenya	Banking, finance
	11. Standard Chartered Kenya	Banking, finance
Commercial and Services		
	1. Express Kenya	Logistics

	Limited	
	2. Hutchings Biemer Limited	Furniture
	3. Kenya Airways	Kenya's flagship airline; cross-listed at Uganda Securities Exchange and Dar es Salaam Stock Exchange
	4. Longhorn Kenya Limited	Publishing
	5. Nation Media Group	Newspapers, magazines, radio stations, television stations
	6. Scangroup	Advertising and marketing
	7. Standard Group Limited	Publishing
	8. TPS Serena	Hotels and Resorts
	9. Uchumi Supermarkets	Supermarkets
Construction and Allied		
	1. Athi River Mining Limited	Cement, fertilizers, minerals; mining and manufacturing
	2. Bamburi Cement Limited	Cement
	3. Crown-Berger (Kenya)	Paint manufacturing
	4. East African Cables Limited	Cable manufacture
	5. East African Portland Cement Company	Cement manufacture and marketing
Energy and Petroleum		
	1. Kengen	Electricity generation
	2. Bamburi Cement Limited	Cement
	3. KenolKobil	Petroleum importation, refining, storage and distribution
	4. Kenya Power and Lighting Company	Electricity transmission, distribution and retail sale
	5. Total Kenya Limited	Petroleum importation and distribution
Insurance		
	1. British-American Investments Co.(Kenya)	Insurance
	2. CFC Insurance Holdings Limited	Insurance
	3. Jubilee Holdings Limited	Insurance, investments; cross-listed on the Uganda Securities Exchange
	4. Kenya Re-Insurance Corporation	Reinsurance
	5. Pan Africa Insurance Holdings	Insurance

Investment		
	1. Centum Investment Company	Investments
	2. City Trust Limited	Financial services
	3. Olympia Capital Holdings	Construction and building materials
	4. Trans Century Investments	Investments
Manufacturing and Allied		
	1. A Baumann and Company	Machinery distribution and marketing, investments
	2. BOC Kenya	Industrial gasses, welding products
	3. British American Tobacco Limited	Tobacco products
	4. Carbacid Investments Limited	Carbon dioxide manufacturing
	5. East African Breweries	Beer, spirits; cross listed at Uganda Securities Exchange and Dar es Salaam Stock Exchange
	6. Eveready East Africa	batteries
	7. Kenya Orchards Limited	Fruit growing, preservation and distribution, fruit-juice manufacture and marketing
	8. Mumias Sugar Company Limited	Sugar cane growing, sugar manufacture & marketing
	9. Unga Group	Flour milling
Telecommunication and Technology		
	1. Access Kenya Group	Internet service provider
	2. Safaricom	Mobile telephony

Source: Website of Nairobi Securities Exchange (http://www.cma.or.ke)