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Influence of Organizational Capabilities as Key Strategy Implementation Dimension on Organizational Performance of Commercial State Corporations in Kenya

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Abstract:- Strategy implementation has gained attention in the strategic thinking with enterprises investing heavily on management consultants who can craft executable strategies that will translate into superior performance. Researchers and practitioners alike have realized that impressive strategic plans that have been launched in a flamboyant manner very often do not decipher into brilliant performance. State corporations in Kenya struggle with implementing the strategies set and fall short of attaining the desirable performance, if anything they are net drain on the exchequer where the national government has had to bail them out. This explains why in the modern-day world, public management attention has increasingly focused on organizational capabilities as a key strategy implementation dimension and their effect on organizational performance. Therefore, the purpose of the study was to investigate the contribution of organizational capabilities as key strategy implementation dimension to the organizational performance of commercial state corporations in Kenya. This was a census study comprising of 34 commercial state corporations targeting 295 Senior Management Team (SMT) members. This study employed structural equation modelling to analyse relationships between variables and constructs. The results provided statistical evidence that a positive and significant influence exists between organizational capabilities as key strategy implementation dimension and organizational performance of the commercial state corporations. In addition, the study found out that market turbulence does not have moderating effect on the relationship between organizational capabilities and organizational performance of commercial state corporations in Kenya. The relationship between organizational capabilities and organizational performance was significant at 0.05 level of significance. Therefore, the study concluded that organizational capabilities significantly influence organizational performance of commercial state corporations in Kenya. In practice, this study recommends that commercial state corporations need to pay attention to organizational capabilities as drivers of well-articulated strategic plans thereby translating the intended strategies into desirable high organizational performance.

Keywords:- *State-Owned Enterprises, Organizational Capabilities, Performance and Strategy Implementation.*

I. INTRODUCTION

World over, strategy implementation in the public sector is a controversial issue whereby both the supporters and detractors concur on the challenges encountered in executing the strategic initiatives in organizations (Sull, Homkes & Sull, 2015). In an intensely competitive global business environment and with the increasing speed of technology-enabled strategic initiatives in organizations, the importance of strategy implementation dimensions has increased exponentially (Economist Intelligence Unit, 2013). Hrebiniak (2013) posited that formulating a reliable strategy is a daunting task for any management team, making that strategy work throughout the organization is even more daunting. Successful institutionalization of strategic implementation dimensions is essential for improved performance yet both private and public organizations face countless factors that potentially affect the procedures and practices by which strategic plans are turned into actionable steps (Yang, Guo-hui & Eppler, 2016).

Globally, over the last 30 years, the performance of state-owned-enterprises (SOEs) has been unsatisfactory while the privatization of SOEs has been treated with doubts (Organization for Economic Co-operation and Development, OECD, 2018). Despite having an elaborate and dynamic strategy formulation process, SOEs in profit-driven world are unable to have sustained growth and improved performance because of lack of clear approach to strategy implementation (Rajasekar, 2014). Therefore, organizational executives should be concerned with the establishment of strategic implementation dimensions to avoid common pitfalls that result in failure and increase the rate of strategy success (Chuah & Teoh, 2015).

Organizational capabilities constituting the employees and managers, should be fully involved in the implementation of strategic decisions and effective communication between all stakeholders for successful implementation of strategies that will result to high performance (David, 2018). Unlike strategy formulation, strategy implementation cannot be done by management alone; it calls for the participation of everyone in the organization and in other instances, stakeholders outside the organization. Strategy implementing is not a top-down demeanour; it requires concurrent 360-degrees approach of top-down, across and bottom-up exertions (Rajasekar, 2014). Brinkschröder (2014) noted little is known about the important elements needed for effective implementation of strategies that leads to high performance. David (2018) postulated that there is little systematic knowledge that has been researched on how to implement a well-conceived strategy on paper in the day-to-day running of an organization. Ismail, Rose, Uli and Abdullah (2012) argued that organizational capabilities comprise of organizational capabilities in terms of information, communications and technological capabilities, innovative capabilities, leadership competences and human capabilities and reputational capabilities.

Organizational performance encompasses three specific areas of organizational outcomes: financial performance (return on assets), employee performance (attrition rate) and market performance (customer growth in numbers). Measuring progress in the strategy implementation is paramount with the use of various measurable tools, such as Kaplan and Norton (2015) balanced scorecard approach that considers financial, customer, internal business processes and employee perspective. Organizations should institute both financial and non-financial performance metrics to have a holistic approach to performance measurements; in addition to considering structural relations –the participants and the context of a specific organization (Srivastava & Sushil, 2013).

Globally, for organizations to achieve high performance much attention has to be paid to the organizational capabilities as key strategy implementation dimension and CEOs should take this seriously (Ibrahim, Sulaiman, Kahtani & Abu-Jarad, 2012). Furthermore, Mankins and Steele (as cited in Pete, 2016) reported that organizations only realize 63% of the organizational performance promised by their strategies highlighting a vital strategy-to-performance gap. Kaplan and Norton (2015) associate this strategy-to-performance gap to the fact that 95% of organization's employees do not participate in strategy formulation and thus do not understand the overall strategy. Yet these employees are required to implement the strategies set and that may explain why 66% of corporate strategy is never implemented. Therefore, the major concern for managers is how to overcome the strategy-to-performance gap in order for the set strategies to have a positive impact on performance. If employees do not have adequate knowledge about the organization's strategy, it is improbable that appropriate strategy implementation will take place which in turn leads to poor organizational performance (Ibrahim *et al*., 2012).

State corporations were first established in Kenya by the colonial government in the 1960s on the understanding that they would be the most appropriate mechanism for providing services that were not provided by the private sector. The establishment of the SOEs also referred to as Parastatals was driven by five objectives, namely: accelerate economic social development, redress regional economic imbalances, increase Kenyan citizens' participation in the economy, promote indigenous entrepreneurship, and promote foreign investment through joint ventures (Kabiru, Theuri & Misiko, 2018). These objectives were articulated in the Sessional Paper No. 10 of 1965 on African Socialism and its implication to strategic direction in Kenya (Republic of Kenya, ROK, 2014). Later, in 2012, the SOEs were incorporated under Companies Act, 2012, Chapter 486.

From public wage bill perspective, the national government and its agencies were the largest employer in Kenya amounting to Ksh 549 billion, which was 37% of the total government spending in 2017. Additionally, 51% of SOEs required National Treasury support to cover the wage bill as it could not be covered by internally generated funds (Institute of Economic Affairs, IEA, 2018). Kenya's SOEs' contribution to economic activity in comparison with Sub-Sahara Africa by World Bank 2000, as noted earlier contributed 11.6% of GDP with an investment 24.6% of Gross Domestic Investment, GDI. South Africa had 14.9% of GDP with an investment 16.5% of GDI; Cameroon had 18.0% of GDP with an investment 6.8% of GDI; Ghana had 8.5% of GDP with an investment 18.5% of GDI; whereas Tanzania had 8.6% of GDP with an investment 22.9% of GDI. This shows that Kenya by those measures, SOEs has had a substantial contribution to economic activity (Ireri, 2016).

In summary, poor performance of SOEs in Kenya has had adverse effects on the economy of Kenya (Kabiru *et al.* 2018). Though the envisaged intention of SOEs was to harness economic development and improve livelihoods, the current state of SOEs management, the way strategies are executed to foster high performance, weigh against the realization of such intention. Mbaka and Mugambi (2014) noted that the main contributors of SOEs' failure of the strategy implementation in Kenya deal with dimensions such as availability of financial and non-financial resources, leadership, staff competences, information and communications capabilities, organizational culture, organizational structure and government/ political interventions.

1.2 Statement of the Problem

State-owned enterprises world over are established to spur economic and social development. The SOEs have an immense influence and are an emergent force globally as evidenced by the proportion of growth of SOEs among the Fortune Global 500 from 9% in 2005 to 23% in 2014, Chinese SOEs being among the main catalyst for this growth. Despite the move towards privatization, existing strongly-performing SOEs are growing bigger and dominant in economies worldwide; three Chinese SOEs, namely, Sinopec Group, Chinese National Petroleum and State Grid; have consecutively made the top ten in the Fortune Global 500 since 2010 to 2019. The key driver for high performance by these Asians corporations is effective technical competencies that comprise of leadership capabilities, staff capabilities, information communication and reputational capabilities.

In Kenya and Africa in general, the story is different. State corporations in Kenya, that have instituted similar strategy implementation dimensions, including organizational capabilities, culture and structure; have yielded mainly poor performance with few recording improved performance. Commercial state corporations in Kenya made Ksh 29.28 billion in net profits in 2013/14 financial year setting a new earnings record from which the National Treasury earned more than Ksh 16 billion in dividends (Mutai, 2014). Since 1965 when government of Kenya actively expanded and strengthened SOEs as the vehicles of social economic, evidences show that these organizations have recorded poor performance, losses and even prompted the government to offer bailouts for survival. Deplorably, the report on audited accounts carried out on the state corporations in Kenya since 1993 has referred SOEs as waste (Kabiru, *et al.*, 2018). In addition, state interventions through bail-out for commercial state corporations hasn't improved performance of these enterprises. In March 2016, Kenya Airways in which the government owns a 20 per cent stake received Ksh 20 billion bailout from the national treasury; this is in addition to the Ksh 4.2 billion bailout the company had received within a year (Ngigi, 2016). Hitherto, KQ has reported net losses after tax of Ksh 26.2 billion in the year 2016, Ksh 10.2 billion in the year 2017, Ksh 7.59 billion in the year 2018 and Ksh 8.56 billion in half-year 2019. (Kenya Airways, 2019). Despite a robust strategy planning process in Kenya's SOEs that yields to well-articulated five-year-phased strategic plans as required by Ministry of National Treasury and Planning – State Department for Planning; the implementation of these plans is far from being realized and the eventual performance has remained gloomy. The state corporations have continued to drain the exchequer and incapable of delivering essential services to the citizens. This points to lack of effective translation of strategies into tangible outputs and outcomes that depict desirable high organizational performance.

The argument is whether the policy makers and practitioners in Kenya can translate the set strategies into action that will eventually lead to high level performance in SOEs. It is clear that that there is a need to translate the strategy in mind of the SOEs' executives to making it work in real organizational operations. The major concern is establishing a way which organizational capabilities as key strategy implementation dimension can be developed to deliver as per performance targets.

1.3 Study Objective

To assess the influence of organizational capabilities on organizational performance of commercial state corporations in Kenya.

II. LITERATURE REVIEW

2.1 Resource-Based Theory

The resource-based theory also referred to as resource-based view (RBV) has given a new viewpoint in explaining differentials in organizational performance whereby, success is attained dependent on resources and capabilities which an enterprise possesses (Olalla, 1999). Resource-based theory views organizations as a collection of capabilities has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making (Fahy & Smithee, 1999). The origin of the resource-based theory is found in Penrose (1959) who defined an enterprise as a combined productive resource providing various services that determine the growth and performance of an enterprise. Further improvement of RBV was the work of Wernerfelt (1984) who developed the theoretical tool explanatory of the theory. Later advancement of resource-based theory includes Prahalad and Hamel (1990), Barney (2001), Peteraf and Barney (2003), and Hill and Jones (2015) that considers organizational capabilities as comprising of nexus of resources and competences that are not easily purchase in the spot market and yield economic benefits.

In this study, resource-based view propagates that organizational capabilities are linked to resources and competences. Organizational capabilities are the various routines and processes that transform resources (inputs) into outputs in terms of products/services (Coulter, 2013). As propagated by RBV, organizational capabilities contribution to the improvement of enterprise's performance and its competitive position depends on their characteristics on how well they perform their role (Barney & Hesterly, 2019). This estimation can be made by using VRIO (Valuable, Rare, Inimitable and Organized) framework that provides an answer to the question: whether the enterprise's resources can be considered as a strength or weakness. Mirkovic (2018) explained the VRIO framework: (a) value is the resource valuable in terms of neutralizing the threats and exploiting the opportunities from the environment; (b) rarity is the resource rarely present among existing and potential competitors; (c) inimitability is the resource expensive or impossible to imitate; (d) and the organization is the resource used by the company, or is the company organized in a way that allows efficient usage of the resource. In VRIO, the emphasis moves downstream to the functionality and/or helpfulness of the organizational resources or capabilities. Conversely, the unit of analysis is still the resource. Thus, although the resource may be valuable, rare and difficult to imitate, if there are any strategically equivalent organizational capabilities that are not rare or difficult to imitate, then the focal resource cannot lead to improved performance (Barney & Hesterly, 2019).

In support of this study, this theory holds that an organization's resources yield to organizational capabilities that are needed to perform its work. To reach organizational goals, an enterprise must generate value from its resources and does so through its capabilities and eventual competences. The resource-based view is used in determining whether an enterprise's initial bundle of resources and subsequent resource configurations that demonstrate organizational capabilities are the sources of strategic competitiveness that yield to improved performance (Hitt, Ireland & Hoskisson, 2014).

2.2 Survival-Based Theory

On survival-based theory, Raduan, Jegak, Haslinda and Alimin (2009) argued that it is the concept that organization need to constantly and continuously adapt to its competitive environment in order to remain relevant to the beneficiaries. Strategy regards the characteristics of enterprises to deal with the primordial quest for survival (Jofre, 2011). Mintzberg, Ahlstrand and Lampel (1998) propagated that the conception of an individual corporation via a strategic innovation introduces variation into a population, which is the industry. The innovation gives the corporation an advantage and superior performance, but survival depends on its ability to acquire an adequate supply of organizational capabilities or resources. Each environment, however, has a finite number of resources, or, to use a term survival theorist derive from biology, fixed carrying capacity. For SOEs, there is an expedition to survive amidst interventions from the state and intense competition from privately-owned commercial enterprises as they seek to offer achieve their objectives (Kowalski, Szetajerowska & Egeland, 2013). Corporations that meet these criteria by way of the dynamic carrying capacity survive and those that do not are selected out. Therefore, for SOEs to continue having a significant role in various sectors such as petroleum refining, financial services, utilities, mining and energy; they need to continually build their carrying capacities in terms of organizational capabilities, organizational culture and organizational structures that will yield optimal results. For long-term relevance, survival and success, there is need for state corporations to learn and adapt to what operating and general environment demands by continuously adjusting their fixed capacity in their strategy implementation (Mintzberg *et al.*, 1998).

2.3 Empirical Review

Research work carried out by Nielson, Martin and Powers (2008) as Booz & Company consultants and by the research survey data that they have collected for almost five years from more than 125,000 employees of some 1,000 organizations in more than 50 countries had crucial findings relating to this study. They found out that 60% of employees of different organizations both public and privately-owned rated their organizations being weak when it came to organizational capabilities as key dimension of effective strategy implementation and thus affects the overall organizational performance. On strategy implementation dimensions and institutional performance, Bossidy and Charan (2019) observed that 70% of why CEOs fail to deliver desirable results is not about lack of smart vision but poor organizational capabilities.

In a research on contributors of organizational successful performance that entails 160 SOEs over a five-year period; organizational success was strongly correlated with organizational ability to establish and operationalize strategy implementation dimensions flawlessly (William, Nitin, & Roberson, 2003). Other works portray that organizational capabilities as key strategy implementation dimension are important to organizational performance that depicts strategic success (Collins, 2001; Hartman, 2004; and Bossidy & Charan, 2019). Organizational competences were vital to increased organizational performance and measured by total return to shareholders (Hrebiniak, 2013).

Hrebiniak (2013) noted that on making strategy work in both state-owned and privately-owned enterprises, there is need to identify barriers to strategy implementation, namely: inability to manage change effectively or to overcome internal resistance to change; poor or inadequate information sharing between individuals or business units responsible for strategy implementation; unclear communication of responsibility and/or accountability for implementation decisions or actions; poor or vague strategy; lack of feelings of "ownership" of a strategy or implementation plans among key employees; inability to generate buy-in or agreement on critical implementation steps or actions; lack of incentives or inappropriate incentives to support execution objectives; insufficient financial resources to execute the strategy; and lack of upper-management support of strategy implementation. With the obstacles identified, organizations ought to develop a roadmap to organizational capabilities that will help with the order of implementation decisions as managers confront obstacles and utilize opportunities.

In overcoming obstacles to strategy implementation, Beer (2013) in a collaborative action research method for developing and understanding organizational dynamic capabilities amongst for-profit and not-for-profit enterprises in USA established six organizational capabilities required for sustainable competitive success. The six capabilities are: a leadership style that embraces the paradox of top-down direction and upward inspiration and influence achieved through engaged leadership; well-articulated strategy, clearly communicated priorities and compelling business direction; an effective top team, whose members have management-orientation; open vertical communication and open fact-based dialogue; effective coordination via teamwork as depicted in realigning roles, responsibilities and accountabilities with strategy; and down-the-line strong leadership with a general-management perspective.

III. METHODOLOGY

3.1 Research Design

This study used quantitative approach and explanatory causal design using survey approach. Quantitative research addresses research questions through empirical assessments that involve numerical measurement and analysis

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approaches that requires less interpretation and gives a broader perspective. Additionally, this study is a cross-sectional survey research of the purely commercial state corporations in Kenya.

3.2 Research Paradigms and Philosophy

This study adopted epistemology research philosophy which embodies the idea of understanding what it means to know. Specifically, this study adopted objectivism as an epistemology approach that holds that reality exists independently of consciousness and strives not to include researcher's feelings and values (Gray, 2013). Additionally, this study took a positivist position that is derived from natural science and is characterised by the testing of hypothesis developed from existing theory (hence deductive or theory testing) and through measurement of observable social realities (Zukauskas, Andriukaitienė & Vveinhardt, 2018).

3.3 Target Population and Sampling Design

The target population for this study comprised of purely commercial state corporations. According to the report of the Presidential Taskforce on Parastatal Reforms carried out in 2013, there were 34 purely commercial state corporations. The study population targeted 295 respondents comprising of the Senior Management Teams (SMTs)/ Senior Management comprising of CEOs, Heads of Departments/ Divisions and Heads of Delivery Units/ Sections because they are involved in strategic planning, making strategic choices and resource allocation. This was a census since it attempted to collect data from every member of the population being studied rather than choosing a sample (Connaway, 2017).

3.4 Data Collection Instruments and Procedures

The study used both primary and secondary data. Primary data was collected from the SOEs using structured questionnaires addressed to the Senior Management Teams. Secondary data was obtained from existing corporations' records both in soft and hard copies format in the SOEs including strategic plans, annual reports, organizational charts, newsletters, research and studies done on SOEs. Close-ended structured questionnaires were used in the study in the collection of primary data so as to gather substantial information.

3.5 Data Analysis Methods

This study used descriptive statistics to enable the researcher discern patterns that are not clearly apparent in raw data through the use of measures of frequency including tables, charts and graphs, and use of stem-and-leaf display (Lind, Marchal & Wathen, 2012). In addition, the study used measures of central tendencies and variability to include standard deviations and mean to allow for easier presentation and interpretation of data findings. The study also adopted structural equation modelling (SEM) which shows relationships among variables with an aim of providing a quantitative test of a theoretical model as hypothesized in this research. In SEM the various constructs in operationalizing the variables show how these relate to each other. This analysis helped to determine the extent to which the theoretical models is supported by research data using the scientific method of hypothesis testing to advance the researcher's understanding of the complex relationships among constructs.

IV. FINDINGS

4.1 Response rate

In this study, a total number of 295 questionnaires were administered to the respondents, however, only 251 questionnaires were properly filled, representing 85.08% response rate.

4.2 Descriptive Statistics

The study sought to assess the influence of organizational capabilities on organizational performance of commercial state corporations in Kenya. The respondents were asked to state their opinion on organizational capabilities in their enterprises. The results are analysed and tabulated as per the Table 1.

Table 1: Organizational Capabilities

Organizational Capabilities	N n (%)	S n (%)	M n (%)	L n (%)	VL n(%)	Mean	Std. Dev.	Total
The senior management team have the ability to learn by recognizing new information assimilating it and applying it	40 (15.9)	36 (14.3)	47 (18.7)	77 (30.7)	51 (20.3)	3.25	1.358	251 (100)
SMT have the ability to change due to variations in conditions of	37 (14.7)	41 (16.3)	52 (20.7)	68 (27.1)	53 (21.1)	3.24	1.349	251 (100)
SMT have discernment and intuition	33 (13.1)	52 (20.7)	42 (16.7)	81 (32.3)	43 (17.1)	3.2	1.308	251 (100)
SMT are agile with foresight to spot change in the horizon, anticipate what comes next and develop needed strategies	45 (17.9)	38 (15.1)	50 (19.9)	70 (27.9)	48 (19.1)	3.15	1.377	251 (100)
SMT are authentic with clarity of company vision, ability to articulate the vision and able to build trust among the staff	43 (17.1)	48 (19.1)	48 (19.1)	62 (24.7)	50 (19.9)	3.11	1.384	251 (100)

Organizational Capabilities	**N n (%)**	**S n (%)**	**M n (%)**	**L n (%)**	**VL n(%)**	**Mean**	**Std. Dev.**	**Total**
SMT understand business sustainability, thus able to demonstrate social responsibility by balancing business results with concern for greater good for staff and the public	46 (18.3)	42 (16.7)	50 (19.9)	62 (24.7)	51 (20.3)	3.12	1.398	251 (100)
SMT have knowledge in strategy implementation	40 (15.9)	43 (17.1)	42 (16.7)	72 (28.7)	54 (21.5)	3.23	1.383	251 (100)
SMT have skills in strategy implementation	35 (13.9)	53 (21.1)	47 (18.7)	61 (24.3)	55 (21.9)	3.19	1.364	251 (100)
SMT have abilities/talents in strategy implementation	32 (12.7)	49 (19.5)	50 (19.9)	67 (26.7)	53 (21.1)	3.24	1.329	251 (100)
To what extent is the understanding of ICT concepts and principles by SMT important in strategy implementation	44 (17.5)	47 (18.7)	52 (20.7)	52 (20.7)	56 (22.3)	3.12	1.408	251 (100)
To what extent does staff skills and capacity in ICT of the SMT important in strategy implementation	43 (17.1)	46 (18.3)	44 (17.5)	58 (23.1)	60 (23.9)	3.18	1.425	251 (100)
To what extent is adoption of new methods in the company by the SMT important in strategy implementation	51 (20.3)	43 (17.1)	50 (19.9)	50 (19.9)	57 (22.7)	3.08	1.447	251 (100)
To what extent is reputation of SMT with customers important in strategy implementation	45 (17.9)	41 (16.3)	54 (21.5)	57 (22.7)	54 (21.5)	3.14	1.399	251 (100)
To what extent is reputation of SMT with suppliers important in strategy implementation	36 (14.3)	42 (16.7)	37 (14.7)	74 (29.5)	62 (24.7)	3.33	1.385	251 (100)
To what extent is reputation of SMT with the local community and members of the public important in strategy implementation	43 (17.1)	34 (13.5)	56 (22.3)	58 (23.1)	60 (23.9)	3.23	1.401	251 (100)
To what extent is the overall company's brand reputation and image important in strategy implementation	38 (15.1)	43 (17.1)	45 (17.9)	47 (18.7)	78 (31.1)	3.33	1.45	251 (100)
Overall Average						**3.20**	**1.39**	

Table 1 shows a mean of 3.20 was the overall output for all the constructs under organizational capabilities. This shows that most of the SMTs indicated that organizational capabilities to a moderate extent constitute strategy implementation dimensions and their influence on organizational performance. In addition, the variance of responses is indicated by standard deviation, when the standard deviation is high, it shows that there is more variance among responses given, with 1.39, the values in the dataset are tightly bunched around the mean value.

4.3 Confirmatory Factor Analysis

Confirmatory factor analysis was subjected to test using Analysis of Moment Structures (AMOS) to test the covariance and causal modelling of variables. Confirmatory factor analysis tests whether the measurement items correctly measure the intended constructs (Boateng *et al*, 2018). Variables that satisfactorily contribute to the study are retained for further Structural Equation Modelling.

4.3.1 Model Fit Indices

The study sought to find out the influence of organizational capabilities on organizational performance of commercial state corporations in Kenya. The following hypothesis was tested to establish whether organizational capabilities significantly influence organizational performance of commercial state corporations in Kenya as shown in Table 2.

H_1: - Organizational capabilities significantly influence organizational performance of commercial state corporations in Kenya.

Table 2: Model fit indices for the influence of organizational capabilities on organizational performance in Kenya's commercial state corporations

Model	**CMIN**	**CFI**	**RMSEA**	**P Close**
Default Model	106.302	0.962	0.028	0.980
Saturated Model	0.000	1.000	-	-
Independence Model	559.745	0.000	0.121	0.000

Table 2 shows the model fit indices output which included CMIN 106.302, CFI 0.962, RMSEA 0.028 and P Close of 0.980 were all within the recommended threshold (threshold for CFI above 0.90, RMSEA below 0.08; and P Close above 0.05).

The study further sought to establish the moderating influence of market turbulence on organizational capabilities and the organizational performance of commercial state corporations in Kenya. The moderation process entailed the fitting of models with the independent variable, the moderator variable and the interaction between the dependent variable and the moderator variable. The results are tabulated in Table 3.

Table 3: Moderation test for organizational capabilities and organizational performance in Kenya's commercial state corporations

			Estimate	S.E.	C.R.	P	Label
Performance	<---	Capabilities	0.198	0.077	2.575	0.01	
Performance	<---	Market Turbulence	0.126	0.06	2.087	0.037	
Performance	<---	Market Turbulence*Capabilities	-0.008	0.012	-0.653	0.514	

From Table 3, all the variables except the interaction between market turbulence and organizational capabilities were significant meaning that the results of the moderation were insignificant. This as a result led to the conclusion that market turbulence does not moderate the relationship between organizational capabilities and organizational performance.

4.3.2 Structural Modelling

Using SEM, the study sought to explore the relationship between each independent variable and the dependent variable to establish the influence of each of the variables to the study. Organizational capabilities were measured to determine their influence on organizational performance. The output is in Table 4.

Table 4: Standardized regression weights for organizational capabilities and organizational performance

Item		Unobserved variable	Estimate	S.E.	C.R.	P	Label
Organizational performance	<---	Organizational capabilities	0.355	0.105	3.878	***	
Net profit	<---	Organizational Performance	0.656				
Total assets	<---	Organizational Performance	0.613	0.119	7.537	***	
Existing staff	<---	Organizational Performance	0.596	0.119	7.37	***	
Number of attritions	<---	Organizational Performance	0.56	0.125	7.032	***	
Existing customers	<---	Organizational Performance	0.555	0.113	6.989	***	
Customer growth	<---	Organizational Performance	0.588	0.118	7.302	***	
Reputation with customers	<---	Organizational capabilities	0.572				
Adopt new methods	<---	Organizational capabilities	0.544	0.146	6.358	***	
Staff skills	<---	Organizational capabilities	0.491	0.141	5.909	***	
Understanding ICT	<---	Organizational capabilities	0.554	0.146	6.442	***	
Abilities/talent	<---	Organizational capabilities	0.617	0.163	6.903	***	
Skills in strategy implementation	<---	Organizational capabilities	0.654	0.162	7.137	***	
Knowledge in strategy implementation	<---	Organizational capabilities	0.472	0.139	5.738	***	
Understand business	<---	Organizational capabilities	0.141	0.108	1.939	0.052	
Authentic with clarity	<---	Organizational capabilities	0.122	0.116	1.678	0.093	

Table 4 shows that organizational capabilities were measured against organizational performance and the output posted a coefficient of 0.355 which is positive meaning that organizational capabilities influence organizational performance. The standardized regression weight for the relationship between organizational capabilities and organizational performance of 0.355 indicates that organizational capabilities influence organizational performance by 35.5% proportionately meaning a positive relationship between organizational capabilities and organizational performance. Two constructs were not significant since the p values were greater than 0.05, signifying no correlation between organizational capabilities and organizational performance. Firstly, SMT are authentic with clarity of company's vision, ability articulate the vision and able to build trust among the staff, and secondly, SMT understand business sustainability, thus able to demonstrate social responsibility by balancing business results with concern for the greater good for staff and the public. The relationship is further depicted using the CFA model as shown in Figure 1 as follows.

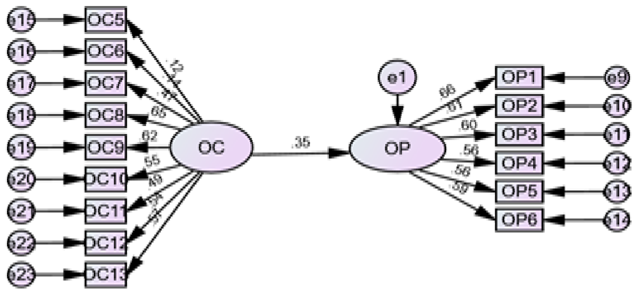

Figure 1: Structural Model for Organizational Capabilities and Organizational Performance

As indicated in Figure 1, the relationship between the organizational capabilities and its constructs is shown. The construct which had the highest explanatory power that explicates the influence of organizational capabilities on organizational performance was that SMT have skills in strategy implementation (coefficient = 0.654). The construct which had the lowest explanatory power that explicates the influence of organizational capabilities on organizational performance was that SMT are authentic with clarity of company vision, ability to articulate the vision and able to build trust among staff (coefficient = 0.122). All the constructs for organizational performance had a significant explanatory power on organizational performance. The construct that had higher explanatory power was the total assets owned by the company (coefficient 0.613) while two constructs that had the lowest explanatory power were the number of attritions and number of existing customers (both with coefficient 0.56).

4.4 Discussion

The results are in agreement with previous studies, as propagated by Barney and Hesterly (2019) that organizational capabilities contribute to the improvement of state enterprise's performance and how well these corporations perform their role. In addition, Hitt, Ireland and Hoskisson (2014) observed that organizations achieve superior performance when their capabilities are effectively acquired, bundled and leveraged. In their work, Kaleka and Morgan (2019) observed that the diverse capabilities comprising of leadership competences, human resource capabilities, information communication and technological capabilities; and reputational capabilities, contribute to organizational performance which leads to a competitive advantage in commercial state corporations. Specifically, on human competences, Delahaye and Choy (2019) synthesized that the individual knowledge employed by the organization with clearly defined core knowledge, skills and abilities help state enterprises to reach the optimum workforce to support future plans, to create stability and to provide for improved organizational performance. On information and communications technological competence which involves a balance between knowledge, skill, and emotional engagement, Hansen (2008) associated these capabilities to attainment of organizational objectives which encompass both financial and non-financial organizational performance measures. Additionally, Dowling (2006) work looked into the contribution of organizational reputation, mainly with customers, suppliers and other stakeholders; and found out that favorable reputations can affect corporate performance. Corporate and brand reputation are among the organizational tools that organizations can use for differentiation for improved performance.

Earlier studies on capabilities and performance, focused on leadership competences with differing findings, Alharbi and Yusoff (2012) noted that it is unclear what specific leadership styles are most effective in state-owned corporations pursuing improvement in service delivery practices. Yet, the study concluded that it is evident that the role of leadership is a key factor in effective service delivery in state-owned corporations as all excellence models include leadership and governance as an enabling driver.

V. CONCLUSION, RECOMMENDATION AND SUGGESTION FOR FUTURE RESEARCH

5.1 Conclusion

The study found out that organizational capabilities contribute to organizational performance of commercial state corporations in Kenya, using AMOS the output posted a coefficient of 0.355 which is positive meaning that organizational capabilities contribute to organizational performance and p <.05 (***). Further analysis using the CFA model indicated that seven out of the nine constructs had a significant explanatory power on organizational capabilities. Using the model fit indices output which included CMIN 106.302, CFI 0.962, RMSEA 0.028 and P Close of 0.980 were all within the recommended threshold (the threshold for CFI: above 0.90, RMSEA: below 0.08 and P Close: above 0.05). The relationship of the two variables was significant at 0.05 level of significance. Therefore, the null hypothesis was rejected and the alternate hypothesis was not rejected. Based on this result, the study concluded that organizational capabilities significantly influence organizational performance of commercial state corporations in Kenya.

5.2 Recommendations and Suggestion for Further Research

These study recommendations are in line with the research objective, findings and conclusions of the study. The study recommends that SOEs should build more and stronger organizational capabilities depicted as critical success factors that encompass leadership capabilities, human resource capabilities (knowledge, skills and abilities), information and communications technological capabilities (informational capabilities) and reputational capabilities. These capabilities have been identified as one major source for the generation and development of sustainable competitive advantages that yields to high performance. The Senior Management Teams (SMTs) in SOEs need additional to invest in strengthening organizational capabilities that can be used to promote better performance in their corporations. The study findings revealed that organizational capabilities had a significant influence on organizational performance which is in. As this study focused on purely commercial state corporations, future studies should replicate this study in three other state corporations in Kenya, (a) commercial state corporations with strategic functions defined through the national development planning process (b) state agencies that are incorporated entities outside the mainstream civil service established for purposes of public service delivery, and (c) county corporations which are entities solely or majority owned by a county government or its agent for commercial purposes. In addition, studies in the future should be replicate to focus on the private sector of the economy to establish whether the study variables are applicable as well.

This study further recommends a longitudinal research design that would allow for closer access to the Senior Management Teams functions as well study over a period of time. Finally, on policy, the Kenya Vision 2030, the country's development blueprint covering the period 2008-2030, has placed SOEs as key actors to spur economic and social development in the realization of the overall goal of transforming Kenya into a newly industrializing 'middle-income country providing a high quality of life for all its citizens'. To realize this aspiration, the finding of this study implies that the government of Kenya needs to set develop a policy framework for sustainable management of SOEs that will help translate the strategy in mind of the SOEs' Senior Management Teams to making it work in real organizational operations. This will help address the challenge of state corporations who have continued to drain the exchequer and incapable of delivering essential services to the citizens.

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