

**ROLE OF STRATEGIC CAPABILITIES ON PERFORMANCE OF SAVINGS
AND CREDIT COOPERATIVE SOCIETIES IN NAIROBI CITY COUNTY**

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DECLARATION

This proposal is my original work and has not been presented for a degree in any other university

Sign:

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SUPERVISOR'S DECLARATION

This research proposal has been submitted for examination with my approval as university supervisors

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings and credit cooperative organizations (SACCOs) are savings and investment vehicles which are meant to pool resources from its members who has common purpose. SACCOs have long history have long history dating to 19th when they were founded by European employees. Indeed, SACCOs genesis hails from Great Britain and France after invention of consumer and labour cooperatives geared towards protection of interest of both employees and their respective families.

Smith & Prietow, (2008) argued that the strategic capabilities are those abilities which an Organization uses specially to deal with the changes in the external environment. Dynamic capabilities are a core element for an organization to survive in the today's dynamic environment. The world is a global village and everything is changing rapidly. The environment of the business market becomes very dynamic, every organization is challenged to survive in such an environment. The very first thing needed by all organizations is strategic capability so they can adjust according to the dynamic environment.

An organization's operations are pegged on its capabilities whose value to a firm can be identified through its growth, adoption of alternative business approaches and its attainment of competitive advantage (Clark et al., 2015). Organization strategic capabilities are broadly classified as fundamental, core and strategic.

Fundamental capabilities involve organization adoption of strategies geared towards generating meaningful results. In the second level are core capabilities which have greater impact on the ability of a firm to enhance performance through organization effectiveness. Thirdly, are strategic capabilities which are deemed as firms' ability to adopt customised and distinctive methods geared towards attainment of competitive advantages (Fain, 2007; Elbannia, 2008; Jeann, 2013; Clark et al., 2015). Although, there are heterogeneous strategic capabilities which may be adopted by a firm the current study will be limited to marketing capabilities, management capabilities, information communication technology capabilities and knowledge capabilities (Parnwell, 2011).

Several theories have been brought forth to support the role of strategic capabilities the current study will be anchored on dynamic capabilities theory which is conceptualized on inside outside policy formulation. An organisation commences with evaluation of its resources. Secondly, an organization must appraise value addition of its specific resources and consequently the optimal value additive strategy. In this stage a firm is expected to evaluate its capabilities and what can aide them to achieve optimal performance as compared to their rivals. Furthermore, firm's adoption of a given capability is based on in depth understanding of its complexity. Thirdly, every organization ought to evaluate its capabilities ability to amplify firm performance. Fourthly, an organization ought to exploit those strategies which optimize resources utilization in response to external threats and opportunities. Finally, resources gap analysis ought to be continuously appraised to ensure that they augment firm performance.

1.1.1 Strategic Capabilities

Transformation of resources and company products to be in harmony to customers expected competencies and services is known as strategic capability (Amit & Schoemaker, 1993). Strategic capability is achieved through creation of all-inclusive organization culture in harmony with firm operational procedures, organogram, expatriate and routine procedures. According to Makadok (2001) there is harmonious interlinking between organization resources and outcomes courtesy of strategic capability platform. To achieve optimal outcome there is need for an organization to distinguish its input and out and minimize resources wastage which hinders firm's profitability and competitiveness.

For superior performance, firm strategic decisions need to be anchored on the strength of their available resources that can help in generation of complex capabilities (Smith, 2008). This is to mean that a firm's capabilities aid in building and developing strategies to win for them the market share. The ability to obtain, integrate and reconfigure firm resources forms the strategic capabilities that are able to respond and sustain the ever-changing demand customer and market. Financial institutions like cooperative unions are known to have members with common interest though this might not necessarily mean interest will not change and therefore unions must strategize given their capabilities to meet the change. With the rise in demand for more members in the cooperative unions, the unions need to ensure their service meets customer demands. As averred by Gong, Law, Chang and Xin (2009), there is a need to accumulate capabilities to outcompete the competitors while beating them on relative performance.

Organisations that miss it, miss the target too for greater performance since customers or the market is adapting fast to technology. Technology has been a tool aiding financial inclusion and thus firms without this capability will be left out. Richey, Tokman, and Dalela (2010) perceive strategic capabilities as an antecedent of performance. The extent to of strategic capabilities on Sacco's firm performance in Kenya has not attracted empirical attention from past studies.

1.1.2 Firm Performance

Firm performance refers to changes in various growth indicators of a given sector (Maalu & Dosho, 2016). On the other hand, Iavorska, (2014) perceived organization performance as an evaluation of input out of a given enterprise. Input is comprised of organization goals and objectives and output indicate specific firm market share, sales performance, product and service development and involvement in social activities.

According to Razeghi (2008) there is need for a firm to clearly state its mission, vision and core values so as to have a clear road map on its anticipated performance metric measures. Moreover, organization performance ought to be clear, specific and can warrant comparison and any element of vagueness on it should be fully eliminated. Through evaluation of firm performance, it is easy to ensure that application of resources is optimal and any element of misappropriation can be easily detected and corrective measures taken (Iavorska, 2014).

To improve performance measurement within an organization there is need to involve all key stakeholders, embrace transformative and strategic approaches, identify and remove all hindrances to optimal organization performance, focus on training and development of employees and have a focused strategy to gain a market niche (Maalu & Dosho, 2016).

1.1.3 Savings and Credit Co-operative Societies

In African continents cooperative draws their roots from their respective colonial masters. In fact, they were founded mimicking their respective colonial master policies. According to Jurgen, Pardev and ILO, (2014) empirical scholars have classified SACCOs in Africa according to British and French colonies though some have mimicked Indian operational framework.

Cooperative movement and investment in Kenya were initially reserved to colonial settlers and masters though this trend was reversed around 1950s upon incorporation of Africans either through co-opted membership or being allowed to form their own SACCOs (Gamba & Komo, 2012). Initially SACCOs drew their membership from farmers though the trend has been reversed with SACCO being community based or drawing membership from their respective employees (Alila & Obado, 1990).

Cooperative movements have consistently been co-opted into government strategic plans since there are deemed to be specific purpose vehicles for economic development and poverty alleviation mechanisms owing to their group lending procedures. Economic contribution in Kenya's gross domestic product (GDP) by SACCOs cannot be ignored since currently they account for approximately 45%. Although, it was initially reserved for agriculture its diversification to other sectors is commendable. Indeed, it can be a good platform for the achievement of financial sector deepening.

1.2 Research Problem

Kenya financial sector has been characterised by robust growth and development of SACCOs though failure rate has also been registered, with 11 SACCOs in the recent past having their licenses restricted due to failure to maintain the prescribed capital (Daily Nation, 2018). According to Mudibo (2015) SACCOs are purposively formed to aid in consolidation of resources and empowerment of its members through savings and borrowing. To alleviate possibilities of promoting unplanned mass exodus of SACCO members, there is need to ensure sustainability in their operations. Moreover, their contribution in economic development cannot be ignored. Business environment is so dynamic and certainty cannot be assured for example recent changes in international financial reporting calls for increased provision of bad debt which is a threat to performance. Moreover, new regulations and legislations are continuously developed in Kenya such as the interest rate capping, which poses the question on the status of SACCO prepared through strategic positioning to respond to these changes and retain superior performance.

Extant empirical studies have been documented to show the effect of strategic capabilities on firm performance for example Kanake (2011) evaluated the impact of strategic capabilities on performance of commercial bank of Africa. Bank performance was significantly positively affected by strategic capabilities on condition for top leadership support. These findings could only be applied to commercial bank of Africa and could not be generalised to other banks or SACCOs since it may have narrowed to unique challenges facing CBA. Ngugi (2011) examined role of strategic capabilities on media

company performance. BBC performance was significantly positively affected by strategic capabilities. The study concluded that success of strategic capabilities calls for organization resources allocation to activities geared towards responding to specific market needs. Again, the study findings cannot be generalised to be reflection in SACCOs since the duo operates in different market segments and their service delivery models differs. Thirdly, Muhura (2012) explored the effect of strategic capabilities on competitive advantage in Airtel. Telecoms performance was significantly positively affected by strategic capabilities.

Empirical facts state that SACCOs' operations are incapacitated by inadequate capital, poor risk assessment and management strategies, high levels of loan default, inadequate governance structure, poorly informed decision approach, management wrangles and inefficiency (Ndung'u, 2010; Ademba, 2010; Onyango, 2016). There is also demand and supply mismatch which is attributed to limited membership contribution and accessibility of financial services. This may ultimately create credit crunch within a SACCO. Although, these challenges are mitigated through products development, the risk exposure demands for adoption of strategic capabilities such as information technology capability, marketing capabilities, knowledge capabilities and management capabilities to provide robust governance structure and stewardship which will propel SACCO performance (Waitathu, 2015).

The foregoing studies are all in agreement that there is positive and significant relationship between strategic capabilities and firm performance. However, there exists an empirical gap since none of them drew respondents from SACCOs. Furthermore, there has been a legal change which capped the level of interest rate which may lead to commercial banks enhanced ability to cannibalize on Sacco's market share. Consequently, the current study is fit on its empirical enquiry on what is the role of strategic capabilities on SACCOs' performance in Nairobi City County.

1.3 Objective of the Study

The main objective of this study was to examine the role of strategic capabilities on performance of savings and credit cooperative societies in Nairobi City County. The specific disintegrated objectives of the study were:

- i. To examine the effect of marketing capabilities on performance of SACCOs in Nairobi City County
- ii. To determine the effect of management capabilities performance of SACCOs in Nairobi City County
- iii. To establish the effect of information technology capabilities performance of SACCOs in Nairobi City County
- iv. To evaluate the effect of knowledge capabilities performance of SACCOs in Nairobi City County

1.4 Value of the Study

The current study was anticipated to make theoretical, policy and practice contributions. Theoretically, findings, conclusions and recommendations drawn from the study will confirm or refute dynamic capabilities theory. Empirically the study will examine the direct effect of strategic capabilities on SACCOs' performance in Nairobi City County. This will not only test conformity or refute existing empirical findings but also add to customize the relationship between strategic capabilities and SACCO performance in Nairobi City County. This was customized into global and local findings on the effect of strategic capabilities on SACCO performance.

The study may also benefit policy makers on policy formulations. For policy makers such as, SACCO society's regulatory authority (SASRA), Kenya revenue authority (KRA) amongst others, discussions and recommendations hailing from the study's findings were better inform them on measures to be undertaken to enhance their specific roles. SASRA may develop measures geared towards enhancing corporate governance through development of relevant policy guidelines on administration and management of SACCOs. For KRA there is need to understand strategic capabilities adopted by SACCOs so that they can plan on measures to adopt to maximize on tax administration.

SACCO management ought to have a tool for evaluating the effect of strategic capabilities against firm performance. This can be done by clearly understanding the effect of marketing capabilities, management capabilities, knowledge capabilities and information technology capabilities on the organization's performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is dedicated to theoretical and empirical literature. Dynamic capability theory which is the anchoring theory of the study will be discussed in detail with focus on its strengths, weakness and relevance to the current study. Empirical studies showing the nexus between management capabilities, marketing capabilities, information technology capabilities and knowledge capabilities and their effect on firm performance will be discussed as well. While Existing knowledge from past studies will be explored.

2.2 Theoretical Foundation

2.2.1 Dynamic Capabilities Theory

The concept of Dynamic capabilities (D.C) is rooted and based on the resource-based view (Wernerfelt, 1984); (Barney, 1991); (Peteraf, 1993); (Amit, 1993) a perspective that emphasizes on the distinct resources of the firm which leads to the sustainable competitive advantage. This suggests that the role of the dynamic capabilities is to act as a buffer mainly between the two factors that are the firm's resources and the shifting or responsive business environment by assisting the firm in terms of the adjustment of the resource base so to create and sustain the competitive advantage. So, the resource-based view on one hand focuses on the choice of the resources, the dynamic capabilities view on the other hand emphasize on the development of the resources as well as its renewal., (Amit, 1993) defines the notion 'capabilities' as the ability of the firm to exploit its

resources as well as integrate or combine its resources by its organizational routines for the purpose of achieving its target.

The D.C model takes organizational competencies as moderating variables, this means organizational competencies enhance the intensity of dynamic capabilities to achieve superior organizational performance. The relationship and impact of predominant firm's capabilities on its overall performance has been widely examined and studied in the literature. The aim of this study is to emphasize mainly on the role of strategic capabilities, which empower firms to perform viably their everyday exercises with respect to competition prevailing in the market (Danneels, 2000; Song, Droge, Hanvanich, & Calantone, 2005)

For the theoretical framework of this study, Dynamic abilities have been defined as higher-request skills that permit firms to endeavor or to exploit lower-request capabilities that exist in the organization, and all the more significantly to identify as well as recognize the new innovative technological capabilities and marketing capabilities. Higher order capabilities must be developed by firms because it fosters the process of learning which results in the leveraging of all the firm's resources.

2.3 Management Capabilities and Firm Performance

Nyaga and Gakobo (2017) investigated the top-quality management against Kirinyaga SACCOs performance. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Descriptive and inferential statistical tools were deployed to analyse the data. The study found that top management commitment and support, employee's involvement through training, customer focus all had positive and significant effect on SACCO performance.

A study by Nyongesa (2017) explored the effect of strategic capabilities on systematic performance of retail vendors in Nairobi City County. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Through descriptive and inferential statistics data was analysed. Strategic capabilities were found to have impact on firm performance. These findings cannot be generalized in SACCO since the business operation procedures are different.

2.4 Marketing Capabilities and Firm Performance

Salisu, Abu-Bakr and Rani (2017) investigated the influence of marketing capability on firm performance: An Empirical Evidence from Nigeria. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Descriptive and inferential statistical tools were deployed to analyse the data through use mean, frequency, percentage, standard deviation and multiple linear regression. Positive significant effect of marketing capabilities on firm performance in Nigeria was reported. The choice of SEM (structural equation modelling) was appropriate though the researcher ought to have reported common method variance results in addition to presenting path diagrams. Moreover, results for measurement models ought to have been reported.

Harram and Fozia (2015) investigated the effect of customer-oriented marketing capabilities and firm performance among manufacturing companies in Pakistan. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Descriptive and inferential statistical tools were deployed to analyse the data through use mean, frequency, percentage, standard deviation and multiple linear regression. Positive significant effect of customer-oriented marketing

capabilities and firm performance. It would have been appropriate for the study to draw moderation graphs.

2.5 Information Technology Capabilities and Firm Performance

Mwithiga, NJihia and Iraki (2017) examined impact of technology integration on firm performance. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. There was joint significant effect of information technology integration, firm characteristics, business operations and firm performance in Kenya. The choice of regression analysis to analyse joint influence between firm characteristics and firm performance as well as business operation strategies was not appropriate since firm characteristics were sources from secondary sources while the other variables were sources from secondary sources. This would have opened an avenue for subjective data analysis since the choice of period for secondary data heavily relied on the researchers' discretion.

Kimani (2015) investigated impact of information technology on organization performance amongst Kenyan population services. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Positive and significant impact between information technology and firm performance. Moreover, most of population services in Kenya had adopted use of information technology. It was recommended that there is need for population services companies to adopt comprehensive use of information technology so as to achieve competitive advantage.

2.6 Knowledge Capabilities and Firm Performance

Nemwel (2013) investigated the effect of knowledge management on organizational performance in Kisii University. Case study research design was adopted. The respondents were further stratified according to campuses they were currently working. Quantitative data was collected through use of structured questionnaires and qualitative data was collected through in-depth interviews. Through descriptive and inferential statistics quantitative data was analysed. Content analysis was applied on qualitative data. Positive and significant effect of knowledge management was reported. From the study it was found that there were challenges facing implementation of knowledge management in Kisii University.

Karani (2015) investigated the effect of knowledge management practices on performance of mobile telephones companies in Kenya. The study adopted descriptive research design and census sampling of 21 companies. Regression analysis revealed knowledge creation, knowledge acquisition, knowledge sharing and knowledge implementation and firm performance. These findings cannot be generalized in the SACCO since business operations of both of them differ. Moreover, despite fitting regression analysis, none of classical regression diagnostics were carried out.

2.7 Empirical Studies and Knowledge Gaps

Kogo and Kimencu (2018) investigated the effect of organizational capabilities on insurance company's performance in Nairobi City County. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Through descriptive and inferential statistics quantitative data was analysed. The study revealed positive and significant relationship between organization capabilities

which include product capabilities, marketing capabilities, information capabilities, human capital capabilities and firm performance. It would have been appropriate to carry out classical regression diagnostic tests prior to fitting regression models.

Albadavi, Keramati and Razmi (2007) investigated the impact of information technology on firm performance as well as moderating role of business process reengineering and organization infrastructure. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Through descriptive and inferential statistics data was analysed. Technology adoption was found to have significant impact on firm performance. Although, the study fitted regression analysis it failed to examine any of five classical regression assumptions on linearity, multicollinearity, homoscedasticity, serial correlation and normality of error term.

Ambula, Kariuki and Wasike (2017) investigated the effect of knowledge management practices and firm performance of manufacturing companies in Kenya. Moreover, mediating role of organization learning was examined. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Through descriptive and inferential statistics quantitative data was analysed. Positive significant effect of knowledge management was reported on non-financial performance of manufacturing companies in Kenya. It was appropriate to carry out factor reduction since each variable comprised of several attributes. Furthermore, the study findings cannot be generalized in financial sector hence the need for empirical enquiry in SACCOs hailing from Nairobi City County.

Ouma (2016) investigated the effect of competitive strategies on performance of insurance companies in Kenya. Through incorporation of descriptive research design and

collection cross sectional data study objectives were achieved. Through descriptive and inferential statistics quantitative data was analysed. Results of the study revealed positive and significant effect of competitive strategies on insurance company's performance. It would have appropriate to adopt exploratory factor analysis in addition to correlation and regression analysis. Moreover, path diagram ought to have been fitted as well.

Mwangi (2015) investigated factors influencing UNAITAs performance. Through incorporation of descriptive research design and collection cross sectional data study objectives were achieved. Through descriptive and inferential statistics were used to analyse quantitative data. Positive and significant relationship between organization subculture, organization structure, leadership capacity, reward practices and organization performance. Since the study adopted regression analysis it would have been appropriate to carry out regression analysis diagnostic tests.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter is segregated into research design, sample and sampling techniques, data collection and analysis.

3.2 Research Design

Research design provides procedural guidelines in aid of achieving study objectives (Sekaran & Bougie, 2013). According to Kothari (2011) research design can be either quantitative or qualitative design which is dependent on type of data to be collected. Quantitative research design calls for collection of quantifiable data. The primary purpose of quantitative study is explanation of nexus of independent and dependent variable. It mostly deals with numbers and logic. Moreover, it has closed ended questions, seeks to confirm or contradict existing phenomena.

Descriptive research design was applied in the study because it was more skewed on quantitative data. It is deemed appropriate since the study seeks to influence of strategic capabilities on SACCOs performance in Nairobi City County.

3.3 Target Population

The total count of all individuals being investigated is known as target population (Kothari, 2011). Here target population comprised of 31 SACCOs domiciled in Nairobi City County. The inclusion criterion will be only those SACCOs registered in Nairobi City County and have full year operating licence as per SASRA licensed SACCOs in 2017.

Owing to logistical, budgetary and timely shortcomings it is not possible to draw respondents from the whole population. Consequently, sampling is adopted which involves selection of the subset of the target population. The census in this case was 31 SACCOs in Nairobi City County whose characteristics have been highlighted in the target population section.

3.4 Operationalization of Variables

The study variables were as shown in Table 3.1.

Table 3.1 Operationalization of Variables

Variable	Proxy	Attributes
Performance	Y	Increase in profitability Increase in market share Increase in Sales Improved competitiveness
Management Capability	X ₁	Reliability Confidence Delegation Employee Respect
Marketing Capabilities	X ₂	Market Information Customer Relations Product or Service Development Sensing Capacity
Information Technology Capability	X ₃	IT Infrastructure IT Business Experience Business Intelligence Intensity of Organization Learning
Knowledge Capabilities	X ₄	Knowledge Acquisition Knowledge Sharing Knowledge Creation Knowledge Reuse

3.5 Data Collection

Purposive sampling was used to select strategic managers, human resources managers and finance managers of 31 SACCOs hailing from Nairobi City County. The study collected primary data, through administration of semi structured questionnaires. The researcher sought ethical approval from the board of post graduate studies of University of Nairobi. Upon which research introduction was obtained and presented in National Commission for Science, Technology and Innovation which was shared with respective SACCOs in Nairobi City County. Questionnaires were self-administered with help from research assistants. Primary data was collected amongst strategic managers in respective SACCOs.

3.6 Data Analysis

Data analysis was anchored on study objectives. Quantitative data were coded and entered into statistical packages for social scientists' version 23. Descriptive and inferential statistical methods will be deployed. Descriptive statistics include mean, frequency, standard deviation and percentages. Inferential statistics include Product moment correlation to show the strength of the relations and multiple linear regression was used to test the nature of relationship between strategic capabilities and performance (Bryman & Bell, 2015). The following multiple regression equation will be used:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where: Y = SACCO performance; β_0 = Constant Term; β_1 , β_2 , β_3 and β_4 = Beta coefficients; X_1 = Management capabilities; X_2 = Marketing capabilities; X_3 = Information Technology Capabilities; X_4 = Knowledge capabilities; ε = Error term.

The study adopted test of significance at 5 percent level of significance. Overall model level of significance was tested using F statistics which were stating that strategic capabilities has no significant effect on firm performance of SACCOs in Kenya. If P value was less than 0.05 then at least one aspect of strategic capability will be having non-zero effect on firm performance. To test the nature of the effect between management capabilities, marketing capabilities, information technology capabilities and knowledge capabilities, regression analysis was used.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Data collected will be presented and discussed as per study objectives. Descriptive statistics which include frequency, percentage, mean and standard deviation were used to analyse the data. In addition, correlation showed strength of the effect of strategic capabilities on SACCO's performance and regression analysis showed the nature of the effect. The chapter is segregated into background information, descriptive statistics and inferential statistics.

4.2 Background Information

The study sought background information of respondents. Information sought included gender, highest level of education, number of years served in the current SACCO and length of strategic plan developed by SACCO. Results shown in Table 4.1 revealed that 52% of respondents were male and 48% were female. This shows equal gender representation in strategic management of SACCOs in Nairobi City County. Regarding the highest level of education 52% were degree holders, followed by 26% master's holders and 16% diploma holders. Since majority were degree holders then it would be easier for them to understand and implement strategic plan within their respective SACCOs. Concerning number of years served in the SACCO majority 58% had served for period between 11 to 15 years, followed by 29% who had served between 16 to 20 years and 13% who had served for between 6 to 10 years. Since most respondents had been in SACCO for long then they would easily understand the need for strategic capabilities to steer performance in their respective SACCO.

Concerning the length of strategic plan 29% reported that they review them after every two years, followed by 26% who does it after every four years and 19% who review them after every five years. Presence of strategic plans amongst SACCOs would aid in achievement of their performance. Moreover, this would eliminate resources mismanagement and enhance likelihood of superior performance.

Table 4.1 Background Information

Gender	Frequency	Percent
Male	16	52
Female	15	48
Highest level of education		
Diploma	5	16
Degree	16	52
Masters	8	26
Doctorate	2	7
Years served in the current SACCO		
Between 6 and 10 years	4	13
Between 11 and 15 years	18	58
Between 16 and 20 years	9	29
Long term Strategic Plan		
After every 1 year	3	10
After every 2 years	9	29

After every three years	5	16
After every four years	8	26
After every five years	6	19
Total	31	100

4.3 Descriptive Statistics on Effect of Management Capabilities and Firm Performance

The first objective of the study sought to examine the effect of management capabilities on firm performance amongst SACCOs in Nairobi. Results shown in Table 4.2 revealed that majority agreed that their SACCO organization structure is followed to the letter and communication skills has aided them in sharing information effectively respectively (mean = 4.3). Majority strongly agreed that there is strong leadership team that works coherently to enhance achievement of SACCO objectives. Majority agreed that there is free flow of information when it comes to communicating their strategic plans amongst employees and SACCO leadership has continuously offered leadership skills which aids in achievement of company objectives respectively with mean of 4.6. Further, majority strongly agreed that leaders in SACCO conduct themselves to see how strategic plan can be executed as spelt out in strategic plan detailed implementation matrix mean of 4.7. On overall it was strongly agreed that management capabilities have effect of firm performance of SACCOs in Nairobi City County (mean = 4.5).

Table 4.2 Descriptive Statistics on Effect of Management Capabilities and Firm Performance

	N	Mean	Std. Deviation	CV
Our company structure that is followed to the letter	31	4.3	0.5	8.0
There is strong leadership team that work together to ensure that the objectives of the company are met	31	4.5	0.6	7.2
To what extent do you agree that communication skills has helped your company to share information effectively?	31	4.3	0.7	6.6
Internal flow of information is effective when it comes to communicating strategic plans	31	4.6	0.6	8.3
Strategic leaders and heads of department possess exception leadership skills that enable the company to achieve more and to aim higher.	31	4.6	0.7	6.4
Leaders in our company conduct themselves to see that all the plans as spelt out in our strategic plan are executed successfully	31	4.7	0.6	7.8
To what level of agreement can you say that leaders in the company are focused to future growth	31	4.5	0.8	5.9
Overall average		4.5	0.6	7.2

4.3.1 Descriptive Statistics on Effect of Marketing Capabilities and Firm Performance

Secondly, the study examined the effect of marketing capabilities on firm performance amongst SACCOs in Nairobi County. Results shown in Table 4.3 majority agreed that media is most used to market their product and services and their SACCO is focused on product differentiation so as to win loyalty from the customer and thus enable the firm stand stable for long as accounted for by mean 3.7 respectively. Secondly, majority neither agreed nor disagreed that they had plans of integrating media in marketing their future products and services. Thirdly, majority agreed that products differentiation have enhanced their SACCOs to increases sales and boost customers loyalty or adoption of market segmentation to increase their market shares and marketing is done as per guidelines stipulated in their marketing plans (mean = 3.8) respectively. Further majority agreed that their SACCOs had engaged in customized segmentation to meet customer needs (mean = 4.0). Most SACCOs had adopted low cost differentiation strategy so as to be able to price its products affordably (mean = 4.1). Finally, majority neither agreed nor disagreed that there is need in future to use media to communicate their product as such marketing budgets ought to be increased (mean = 3.2). On overall majority agreed that marketing capabilities had effect on firm performance of SACCOs in Nairobi City County.

Table 4.3 Descriptive Statistics on Effect of Marketing Capabilities and Firm Performance

	N	Mean	Std. Deviation	CV
Media is most used to market our product and services	31	3.7	1.0	3.7
Plans to integrate our media with our marketing future products and services are underway	31	3.2	1.0	3.3
Our company is focused on product differentiation so as to win loyalty from the customer and thus enable the firm stand stable for long.	31	3.7	1.2	3.0
To what extent would you say that your company is using price differentiation strategy to help increase sales volume and boost loyalty of our customers	31	3.8	0.8	4.6
Our company has engaged in customized production to suit our customer needs	31	4.0	1.1	3.8
In order to increase our market share, our company is focusing on customer preferences so as to gain market in all segments	31	3.8	1.0	4.0
Our companies strategic plan dictates how marketing should be done	31	3.8	1.0	3.6
Our company is focused to low cost differentiation strategy so as to be able to price its product affordably	31	4.1	1.1	3.9
There is need in future to used media to communicate our product and as such marketing expenditure is set high	31	3.2	1.0	3.3
Overall average		3.7	1.0	3.6

4.3.3 Descriptive Statistics on Effect of Information Technology Capabilities and Firm Performance

Thirdly, the study examined the effect of information technology capabilities on firm performance of SACCOs in Nairobi City County. Respondents rating was sought on a five-point Likert scale. Results shown in Table 4.4 revealed that majority agreed that their SACCOs had joined social media platforms (mean =3.8). Secondly, majority neither agreed nor disagreed that information technology infrastructure was fully developed in their companies. Thirdly, majority agreed that information technology was being to manage customers database (mean = 3.7). Further, majority agreed that IT applications are used in management of company plans (mean = 4.4) and SACCOs in Nairobi encourage use of Information in all product processes (mean = 4.0). Most respondents neither agreed nor disagreed that whether research and developments are based on information technology innovations (mean = 3.3), IT is used to manage and serve information needs (mean =3.4), their SACCOs had IT resources which helped in management and sourcing (mean = 3.0) and the extent to which their companies was social media sensitive (mean=3.2). On overall information technology capabilities had effect on firm performance of SACCOs in Nairobi City County (mean = 3.5, standard deviation = 1.1 and coefficient of variation of 3.2).

Table 4.4 Descriptive Statistics on Effect of Information Technology Capabilities on Firm Performance

	N	Mean	Std. Deviation	CV
Our company has joined most of the social media platforms	31	3.8	1.1	3.5
Do you agree that IT infrastructure are fully developed in your company?	31	2.8	1.2	2.3
To what extent do you agree that IT is being used by company to manage customer database?	31	3.7	1.0	3.8
IT applications are used in the management of company plans	31	4.4	0.9	5.1
Our company encourages the use of IT in all our product processes	31	4.0	1.2	3.4
Does you agree that research and development department are based on IT innovations	31	3.3	1.1	3.1
IT is being used to manage and serve information needs	31	3.4	1.2	2.9
Our company has IT resources that help management and sourcing	31	3.0	1.1	2.7
To what extent do you agree that your company is social media sensitive	31	3.2	1.3	2.4
Overall average		3.5	1.1	3.2

4.3.4 Descriptive Statistics on Effect of Knowledge Capabilities and Firm Performance

The fourth objective of the study examined the effect knowledge capabilities on firm performance of SACCOs in Nairobi City County. Results shown in Table 4.5 revealed that majority mean = 3.5 agreed that their members are active in professional and networking forums. Secondly, majority (mean = 3.4) were unsure the extent to which they collect information from their customers. Thirdly, majority reported that to a large extent their SACCO had embraced research as its pillar for development (mean = 4.2),

their SACCO coordinates seminars and forums geared towards boosting on knowledge acquisition and gathering (mean = 4.1). Further, majority (mean = 4.0) agreed that they have forums for discussing positive and negative feedback.

Majority agreed that their SACCOs has brainstorming forums sessions to solve challenges hindering achievement of their challenges (mean = 4.3). Further, majority of the SACCOs have mentorship programs for newly employees (mean = 4.1). Majority reported that to a large extent they have culture of sharing information (mean = 4.1). Further, majority reported that in their SACCO to a very large extent they have strategies of sharing information formally.

Table 4.5 Descriptive Statistics on Effect of Knowledge Capabilities and Firm Performance

	N	Mea n	Std. Dev	C V
SACCO employees are active in professional and networking organizations.	31	3.5	1.0	3.4
Our SACCOs collects customers information and wishes.	31	3.4	1.2	3.5
We have budgetary allocation for knowledge collection.	31	3.5	1.1	3.1
Human capital is embraced to acquire missing knowledge within our organization.	31	2.6	1.4	5.4
Our SACCO have embraced research as its pillar for development.	31	4.2	0.8	1.9
Our SACCO coordinates attendance in seminars and trainings forums to boost their knowledge levels.	31	4.1	1.0	2.4
Our SACCO benchmarks from our competitors to develop new methods and approaches.	31	3.9	1.3	3.3
Our SACCO has embraced open forums to discuss positive and negative information emanating from our practices.	31	4.0	1.3	3.2
Our SACCO benchmarks using new ideation as lead for strategic business development.	31	3.8	1.2	3.1

Our SACCO rewards new knowledge testing and acquisition.	31	3.2	1.4	3	2.
Our SACCO have formed networking forums for discussing strategies and experiences emanating from their daily experiences.	31	2.8	1.3	1	2.
Our SACCO have forums for evaluating performance on regular basis.	31	3.3	1.3	6	2.
Our SACCO allocates projects dependent on past knowledge and experiences.	31	3.6	1.2	1	3.
Our SACCO hold brainstorming sessions to solve challenges hindering achievement of our objectives	31	4.3	1.1	8	3.
Our SACCO has mentorship programs for newly recruited employees.	31	4.2	0.9	6	4.
Our SACCO has developed culture of sharing information formally.	31	4.4	0.8	8	5.
Our SACCO has regular forums for discussing professional matters.	31	4.2	0.9	6	4.
Our SACCO has exchange programs for sharing positive sentiments on successful project completion.	31	4.2	0.8	3	5.
Our SACCO has forums for inter and intra exchange of information	31	4.4	0.9	8	4.
Our SACCO distributes knowledge through regular	31	4.3	1.1	3.	

meetings and forums.					9
Our SACCO has explicit strategies for information and					6.
product selling.	31	4.1	0.6	5	
Our SACCO have intra and inter knowledge sharing					5.
platforms.	31	4.1	0.7	5	
Our SACCO collects intra customer information to					4.
improve on product development.	31	4.0	0.9	7	
Our SACCO adopts creative mechanisms to apply new					5.
gather information.	31	4.6	0.8	4	
Our SACCO has internal mechanism of promoting					5.
knowledge management.	31	4.5	0.9	2	
Product development is guided by research and					6.
development	31	4.5	0.7	2	
Overall Average					3.
		3.9	1.0	8	

4.3.5 Descriptive Analysis on Firm Performance

Further the respondents were requested their levels of agreement on how firm performance changed on different aspects. Results of the study were summarized as shown in Table 4.6. Majority of the respondents strongly agreed that strategies to increase market share were effective and they hoped the same to remain for long (mean = 4.6). Secondly, majority agreed that profit has increased over time due to marketing capabilities displayed by their firm over time (mean = 3.6). Thirdly, majority neither

agreed nor disagreed that adoption of ICT had led to major step in customer service (mean = 3.2) and employees' skills enhancement has decreased customers cannibalism (mean = 3.3). Further, majority agreed that due to ICT adoption, their company structure of management has eased and improved significantly. This has generated good profit for the company and in future it is expected to be even (mean = 4). Finally, majority either agreed that diversity in leadership skills has enable development of programs and plans that will see our company make more profits and increase market share or increased motivation of the employees has contributed significantly to improving efficiency in the company and hence more profit is made and expected to remain so in the future (mean = 3.8) respectively.

Table 4.6 Descriptive Analysis on Firm Performance

	N	Mean	Std. Dev.	C.V.
Strategies to increase market share has been effective and are hoped to remain so for long	31	4.6	0.6	7.4
Due to marketing capabilities displayed by our company, profit has increased over time	31	3.6	1.2	3.1
Adoption of ICT has led to major step in serving our esteemed customers	31	3.2	0.8	3.8
As result of employee skills enhancement programs in our company cannibalism has eased	31	3.3	1.4	2.4
Due to ICT adoption, our company structure of management has eased and improved significantly. This has generated good profit for the company and in future it is expected to be even better	31	4	0.7	6
Diversity in leadership skills has enable development of programs and plans that will see our company make more profits and increase market share.	31	3.9	1	4.1
Increased motivation of the employees has contributed significantly to improving efficiency in the company and hence more profit is made and expected to remain so in the future	31	3.9	1	4.1
Overall average		3.8	0.9	4

4.4 Inferential Statistics

Inferential statistics which included correlation and regression analysis were carried out. Product moment correlation showed strength of role of strategic capabilities on firm performance. Moreover, regression analysis showed the nature of the role of strategic capabilities on firm performance of SACCOs in Nairobi County.

4.4.1 Correlation Statistics

Pearson correlation coefficient was carried out to show the strength of effect of strategic capabilities on firm performance of SACCOs in Kenya. Results shown in Table 4.7 revealed positive and significant effect of management capabilities on firm performance of SACCOs in Kenya ($\rho = 0.762$, p value < 0.05). Secondly, positive and significant effect of marketing capabilities and firm performance of SACCOs in Nairobi City County ($\rho = 0.743$, p value < 0.05). Thirdly, there was a direct effect of information technology capabilities on firm performance of SACCOs in Nairobi City County ($\rho = 0.663$, p value < 0.05). Finally, there was a direct effect of knowledge management capabilities on firm performance of SACCOs in Nairobi City County ($\rho = 0.812$, p value < 0.05). A spot check on the relationship between independent variables revealed positive and significant relationship amongst strategic capabilities attributes though none had correlation coefficient greater than 0.7 and consequently independent variables were not highly correlated.

Table 4.7 Correlation Analysis

		FP	Mng.Ca p	Mar.Ca p	IT.Ca p	KM.Ca p
Firm Performance	Pearson Correlation	1				
	Sig. (2- tailed)	0.000				
	N	31				
Management Capabilities	Pearson Correlation	.762*	1			
	Sig. (2- tailed)	0.000				
	N	31				
Marketing Capabilities	Pearson Correlation	.743*	.170**	1		
	Sig. (2- tailed)	0.000	0.00			
	N	31	31			
Information Technology Capabilities	Pearson Correlation	.663*	.554**	.296**	1	
	Sig. (2- tailed)	0.000	0.001	0.000		
	N	31	31	31		
Knowledge Management Capabilities	Pearson Correlation	.812*	.369**	.267**	.523*	1
	Sig. (2- tailed)	0.000	0.00	0.000	0.003	
	N	31	31	31	31	

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

4.4.2 Regression Analysis

Regression model summary in Table 4.8 showed an R squared of 0.76, which indicate that 76% of variations in firm performance of SACCOs in Nairobi City County can be explained by knowledge management capabilities, information technology capabilities, marketing capabilities and management capabilities the rest could be accounted for by other factors excluded from the model.

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.87a	0.76	0.73	0.34	1.72

a Predictors: (Constant), Knowledge Management Capabilities, Information Technology Capabilities, Marketing Capabilities, Management Capabilities

b Dependent Variable: Firm Performance

Using a linear regression equation connecting the variables in the form of, $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ where Y = Firm Performance, X_1 = Management Capabilities, X_2 = Marketing Capabilities, X_3 = Information Technology Capabilities and X_4 = Knowledge Management Capabilities and $\beta_0, \beta_1, \beta_2, \beta_3$ and β_4 being the coefficient of the terms, the regression equation can be presented as $Y = 0.17 + 0.13X_1 + 0.09X_2 + 0.16X_3 + 0.29X_4$

From the findings in Table 4.9, it was found that there was a direct effect of management capabilities on firm performance of SACCOs in Nairobi City County ($\beta = 0.13$, p value < 0.05). This implies that a unit change in management capabilities while holding marketing capabilities, information technology capabilities and knowledge management capabilities constant increases firm performance by 0.13 units.

Secondly, there was a direct effect of marketing capabilities on firm performance of SACCOs in Nairobi City County ($\beta = 0.09$, P value < 0.05). This implies that a unit change in marketing capabilities increases firm performance of SACCOs in Nairobi City

County by 0.09 units while holding management capabilities, information technology capabilities and knowledge management capabilities constant.

Thirdly, there was positive and significant effect of information technology capabilities on firm performance of SACCOs in Nairobi City County ($\beta = 0.16$, p value <0.05). This implies that a unit change in information technology capabilities increases firm performance by 0.16 while holding management capabilities, marketing capabilities and knowledge management capabilities constant.

Finally, there was positive and significant effect of knowledge management capabilities and firm performance of SACCOs in Nairobi City County ($\beta = 0.29$, p value <0.05). This implies that an increase in knowledge management capabilities increases firm performance of SACCOs in Nairobi City County by 0.29 units while holding management capabilities, information technology capabilities and marketing capabilities.

Table 4.9 Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficient	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.17	0.06		2.74	0.01		
Management Capabilities	0.13	0.06	0.20	2.24	0.02	0.36	2.82
Marketing Capabilities	0.09	0.03	0.14	2.88	0.00	0.37	2.74
Information Technology Capabilities	0.16	0.05	0.24	2.91	0.00	0.58	1.73
Knowledge Management Capabilities	0.29	0.11	0.43	2.65	0.01	0.34	2.95

a. Dependent Variable: Firm Performance

Analysis of variance shown in Table 4.10 revealed that there was significant effect of strategic capabilities (management capabilities, marketing capabilities, information technology capabilities, knowledge management capabilities) on firm performance of SACCOs in Nairobi ($F = 21.057$, $P \text{ value} < 0.05$). This implies that at least one of the slope coefficients was non-zero.

Table 4.10 Analysis of Variance

Model		Sum of		Mean		
		Squares	df	Square	F	Sig.
1	Regression	9.995	4	2.499	21.057	.000b
	Residual	3.085	26	0.119		
	Total	13.08	30			

a Dependent Variable: Firm Performance

b Predictors: (Constant), Knowledge Management Capabilities, Information Technology Capabilities, Marketing Capabilities, Management Capabilities

4.5 Discussions

The study findings agreed with dynamic capabilities theory since strategic capabilities were perceived as yard stick for operational efficiency. Through strategic capabilities SACCOs in Nairobi City County are better placed to respond to changes in business environment. Positive and significant effect of management capabilities are in support of Nyaga and Gakobo (2017) who found that top management commitment and employee supportive measures such as training had positive impact on firm performance. Also, the

study findings agreed with Nyongesa (2017) who reported significant and positive effect of strategic capabilities systematic support and firm performance amongst retail vendors in Nairobi City County. Further, the study concurred with Kogo and Kimencu (2018) who reported positive and significant relationship between product capabilities, marketing capabilities, information capabilities, human capabilities and firm performance amongst insurance companies in Nairobi County. Moreover, the study findings mirrored Wambui (2017) who found positive and significant effect of strategy and performance of insurance companies in Kenya. These findings were in support of dynamic capabilities theory which supports the need for organization prepared to respond to dynamic changes within their business operations. In similar tandem Ouma (2016) reported positive and significant effect of competitive strategies on insurance performance in Kenya. These findings were in conformity with Mwangi (2015) who found positive and significant effect of organization subculture, organization structure, leadership capacity reward practices and organization performance.

Secondly, positive and significant effect of marketing capabilities on firm performance was in support of Salisu et al., (2017) who found positive and significant effect of marketing capabilities on firm performance of companies in Nigeria. Similarly, Harram and Fozia (2015) reported positive and significant effect of customer-oriented marketing capabilities on firm performance in Pakistan. Customized products would not only minimize operational costs but minimize resistance associated with introduction of new products and services. Further, the study mirrored Saleh (2015) who found positive and significant between marketing capabilities and success of service industries. The study concluded that those firms which had deployed marketing capabilities were better placed

on market sensing, partner linking and customer engagement. Moreover, Vicente et al., (2016) through structural equation modelling found that marketing capabilities, technology capabilities and organization innovation had positive and significant impact on firm performance. A Pakistan manufacturing companies' case by Harram and Fozia (2015) reported positive and significant effect of customer-oriented marketing capabilities on firm performance. These findings were in support of resources-based theory. Hence, there is need for manufacturing companies to invest in marketing information gathering so as to aid in planning and positioning. Furthermore, marketing capabilities would aid in evaluating marketing turbulence as well as ability to examine rivals' strategies and hence minimize possibilities of market cannibalism.

Thirdly, there was positive and significant effect of information technology on firm performance of SACCOs in Nairobi City County. These findings agreed with Mwithiga et al., (2017) who found positive impact of integration of information technology on firm performance in Kenya. Similarly, Kimani (2015) reported positive and significant effect on the level of information technology within an organization and organization performance. Information technology adoption aids in minimization of operational costs and storage space which is achieved through digitization of business documentation. Further, this study finding agreed with Albadayi et al., (2007) who found positive and significant impact of information technology adoption on firm performance. Moreover, it was found that information amplifies business process reengineering. These findings cemented a Turkish case on the impact of information technology investment on firm performance by Zehir et al., (2017) who found positive and significant impact of information technology on firm performance. Further, the study findings concurred with

Keramati (2007) who found positive and significant relationship between information technology and firm performance amongst car dealers.

Finally, there was positive and significant effect of knowledge management capabilities and firm performance. These findings agreed with Nemwel (2013) who found positive and significant effect of knowledge management on organization performance in Kisii university. Also, these findings were in tandem with Karani (2015) who found positive and significant effect of knowledge creation, knowledge acquisition, knowledge sharing and knowledge implementation and firm performance amongst telecommunication companies in Kenya. Moreover, the study mirrored Ambula et al., (2017) who found positive and significant effect of knowledge management practices and firm performance of manufacturing companies. Indeed, the study found that knowledge management practices had significant impact on both financial and non-financial performance of manufacturing companies. Further, the study mirrored Onyango (2017) who found positive and significant effect between knowledge management and performance of ICEA lion. It was reported that in order for a company to gain competitive advantage there is need to embrace measures for knowledge acquisition, reuse, sharing and creation. Also, the study concurred with Yang (2010) who found technology adoption as the most strategic approach deployed by high technology Chinese companies as yard stick for market intelligence and business information gathering. Through this knowledge high technology companies were better placed to be innovative and embrace interorganizational information sharing. These findings cemented Karani (2015) who reported positive and significant effect of knowledge management practices and mobile telephone companies in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study sought to establish the role of strategic capabilities on firm performance on SACCOs performance in Nairobi City County. In the forthcoming section, summary of study findings, conclusions, recommendations, limitations and suggestion for other studies will be presented.

5.2 Summary of Findings

Although, there were several studies which had endeavored to show the role of strategic capabilities on firm performance. Extant literature revealed that these studies had shortcomings emanating from methodological, contextual inconsistencies, geographical gaps, theoretical gaps and timely gaps. For example, most studies adopted descriptive research design, analyzed data purely on descriptive statistics and applied purposive sampling technique to select respondents. Moreover, those which adopted regression analysis they did not carry out classical regression assumptions. There were contextual inconsistencies whereby some studies reported positive or negative and significant effect of strategic capabilities on firm performance others had positive or negative non-significant effect. In addition, some studies found no relationship between strategic capabilities and firm performance.

Further, most studies were carried on other financial institutions such as commercial banks and insurance whose findings cannot be generalized in SACCOs owing to heterogenous operating business modalities. It is against this back drop the current study

explored the role of strategic capabilities on firm performance of SACCOs in Kenya. Specifically, the study examined the effect of management capabilities, marketing capabilities, information technology capabilities and knowledge management capabilities. Descriptive research design was adopted and primary data was collected using questionnaires. Data was analyzed using descriptive and inferential statistics; correlation and regression analysis. The study found positive and significant effect between strategic capabilities and firm performance of SACCOs in Nairobi County. Specifically, information technology capability, knowledge management capability, marketing capabilities and management capabilities individually had positive and significant effect on firm performance of SACCOs in Nairobi County.

5.3 Conclusions

Based on the study findings it can be concluded that strategic capabilities have significant contribution on SACCOs performance in Nairobi City County. Consequently, there is need for evaluation of organization culture to ensure that management capabilities are fully incorporated in SACCOs leadership. This would ensure there is minimal agency conflict and will ultimately promote optimal operational procedures and place SACCOs in environment which would promote competitive advantage.

Secondly, there is need for continued monitoring and evaluation of marketing capabilities adopted by each SACCO. This would optimize possibilities of venturing into blue ocean strategy through development of customized products and services which are geared towards cultivating and enhancing customers loyalty.

Thirdly, there is need to incorporate information technology capabilities into business management. Owing to continued need for data driven business decision making and

gathering of business intelligence. SACCOs in Nairobi City County ought to embrace information technology on different facets and this will enhance product modifications, improve customer service delivery and minimize operational costs.

Finally, there is need for SACCOs to have measures for knowledge acquisition, knowledge conversion and knowledge sharing. This would aid in establishment of business intelligence departments and research and development department which would aid in development of customized products and services.

5.4 Recommendations

From the study findings the following recommendations can be drawn. There is need for SACCOs management to continuously evaluate their SACCO governance structure. Moreover, there is need for establishment of performance targets and development of detailed implementation matrix which would aid management in achieving SACCO goals. Secondly, strategic plans ought to have governance plan which would not only aid in planning but also optimize on resources allocation.

Secondly, there is need for SACCOs marketing capabilities to be aligned on customer needs. Through marketing capabilities SACCOs ought to segment its market based on customer needs and their own products. Secondly, there is need for customer development to be anchored on customer needs, this would ease market penetration and increase market share which would improve firm performance.

Thirdly, use of information technology ought to be cautious of security aspects so to minimize possibilities of financial fraud. Secondly, there is need for SACCOs to develop user friendly information technology interface this would enhance adoption of

information technology-based platform. Adoption of information technology products would minimize operational costs.

Finally, there is need there is need for adoption of knowledge management strategies. This would enhance development of products and services which are geared towards addressing unique customer needs. Moreover, there is need for SACCOs to adopt alternative methods for gathering information which will not only aid in competitive advantage but also ease in understating customer needs.

5.5 Limitations of the Study

This research was limited to investigations on role of strategic capabilities on SACCOs performance in Kiambu County. The study sampled only 31 SACCOs which are based in Nairobi City County. Consequently, these findings cannot be generalized to be a true reflection of all SACCOs in Kenya, there is need for a complementary study to confirm or refute the current findings. The current study was limited on quantitative data, there is need for adoption of qualitative data so as to complement study findings. The study adopted subjective measures of strategic capabilities this there is need for consideration of document guide analysis to examine implementation of strategic capabilities and how they affect performance of SACCOs in Kenya.

5.6 Suggestions of Other Studies

The current study was limited to SACCOs based in Nairobi City County, there is need for an examination on the role of strategic capabilities on performance of SACCOs in other counties. SACCOs have different founders and they serve different sectors there is need

to explore effect of strategic capabilities amongst matatu SACCOs in Nairobi counties.

Thirdly, there is need to adopt alternative data analysis procedure such as fit structural equation model to explore the role of strategic capabilities on firm performance of SACCOs in Nairobi City County.

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APPENDICES

Appendix I: Letter of Introduction

Grace Wanjiku Mwangi

REF: TO WHOM IT MAY CONCERN

I humbly request for your participation in filling the attached questionnaire. This will aid in completion of my post graduate academic research which is partial requirement for an award of Masters in Business Administration at University of Nairobi. My research proposal is titled, “**The Role of Strategic Capabilities on Performance of Savings and Credit Cooperative Societies in Nairobi City County**”. The questionnaire has six sections which seeks information on respondents’ demographic characteristics, followed by strategic capabilities section operationalized as management, marketing, information technology and knowledge management capabilities. The last section seeks information on Sacco performance.

Kind Regards,

Grace Wanjiku

Appendix II: Questionnaire

You have been randomly selected for the study on “**The Role of Strategic Capabilities on Performance of Savings and Credit Cooperative Societies in Nairobi City County**”. Please respond to all questions without indicating your name. Use (√) or (X).

Section I: Background information

A1. Name of your SACCO

A2. Indicate your gender

Male Female

A3. What is your highest level of academic qualification?

Diploma []

Degree []

Masters []

Doctorate []

A4. How many years have you served in your current SACCO?

Less than 5 years [] Between 6 and 10 years []

Between 11 and 15 years [] Between 16 and 20 years []

Over 20 years []

A5. What is your long-term strategic planning period?

After every 1 year [] After every 2 years []

After every three years [] After every four years []

After every five years [] For six and above years []

Section II: Assessing Management Capabilities

- How do you agree with the following attributes of management capabilities as practiced by your SACCO on a five point scale: **SD=Strongly Disagree, D=Disagree N=Neutral, A=Agree and SA=Strongly Agree**

	SD	D	N	A	SA
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a	Our company structure that is followed to the letter					
b	There is strong leadership team that work together to ensure that the objectives of the company are met					
c	To what extent do you agree that communication skills has helped your company to share information effectively?					
d	Internal flow of information is effective when it comes to communicating strategic plans					
e	Strategic leaders and heads of department possess exception leadership skills that enable the company to achieve more and to aim higher.					
f	Leaders in our company conduct themselves to see that all the plans as spelt out in our strategic plan are executed successfully					
g	To what level of agreement can you say that leaders in the company are focused to future growth					

Section III: Assessing Marketing Capabilities

How to agree on the following attributes of marketing capabilities as practiced in your SACCO on a five-point Likert scale: **SD=Strongly Disagree, D=Disagree N=Neutral, A=Agree and SA=Strongly Agree**

		SD	D	N	A	SA
a	Media is most used to market our product and services					
b	Plans to integrate our media with our marketing future products and services are underway					
c	Our company is focused on product differentiation so as to win loyalty from the customer and thus enable the firm stand stable for long.					
d	To what extent would you say that your company is using price differentiation strategy to help increase sales volume and boost					

	loyalty of our customers					
e	Our company has engaged in customized production to suit our customer needs					
d	In order to increase our market share, our company is focusing on customer preferences so as to gain market in all segments					
e	Our companies strategic plan dictates how marketing should be done					
f	Our company is focused to low cost differentiation strategy so as to be able to price its product affordably					
g	There is need in future to used media to communicate our product and as such marketing expenditure is set high					

Section III: Assessing Information and Communication Technology (ICT) Adoption

How do you agree on the following attributes of information and communication technology attributes as adopted in your SACCO on a five-point Likert scale:

SD=Strongly Disagree, D=Disagree N=Neutral, A=Agree and SA=Strongly Agree?

		SD	D	N	A	SA
a	Our company has joined most of the social media platforms					
b	Do you agree that IT infrastructure are fully developed in your company?					
c	To what extent do you agree that IT is being used by company to manage customer database?					
d	IT applications are used in the management of company plans					
e	Our company encourages the use of IT in all our product processes					
f	Does you agree that research and development department are based on IT innovations					
g	IT is being used to manage and serve information needs					

h	Our company has IT resources that help management and sourcing					
i	To what extent do you agree that your company is social media sensitive					

Section II: Knowledge Management Capabilities

Please rate the following attributes of knowledge management capabilities as practiced by your SACCO in a five-point Likert Scale: **5) Very high extent 4) High extent, 3) Moderate extent, 2) Low extent 1) Very low extent**

		Very low extent	Low extent	Moderate extent	High extent	Very high extent
a	SACCO employees are active in professional and networking organizations.					
b	Our SACCOs collect customers information and wishes.					
c	We have budgetary allocation for knowledge collection.					
d	Human capital is embraced to acquire missing knowledge within our organization.					
e	Our SACCO have embraced research as its pillar for development.					
f	Our SACCO coordinates attendance in seminars and trainings forums to boost their knowledge levels.					
g	Our SACCO benchmarks from our competitors to develop new methods and approaches.					
h	Our SACCO has embraced open forums to discuss positive and negative information emanating from our practices.					
i	Our SACCO benchmarks using new ideation as lead for strategic business development.					
j	Our SACCO rewards new knowledge testing and acquisition.					
k	Our SACCO have formed networking forums for discussing strategies and experiences emanating from their daily experiences.					

l	Our SACCO have forums for evaluating performance on regular basis.					
m	Our SACCO allocates projects dependent on past knowledge and experiences.					
n	Our SACCO hold brainstorming sessions to solve challenges hindering achievement of our objectives					
o	Our SACCO has mentorship programs for newly recruited employees.					
p	Our SACCO has developed culture of sharing information formally.					
q	Our SACCO has regular forums for discussing professional matters.					
r	Our SACCO has exchange programs for sharing positive sentiments on successful project completion.					
s	Our SACCO has forums for inter and intra exchange of information					
t	Our SACCO distributes knowledge through regular meetings and forums.					
u	Our SACCO has explicit strategies for information and product selling.					
v	Our SACCO have intra and inter knowledge sharing platforms.					
w	Our SACCO collects intra customer information to improve on product development.					
x	Our SACCO adopts creative mechanisms to apply new gather information.					
y	Our SACCO has internal mechanism of promoting knowledge management.					
z	Product development is guided by research and development					

Section VI: Assessing Firm Performance

On a five point Likert scale how do you rate the following performance attributes as you observe them in your SACCO: **SD=Strongly Disagree, D=Disagree N=Neutral, A=Agree and SA=Strongly Agree**

		SD	D	N	A	SA
a	Strategies to increase market share has been effective and are hoped to remain so for long					
b	Due to marketing capabilities displayed by our company, profit has increased over time					

c	Adoption of ICT has led to major step in serving our esteemed customers					
d	As result of employee skills enhancement programs in our company cannibalism has eased					
e	Due to ICT adoption, our company structure of management has eased and improved significantly. This has generated good profit for the company and in future it is expected to be even better					
f	Diversity in leadership skills has enable development of programs and plans that will see our company make more profits and increase market share.					
g	Increased motivation of the employees has contributed significantly to improving efficiency in the company and hence more profit is made and expected to remain so in the future					

12. Please suggest way other than strategic capabilities can be used to enhancing performance of your company.
