Int Journal of Social Sciences Management and Entrepreneurship 6(2): 084-102, 2022

ISSN 2411-7323

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LEARNING CAPABILITY AND PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

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ABSTRACT

The study sought determine the effect of learning capability on performance of commercial state corporations in Kenya, to identify the effect of reconfiguration capability on performance of commercial state corporations in Kenya, to establish the effect of sensing capability on performance of commercial state corporations in Kenya and to establish the effect of operational capabilities on performance of commercial state corporations in Kenya. This study was guided by Evolutionary theory. Cross-sectional research designs was used in this study. The target population for this study comprised 216 HODs drawn from 27 commercial state corporations within Kenya. Stratified and simple random sampling was used in this study to select 111 HODs. Primary data was obtained from the employees using questionnaire. This study used questionnaires to collect data relevant to the study. Quantitative data collected was analysed using descriptive statistical techniques which were frequencies, mean, standard deviation. The researcher also used inferential statistics Pearson Correlation to show the relationships that existed between the variables and multiple regressions and correlation analysis, the significance of each independent variable was tested at a confidence level of 95%. This study was invaluable to not only to the commercial state corporation managers but also other managers in other organizations and industries. The study found that learning capability positively and significantly relates with performance of commercial state corporations in Kenya. The study recommends commercial state corporations to adopt advanced technology because through technological innovation, external learning capability could help firms to adopt technology from different areas while internal learning capability could facilitate firms to share knowledge internally.

Key Words: learning capability, performance, commercial state corporations

Background of the Study

Dynamic capabilities can be used in building, integrating or reconfiguring operational capabilities which can become core rigidities in the face of changing environments to engender high organization performance (Helfat & Peteraf, 2003). The concept of dynamic capabilities helps to explain the relationship between the quality of managerial decisions, strategic change, and performance of commercial state corporations in Kenya (Constance & Jeffrey, 2014). Organizations whose managers have superior dynamic capability can adapt and change more successfully than those whose managers have less effective or no DMCs (Helfat & Jeffrey, 2015). By their nature, dynamic capabilities are suited to dynamic markets, being able to cater for changes through adapting current resources and routines (Teece, 2007). The key principle behind them is continued competitiveness, as organizations are not only competing in their ability to configure and exploit existing resources, but also in their ability to renew and develop these resources (Hou, 2008).

Helfat *et al*. (2007) defined dynamic capabilities as "the capacity of an organization to purposefully create, extend, or modify its resource base." It is also defined as the organizational ability to attain "new forms of competitive advantage by renewing competences – organizational resources – to achieve congruence with the changing business environment" (Wheeler, 2002). Therefore, the organization must continuously attract, strengthen, and reconstruct competencies to be at par with the dynamic business environment (Teece, Pisano, & Shuen, 1997). Eisenhardt & Martin (2000) define dynamic capabilities as firms' dispositions through which organizations adapt to reconfigure human and material resources.

Wheeler (2002) defined organizations dynamic capabilities as "firm processes that use resources, specifically the processes to integrate, reconfigure, gain and release resources to match and even create market change.", however, in this work, the dynamic capability is seen as organization's activities, procedures, and practices that enhance its competitiveness, thereby helping it to maintain a leading role in its industry. Learning capability is the ability to create, acquire and share knowledge to respond to opportunities and threats from the operating environment (Eisenhardt & Martin, 2000; Verona & Ravasi, 2003).

Performance of commercial state corporations in Kenya is defined as the focus of any business and only through performance are organizations able to grow and progress (Gavrea *et al.*, 2011). Similarly, the survival of a business is to accomplish set goals and objectives (Muduenyi *et al.*, 2015). According to Yazdanfar (2013), one of the important preconditions for long-term firm survival and success is firm profitability. Performance of commercial state corporations in Kenya is defined as the achievement of a firm's strategic goals and objectives (Almatrooshi, Singh, & Farouk, 2016). There is no standard measure of performance. However, there are ways in which performance of organizations can be measured either through financial and non-financial measures. Financial measures concentrate on tangible and quantifiable measures such as the profitability of organizations, percentage of increase in sales, capital gains, or return on investments (Wang, Bhanugopan, & Lockhart, 2015).

From a theoretical perspective, dynamic capabilities have been one of the most significant and challenging questions within the strategy domain, and might well be viewed as the 'Holy Grail' of strategic management (Helfat & Martin, 2015). Whether and how firms' dynamic capabilities lead to their competitive advantage and improved performance of commercial state corporations in Kenya has been a core issue in the discussion of scholars. Indeed, there has been a hot debate around this question (Hussain & Hoque, 2012; Peteraf, Di Stefano, & Verona, 2013). On one hand, early proposals in this area clearly assumed a direct impact of dynamic capabilities on performance of commercial state corporations in Kenya (Teece, Pisano, & Shuen, 2017). Thus, it is paramount for studies to evaluate which dynamic capabilities are vital for performance of commercial state corporations in Kenya.

Statement of the Problem

The performance of state Commercial Corporation is indicated by such factors as their contributions to social welfare, job creation, general economic empowerment and improvement of lives of the poor. However, despite the interest in the sector and the subsidies that have flowed into some of the mission-oriented state Commercial Corporations, it seems that most state Commercial Corporation struggle with the challenge of remaining viable over the long-term. One survey has found that some commercial state corporation such as Uchumi operating at the end of 2014 in Kenya were either no longer in operation or were no privatisation (CBK, 2017). The poor performance of SCs in Kenya led to outflow from central government to parastatals equivalent to 1 percent of the GDP in 2017. Further, in 2017 – 2018, the direct subsidies to parastatals amounted to Ksh 7.2 billion and as additional indirect subsidies amounted to Ksh. 14.2 billion. The levels of inflation in the country then reflected deficits financed by the Central Bank. Some ways were devised to solve these problems, such as negotiations between SC and government in a bid to clarify the former's objectives and set targets, introduction of competition and better accountability to customers, provision of incentives in form of higher salaries and benefits to employees based on performance and increased training of employees. All these measures were not 100% successful. Failure of the above measures made many governments embark on privatization (Kamung'a, 2000).

Furthermore, in commercial state corporation report difficulty in sustaining their operations without continued reliance on grants, external fundraising, or other subsidies. However; the commercial state corporation faces a lot of challenges (Jeske *et al.,* 2015). Some of this challenge is on how to manage customers and provide quality services. Therefore, dynamic capabilities could offer a solution to this dilemma through providing a management system which incorporates all functional areas of the organization. Additionally, most of financial institutions such as commercial state corporation losses about 20% annually by failing to attend to customer relationships (Jeske *et al.,* 2015).

Several empirical studies have reported inconclusive findings regarding the relationship between dynamic capabilities and performance of commercial state corporations in Kenya (Wagana & Kabare, 2015). In a wide variety of industry settings, some studies demonstrate a positive influence of dynamic capabilities on performance (Haleblian *et al.,* 2012; Tsekouras *et al.,* 2011); others have identified insignificant relations (Romme *et al.,* 2010; Lu, 2007; Drnevich and Kriauciunas, 2017).

Still others have indicated no bottom-line improvements or negative relationships (Tsekouras *et al.,* 2011). Noteworthy, the emphasis of these studies are selectively on sectors such as banking (Awasthi, & Sangle, 2012), telecommunication (Papastathopoulou *et al.,* 2013) and contact center (Abdullateef *et al.,* 2014). Subsequently, there seem to be noticeable minimal research on dynamic capabilities in the commercial state corporation especially in the emerging economies. Despite the numerous studies on dynamic capabilities and performance, none of the studies has examined dynamic capabilities dimensions in the context of commercial state corporation operations.

For Commercial State Corporation to survive, they need to ensure that they have identified a strategy which is right products and fit for the market and created a sustainable structure to support their performance of commercial state corporations in Kenya. According to Maina & Sakwa (2012) high and low performance of commercial may be due to changes in management, governance, and ineffective strategies. Thus, strategic fit is relevant for performance of commercial state corporations in Kenya of commercial state corporations in Kenya, however, Information on moderating effect of strategic fit on performance of these corporations is not known. Studies that have touched on strategic fit like that of Large and Thomsen (2011); Eggers and Kaplan (2009) and Gavetti (2012) document that top

management internal capabilities are associated with heterogeneity of strategic fit efforts and outcomes. However, there is no research that has focused for indirect on direct of internal capabilities on Performance of commercial state corporations in Kenya. This study therefore focused on determining the moderating effect of strategic fit on the relationship between dynamic capabilities and performance of commercial State Corporation in Kenya.

Specific objectives

1. To identify the effect of learning capability on performance of commercial state corporations in Kenya
2. To determine the moderating effect of strategic fit on the relationship between learning capability and performance of commercial state corporation in Kenya

LITERATURE REVIEW

Theoretical Review

The Evolutionary Economic Theory

The concept of dynamic capabilities is supported by the evolutionary economics theory (Nelson & Winter (1982). Nelson & Winter (1982) can be perhaps be credited for developing the evolutionary economic theory and their motivation was on the need to explain a wide range of phenomena associated with economic change stemming either from shifts in product demand or factor supply conditions, or from innovation in parts of the firm. The different aspects on economic change included the response of firms and the industry to changed market conditions, economic growth and competition through innovation. Nelson & Winter (1982) proposed organizational routine for all regular and predictable behavioral patterns of firms and defined routine as "a repetitive pattern of activity in an entire organization, to an individual skill, or to smooth uneventful effectiveness of such an organizational or individual performance".

They propose organizational routines to include characteristics of firms that range from technical routines for production, through hiring and firing procedures, ordering inventory, or stepping up production of items in demand, to policies regarding investment, research and development (R&D), or advertising, and business strategies about product diversification and overseas investment. Becker (2004) identified four activities that routines can allow organizations to do. Primarily routines enable coordination. Secondly, routines provide some degree of stability of behaviour. Thirdly, tasks become routine in the realm of sub-consciousness, thereby economizing on limited cognitive resources. Fourthly, routine bind knowledge, including tacit knowledge and thus the application of knowledge enable routines to become building blocks of organizational capabilities (Becker, 2003). Critiques of the theory argue that evolution economics is not a deterministic science also human activity is too complex for rational understanding. The theory was relevant in explaining the discussed relationship between learning capability and performance of state commercial corporation.

The Resource Based Theory

Resource based theory of the firm was introduced by Wernerfelt (1984) and was expounded by Barney (1991). RBT theory show that resources or assets that are valuable, rare and hard to duplicate increase sustainable competitive advantage and lead to superior performance (Wernerfelt, 1984). Additionally, Barney (1991) expresses that firm resources are inclusive of; all assets, capabilities, organizational processes, firm attributes and information, knowledge among others controlled by a firm. These resources enable a firm to conceive and implement strategies that improve its efficiency and effectiveness in terms of performance. Dynamic capabilities dimensions as a resource has in recent times been acknowledged by dynamic capabilities researchers. Consequently, they have adopted RBV as the most

appropriate theoretical framework to evaluate Performance of commercial state corporations in Kenya (Protogerou *et al.,* 2011).

The RBV theory makes two assumptions, which conjointly allow for differences in firm resources endowments to both exist and persist over time (Newbert, 2007). First that resources are heterogeneous distributed among firms across firms and secondly that these resources are imperfectly mobile (Barney, 1991). Barney (1991) argued that firms that possessed resources that were valuable and rare would attain competitive advantage and enjoyed improved performance in the short term. While drawing from Dierickx & Cool (1989) he posited that in order for a firm to sustain these advantages over time its resources must be inimitable and no substitutable.

Critiques have faulted the RBV theory to be static in nature and lacking in empirical scrutiny (Priem & Butler, 2001). To address this discrepancy several scholars have suggested links between resource possession and exploitation (Mahoney &Pandian, 1992). They argued that a firm might achieve rents not because it has better resources, but rather that the firm's distinctive competence involves making better use of its resources. Two theoretical approaches have been brought forth to compliment RBT. The first was Valuable, Rare, Inimitable and Organization (VRIO) framework, which postulates that in addition to simply possessing valuable, rare and inimitable and non-substitutable resources, a firm also needed to be organized in such a manner that it could fully exploit the full potential of those resources to attain a competitive advantage (Barney, 1991). Secondly Teece *et al*. (2017) proposed the operational capability perspective to explain how combinations of competences can be developed, deployed and protected (Newbert, 2007). This means that there needs to be fit in the organization resources so that performance can be optimized. This study therefore applied this theory in explaining the moderating effect of strategic fit on the relationship between dynamic capabilities and performance of commercial State Corporation in Kenya

Conceptual Framework

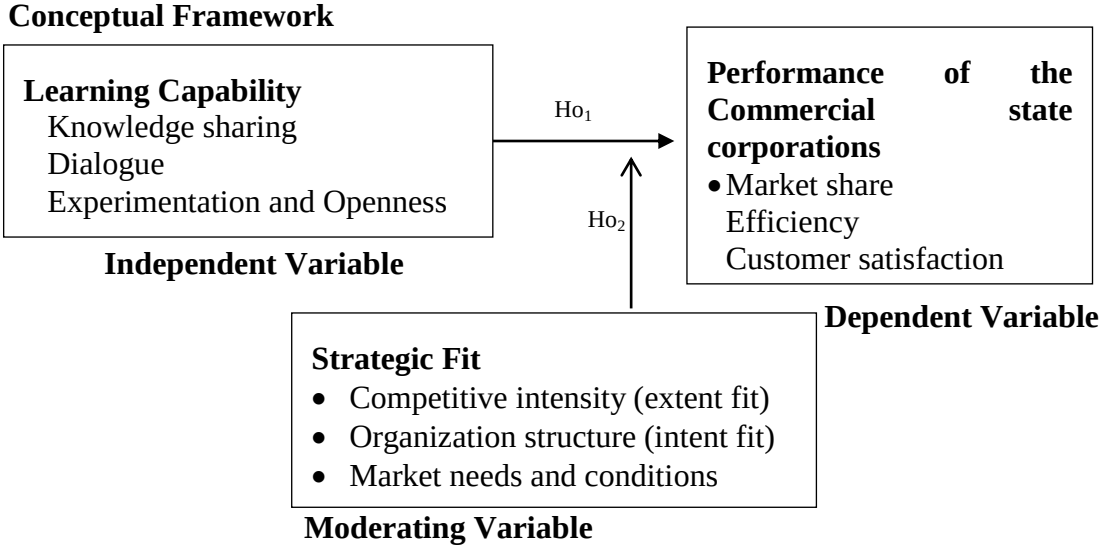

Figure 1: Conceptual Framework

Learning Capability

Learning capability (LC), as the source of the competitive advantage and a key to future organizational success, has been subject of some studies (Chiva et al., 2007; Hult and Ferrell, 1997; Jerez-Gomez et al., 2005). LC is defined as the organizational and managerial characteristics, practices, skills or factors that facilitates the organizational learning processes (e.g., generating, acquiring, disseminating and integrating information/knowledge) or allows an organization to learn (Jerez-Gomez et al., 2005:716).

Many studies conceptualize LC as the multiple dimensions construct. We determined these distinct dimensions through literature review (Alegre and Chiva, 2008; Goh and Richards, 1997; Jerez-Gomez et al., 2005) and concluded that OLC may be operationalized as the 3 dimensions construct that are shortly explained below. "Openness and interaction with the external environment" refers as the extent of relationships with the external environment and a climate of openness that encourages the new ideas and points of views. The external environment of an organisation is defined as factors that are beyond the organisation's direct control of influence that determines its opportunities and risks. It involves industrial elements such as competitors and suppliers, and the economic, social, political and legal systems (Chiva et al., 2007; Jerez-Gomez et al., 2005). "Experimentation" refers the degree of freedom employees exploit in the pursuit of new ways of doing the job and freedom to take risks and degree to which new ideas and suggestions are attended to and dealt with sympathetically (Chiva et al., 2007).

Knowledge transfer and integration" consists of two closely linked processes, which happens simultaneously rather than sequentially: internal transfer and integration of knowledge. The efficacy of these two processes relies on the previous existence of absorptive capacity implying the lack of internal barriers that inhibit the transfer of best practices within the firm (Jerez-Gomez et al., 2005). Dialog" is defined as a sustained collective inquiry into the processes, assumptions, and certainities that make up everyday experience (Chiva et al., 2007).

Learning capability has been identified as one of the three classes of managerial functions, i.e. learning, guided learning, and reconfiguration/transformation, which are relevant to dynamic capabilities (Teece, Pisano, & Shuen, 2017).

The dynamic capability focuses more on the efficient and effective transfer of technology/information between and among the various organizational units of a firm. It is believed that resource integrating capability could help firms to connect separate organizational units because it can help easing potential contractual problems.

Strategic Fit

The concept of strategic fit began with the research of Skinner (1969). He suggested that companies should tailor their production systems to perform the tasks that were vital to corporate success and consistent with the corporate strategy (Wang and Shyu, 2018). Strategic fit, also referred as strategic alignment, has received significant attention in literature. Strategic fit has been conceptualized in various ways. This conceptualization implies that high level of strategic fit is advantageous; therefore, an organization's fit should be maximized. The search for strategic fit has been a core concept in normative models of strategy formulation (Zajac *et al.,* 2010).

Strategic fit expresses the degree to which an organization is matching its resources and capabilities with the opportunities in the external environment. The matching takes place through strategy and it is therefore vital that the company have the actual resources and capabilities to execute and support the strategy. Dess and Lumpkin (2013) assert that the strategic fit process involves management of all other internal elements within an organization to ensure that the implementation process is successful. Miles and Snow's classification of the intent structure (strategic fit) and extent fit (competitive intensity). Competitive intensity refers to the effect an organization has on its rivals' life chances. A weak competitor is one that reduces its rivals' life chances minimally, whereas strong competitors decreases their rivals' life chances drastically (Barnett, 2017). According to Yabs (2007) competition is the rivalry that exists between firms that sell products or services of a particular category to the same segment of customers. Competitive intensity is an important determinant of choice of strategies that organizations employ to attain competitive position

and enhance their performance. Competition in firms is usually intense due to widespread promotional and advertising campaigns, presenting new and innovative competitive techniques and price wars (Slater and Narver, 2014).

In McLaughlin (2018) it can be established that every organisation has a culture of some sort. In the context of organisations, culture can simply be defined as a way of doing things within that organisation. According to McLaughlin (2018) organisational culture is defined as a "system of assumptions, values, and beliefs, which governs how people behave in organisations". McLaughlin (2018) further states that these shared values have a strong influence on the people in the organisation and dictate how they dress, act, and perform their jobs. Every organisation develops and maintains its own unique culture which provides guidelines and boundaries for the behaviour of the members of that organisation (McLaughlin, 2018).

Organisational culture in this context is considered as the way of doing things for the department. It is about how the department responds to situations. This is in relation to time, resources and personnel attitude. Robbins and Coulter (2005) as cited in Tsai (2011) also described organisational culture as "the shared values, beliefs, or perceptions held by employees within an organisation or organisational unit". Tsai (2011) stated that "the pervasiveness of an organisational culture requires that management recognize its underpinning dimensions and its impact on employer-related variables such as job satisfaction, organisational commitment and performance". Organisational culture is not only concerned with the cohesiveness of the organisational members, however, organisational culture can be said to have an influence on the job satisfaction as asserted by Tsai (2011).

One of the factors that contribute to business environmental hostility is competitive intensity. (Dibrell, *et al*., 2017; Kumar and Subramanian, 2010). Competitive intensity is a situation whereby there is aggressive competitiveness owing to a large number of competitors and the absence of potential opportunities for more growth (Auh and Menguc, 2015). As competitiveness intensifies, Auh and Menguc (2015) proposes that the outcomes of a firm's performance would no longer be deterministic but stochastic as the performance is greatly influenced by the actions assumed by competitors. Consequently, predictability and certainty lessens as conditions of competitive intensity increases.

Performance of the Commercial State Corporations in Kenya

Performance of commercial state corporations in Kenya is a concept frequently used as a dependent variable (Richard *et al.,* 2009) in various fields. While Performance of commercial state corporations in Kenya is relevant, problems based on researchers' convenience and little attention of its dimensionality has led to lack of agreement and selection of indicators (Combs *et al.,* 2005; Crook *et al.,* 2008; Richard *et al.,* 2009). Even though Performance of commercial state corporations in Kenya is multi-dimensional, a number of studies measure it using a single indicator and represent this concept as one-dimensional (Glick *et al.,* 2005). Richard *et al.,* (2009) posits that if several dimensions exist, researchers should choose the dimensions most relevant to their research and judge the outcomes of their choice.

Consequently, this study chooses to measure Performance of commercial state corporations in Kenya using marketing `indicators of customer satisfaction (Jayachandran *et al.,* 2005; Yim *et al.,* 2004; Abdulateef *et al.,* 2010), customer retention or loyalty, and sales growth (Jayachandran *et al.,* 2005; Yim *et al.,* 2004; Day and Bulte 2002). Additionally, the measure of performance employed in this study is subjective in nature as opposed to objective. A "subjective" measure means that the firm's performance metric is anchored on a scale such as "much worse" to "much better", "very poor" to "very good," or "much lower" to "much higher" compared to competitors over time. These can be contrasted with an "objective" measure that would be a definite percentage figure for sales growth or profitability. It is

important to note that dependence on subjective measures is a limitation of research to date (Jaworski and Kohli, 1996). However, subjective performance measures have been widely used in research on market orientation and its assumed association to Performance of commercial state corporations in Kenya (Dawes, 1999).

There are some good motives for using subjective measures. First, managers may be unwilling to disclose actual performance data if they consider it commercially sensitive or confidential (Gengeswari *et al.*, 2013). Second, performance measures such as profitability may not accurately point toward the underlying financial health of a firm. Last but not least, there exists a strong correlation between objective and subjective measures as reported in several studies (Dawes, 1999). Comments on survey forms or customer comment cards emerged as the most popular choice for gleaning customer information as a measure of customer satisfaction (Melia and Robinsoni, 2010).

Another way to characterize Performance of commercial state corporations in Kenya is to distinguish between financial and non-financial performance (Ittner, 2008). The financial performance is often measured using traditional accounting KPIs-Key Performance Indicators such as ROA, ROS, EBIT, EVA or Sales growth (Ittner & Larcker, 2007; Fraquelli & Vannoni, 2000; Crabtree & DeBusk, 2008). The advantage of these measurements is their general availability, since every profit-oriented organization produces these figures for the yearly financial reporting (Chenhall & Langfield-Smith, 2007). However, balance sheet manipulations and choices of accounting methods may also lead to values that allow only limited comparability of the financial strength of companies.

The non-financial performance can be measured using operational Key Performance Indicators (KPIs) such as Market share, innovation rate or customer satisfactions are prominent examples (Hyvönen, 2007). Tangen, (2003) provides an overview of frequently used performance measures. Many researchers also use self-reported measures to operationalize performance (Evans, 2004; Chenhall & Morris, 2005; Henri, 2006; Ittner, Lanen, & Larcker, 2002). Others combine both, the accounted financial KPIs and self-reported measures in their reports (Cadez & Guilding, 2008).

Langfield-Smith, (2007) writes that there are various ways non-financial performance can be measured; however, the performance can be hardly assessed without the link to corporate strategy. Performance differences in firms are often the subject of academic research and government analysis (Verreynne & Meyer, 2008). Traditionally, the emphasis in analyzing variations in Performance of commercial state corporations in Kenya has been at the industry level, implying that the structural characteristics of an industry ensure substantial homogeneity among firms within that industry and as a result determine to a large extent Performance of commercial state corporations in Kenya (Frazier & Howell 2003).

Empirical Review

Learning Capability

Moreover, Teece, (2014) demonstrated empirically that higher-order learning capabilities are more strongly related to performance than lower-order learning capabilities, lower order learning capabilities partially mediate the relationship between higher-order dynamic capabilities and performance, and dynamic capabilities contribute more to performance in developing economies than in developed economies. These findings illustrate how the nature of the dynamic capability and the economic context in which it is utilized shape its value, thus offering a more nuanced conceptualization of the dynamic capabilities performance relationship.

Learning capability does not only include internal coordination, i.e. the capability for extensive coordination between different specialized subunits within an organization, but also include the capacity to integrate external resources (Teece 2014). For instance, typical

external learning activities include integrating market and customer knowledge and integrating knowledge of emerging technologies (Karim and Capron, 2016). To some extent, learning capability enables firms to transform and convert resources into innovative outputs (Drnevich and Kriauciunas, 2017).

Kotha, Zheng, and George, (2011) found that learning capability could both increase technological innovation and market innovation. In terms of technological innovation, external learning capability could help firms to adopt technology from different areas while internal learning capability could facilitate firms to share knowledge internally. When a firm enters a new technological niche, it can divert free resources toward integrating new technological knowledge with existing technological knowledge repositories to increase innovative output (Clulow, Barry and Gerstman, 2013).

Therefore, firms need to build logics for vertical learning, outsourcing, and R&D strategies to integrate both internal and external resources (Prencipe, 2012). They also need to maintain a thorough understanding of the contracted out technologies to be able to integrate them into the system and 'control' their evolution over time (Prencipe, 2012). Through the effective learning of internal and external technological knowledge, a firm is more likely to incorporate the characteristics necessary for success into the new products (Marsh & Stock, 2011). On the other hand, both internal and external learning capability can help transferring market information across the organizational units. The resource learning capability is rooted in routines and mechanisms that allow the organization to forecast customer requirements. More importantly, it also involves mechanisms that enable organizational members to interpret current market information and to construct visions of the future market. With the learning capability, the vision could be translated into market innovation that fits with the future market expectations (Karim and Capron, 2016).

Finch, MacMillan and Simpson (2016) established a weak positive relationship between learning capabilities and Performance of commercial state corporations in Kenya and pointed out that the most obvious cost of organizing production through the marker mechanism is that of discovering what the relevant prices are, and these transaction costs make it more efficient to organize an activity within the firm.

Similarly, Argyres and Silverman, (2014) showed that learning capability had positive Coasian view of the firms believes that a firm should minimize the internal transaction cost. Finch, MacMillan and Simpson (2016) showed that learning capabilities had no significant effect on performance of commercial state corporations in Kenya as different orientations entail different sets of dynamic capabilities which in turn have different effects on performance

Several scholars showed that learning capability utilization positively influences firm growth (Helfat and Martin, 2015; Ismael *et al.,* 2013). However, in order to keep flexibility and responsiveness, resources should be decentralized while the firm is growing. Therefore, structural complexity and the amount of organizational units will be increased. It leads to the increase of transactional cost across organizational units (Teece, 2014).

Iansiti and Clark (1994) explore "learning capability" in the automobile and computer 11 industries and finds broad empirical support for their hypotheses that a firm's knowledge-learning capability in product development is positively correlated with positive Performance of commercial state corporations in Kenya and with performance improvement over time.

Performance of commercial State Corporations in Kenya

Rosenberg, (2018) in structural changes, efforts to improve company performance or organization need to be considered several things such as communication and organizational practices, in large structures there needs to be good and effective communication so as to

make the work environment better. Almatrooshi, Singh, and Farouk, (2016), looking at the factors that determine performance of commercial state corporations in Kenya and employee performance, the role of leader abilities is very important in achieving employee performance and performance of commercial state corporations in Kenya, the ability of leaders is seen for the dynamic capability of leaders, such as learning capability.

Raia, Damiannah, and Maru, (2015) found that organizational structure and organizational effectiveness that the level of communication has a positive and significant effect on stability productivity and satisfaction and human resource development. It also emphasizes that dynamic capability moderate the relationship between organizational structure and organizational effectiveness.

Oyewobi, Windapo, and Rotimi, (2016) argued that key strategic management researchers have paid attention to the causes of performance differences among organizations looking at the relationship between the dynamic capability, organizational characteristics, competitive strategies, and performance of construction organizations in the South Africa industry. The results reveal that organizational structure have a direct influence on performance of commercial state corporations in Kenya, while the relationship between the dynamic capability and performance of commercial state corporations in Kenya is mediated by competitive strategies.

Pang and Lu, (2018) to improve performance of commercial state corporations in Kenya can be done by increasing organizational motivation measured by using remuneration, job achievement, job security, and job environment and employee job satisfaction, the research results explain motivation, employee job satisfaction has a significant effect on performance of commercial state corporations in Kenya The efficiency of an organization can be how well the organizational structure in a company, one of the dimensions that determines company efficiency is complexity, formality, and centralization (Estalaki, 2017).

RESEARCH METHODOLOGY

The underlying philosophy that guided the choice of a research design for the proposed study was positivism. Neuman (2012) asserts that positivists assume that objective truth exists and advocate for organized methods for handling probabilistic causal laws used to predict patterns in human activity in an empirical way. The study adopted cross-sectional research design of a cross sectional nature. Orodho (2003) explanatory research design analyses the cause-effect relationship between two or more variables. Hence the design was appropriate to the study because the research will sought to establish a cause-effect relationship. The study adopted cross-sectional since it uses theories and hypothesis to account for the forces that causes a certain phenomenon to occur (Cooper & Schindler, 2011). The target population for this study comprised 216 HODs drawn from 27 Commercial state corporations within Kenya. The Commercial state corporations included the ICT, Planning, finance, Sales , Procurement , Administration , Marketing and Customer care. From the information obtained from the databases of these 27 Commercial state corporations, the researcher calculated a total 216 employees of the Commercial state corporations. The sample was obtained using Nassiuma's (2000) sample size formula.Using this formula, the researcher arrived at a sample of 111 employee. Stratified and Simple random sampling was used in this study to select employees.

Primary data was collected from the samples. Primary data was collected through the administration of questionnaires to senior management employees. Secondary data wa obtained from the Finance survey manuals/financial reports using the secondary data collection sheet. Structured questionnaires were administered to employees.

The descriptive methods used included frequencies, mean, mode, median and standard deviations. The study also employed inferential statistics to draw conclusions on the proposed

hypotheses formulated in the study. To test the strength of the causal relationships between variables in the study, Pearson's product moments correlation was used. The study employed multiple regressions to test for directs effects i.e. dynamic capabilities on Performance of commercial state corporations in Kenya. The study also used the hierarchical multiple regression to examine the moderating effects of strategic fit on the relationship between dynamic capabilities and performance of commercial state corporations in Kenya.

RESEARCH FINDINGS AND DISCUSSION

The selected sample size for this study was 111 HODs; the researcher was able to collect back only 107 questionnaires having been dully filled. The response rate was 96.4%. According to Mugenda and Mugenda (2013), a response rate of 50% and above is adequate for analysis and reporting, a response rate of 60% and above is good while that of 70% and above is excellent. Based on this assertion, our response rate was considered excellent and therefore, the 107 questionnaires were used for further analysis and reporting.

Descriptive Analysis

Learning Capability

Respondents were requested to indicate their level of agreement on various statements relating with learning capability. Table 1 presents the findings obtained. From the findings, it is seen that all the statements had mean greater than 3.5 an indication that on average, the respondents agreed on the statements. The findings specifically show that the respondents agreed that they can successfully integrate the new knowledge acquired with our existing knowledge (M= 4.007, SD= 1.251); that new work processes that may be useful to the organization as a whole are usually shared with all employees (M= 3.994, SD= 1.476); and that managers in this organization often provide useful feedback that helps to identify potential problems and opportunities (M= 3.994, SD= 1.343).

The respondents further agreed that the corporation can appropriately integrate resources for each of their services offered (M= 3.988, SD= 1.475); that the organization has been fully successful in implementing new educational services (M= 3.961, SD= 1.674); and that they often have an opportunity to talk to other staff about successful programs or work activities in order to understand why they succeed (M= 3.955, SD= 1.546). They also agreed that employees have the chance to talk among themselves about new ideas, programs, and activities that might be use to the firm (M= 3.836, SD= 1.426).They were also in agreement that they can effectively integrate new externally sourced capabilities and combine them with existing capabilities into 'novel' combinations (M= 3.83, SD= 1.441).

The study findings agrees with those of Drnevich and Kriauciunas, (2017) that learning capability enables firms to transform and convert resources into innovative outputs. It also concurs with Kotha, Zheng, and George, (2011) that learning capability could both increase technological innovation and market innovation. In terms of technological innovation, external learning capability could help firms to adopt technology from different areas while internal learning capability could facilitate firms to share knowledge internally. When a firm enters a new technological niche, it can divert free resources toward integrating new technological knowledge with existing technological knowledge repositories to increase innovative output.

Table 1: Descriptive Statistics on Learning Capability

	Statement	Mean	Std. Dev.
IC1	We can successfully integrate the new knowledge acquired with our existing knowledge	4.007	1.251
IC2	New work processes that may be useful to the organization as a whole are usually shared with all employees.	3.994	1.476
IC3	Managers in this organization often provide useful feedback that helps to identify potential problems and opportunities.	3.994	1.343
IC4	The corporation can appropriately integrate resources for each of their services offered	3.988	1.475
IC5	The organization has been fully successful in implementing new educational services	3.961	1.674
IC6	I often have an opportunity to talk to other staff about successful programs or work activities in order to understand why they succeed.	3.955	1.546
IC7	Employees have the chance to talk among themselves about new ideas, programs, and activities that might be use to the firm.	3.836	1.426
IC8	We can effectively integrate new externally sourced capabilities and combine them with existing capabilities into 'novel' combinations	3.83	1.441

Strategic Fit

Respondents were asked to indicate their level of agreement with various statements on strategic fit. The study considered strategic fit in terms of organizational structure (intent fit) and competitive intensity (extent fit). The findings were as presented in Table 2. From the findings, all the mean values were above 3.5 an indication that on average the respondents agreed with the statements regarding strategic fit. On organization structure, the respondents agreed that they identify the best possible solutions to those problems or challenges that require immediate attention (M= 4.021, SD= 1.265); and that their company spends amount of time on monitoring changes and trends in the marketplace can best be described as lengthy which they continuously monitoring the marketplace (M= 3.961, SD= 1.149). They also agreed that their company has an image in the marketplace as one which has a reputation for being innovative and creative (M= 3.955, SD= 1.199); and that activities or business functions which most need attention given the opportunities or problems they currently confront (M= 3.896, SD= 1.21).

Respondents also agreed that their company prepares for the future by Identifying trends and opportunities in the marketplace which can result in the creation of product or service offerings which are new to the marketplace or which reach new markets (M= 3.836, SD= 1.234). They were also in agreement that they make sure that they guard against critical threats by taking whatever action is necessary (M= 3.836, SD= 1.313); and that their practice of responding to the immediate needs of the marketplace (M= 3.803, SD= 1.248).

The findings agree with McLaughlin (2018) that culture can simply be defined as a way of doing things within that organisation. Also, these shared values have a strong influence on the people in the organisation and dictate how they dress, act, and perform their jobs. and therefore, every organisation develops and maintains its own unique culture which provides guidelines and boundaries for the behaviour of the members of that organisation

On Competitive intensity, the respondents agreed that there are many promotional wars in their industry (M= 3.994, SD= 1.343); that anything that one competitor can offer, others can

match easily (M= 3.981, SD= 1.371); and that competition for market share in their industry is intense (M= 3.902, SD= 1.235). The respondents further agreed that competition in their industry is cut-throat (M= 3.836, SD= 1.426); that price competition in their industry is intense (M= 3.777, SD= 1.275); and that their competitors do not appear relatively weak (M= 3.764, SD= 1.168).

The findings of the study are in agreement with those of Dess and Lumpkin (2013) who assert that the strategic fit process involves management of all other internal elements within an organization to ensure that the implementation process is successful. It also agrees with Yabs (2007) that competition is the rivalry that exists between firms that sell products or services of a particular category to the same segment of customers. Competitive intensity is an important determinant of choice of strategies that organizations employ to attain competitive position and enhance their performance.

Table 2: Descriptive Statistics on Strategic Fit

Organization structure	**Mean**	**Std. Dev.**
Identifying the best possible solutions to those problems or challenges that require immediate attention	4.021	1.265
My company spends amount of time on monitoring changes and trends in the marketplace can best be described as lengthy which We continuously monitoring the marketplace	3.961	1.149
My company has an image in the marketplace as one which has a reputation for being innovative and creative.	3.955	1.199
Activities or business functions which most need attention given the opportunities or problems we currently confront	3.896	1.21
My company prepares for the future by Identifying trends and opportunities in the marketplace which can result in the creation of product or service offerings which are new to the marketplace or which reach new markets	3.836	1.234
Make sure that we guard against critical threats by taking whatever action is necessary	3.836	1.313
Our practice of responding to the immediate needs of the marketplace	3.803	1.248
Competitive intensity		
There are many promotional wars in our industry	3.994	1.343
Anything that one competitor can offer, others can match easily	3.981	1.371
Competition for market share in our industry is intense	3.902	1.235
Competition in our industry is cut-throat	3.836	1.426
Price competition in our industry is intense	3.777	1.275
Our competitors do not appear relatively weak	3.764	1.168

Performance Commercial State Corporations in Kenya

Respondents were requested to rate the extent to which they think their business might have achieved various performance indicators since inception. They wee asked to use the scale 5= very high; 4= high; 3= Neutral; 2= low; 1=poor. Table 3 presents the findings obtained. Based on the findings, all the mean values were above 3.5 an indication that on average the respondents agreed that their organization had achieved high levels of organizations performance. Specifically, the respondents indicated that the growth in profit level in relation to their Competitors was high (M= 3.988, SD= 1.142); that there is high level of customer loyalty (M= 3.909, SD= 1.235); and that growth in sales in relation to their competitors was high (M= 3.902, SD= 1.168). The respondents were also of the opinion that there was high increase in market size in new markets in relation to their expectation (M= 3.902, SD=

1.182); that there was high growth in capital from operations (M= 3.85, SD= 1.235); and that there was high increased market size in new markets in relation to their competitors (M= 3.836, SD= 1.313). It was further established that growth in sales was high in relation to their expectations (M= 3.81, SD= 1.220); and that growth in profits in was high relation to their expectations (M=3.738, SD= 1.359).

The findings disagrees with performance Kamung'a, (2000) that some commercial state corporation such as Uchumi operating at the end of 2014 in Kenya were either no longer in operation or were no privatisation and that the poor performance of SCs in Kenya led to outflow from central government to parastatals equivalent to 1 percent of the GDP in 2017. It also disagrees with Jeske *et al.,* (2015) that most state Commercial Corporation struggle with the challenge of remaining viable over the long-term.

Table 3: Descriptive Statistics on Performance of commercial state corporations in Kenya

Performance of commercial state corporations in Kenya		**Mean**	**Std. Dev.**
FP1	Growth in profit level in relation to your Competitors	3.988	1.142
FP2	High level of customer loyalty	3.909	1.235
FP3	Growth in sales in relation to your competitors	3.902	1.168
FP4	Increased market size in new markets in relation to your expectation	3.902	1.182
FP5	Growth in capital from operations	3.85	1.235
FP6	Increased market size in new markets in relation to your competitors	3.836	1.313
FP7	Growth in sales in relation to your expectations	3.81	1.220
FP8	Growth in profits in relation to your expectations	3.738	1.359

Correlation Analysis

Correlation analysis was used to establish the strength and direction of the relationship between dependent and the independent variables. If the variables are not related, then that would mean that the correlation coefficient is zero. The closer the correlation coefficient is to 1, the greater the relationship, whereas the closer the correlation coefficient is to 0, the weaker the relationship (Hair et al., 2010). Based on the findings in Table 4, learning capability has positive and significant relationship with performance of commercial state corporations in Kenya (r=0.872, p=0.000). Significant relationship was considered since the p-value was less than selected level of significance (0.05). The findings agrees with those of Teece, Pisano, and Shuen, (2017) that the dynamic capability focuses more on the efficient and effective transfer of technology/information between and among the various organizational units of a firm. It is believed that resource integrating capability could help firms to connect separate organizational units because it can help easing potential contractual problems.

Table 4: Correlation Analysis

		Performance	**Learning capability**
Performance	Pearson Correlation	1	
	Sig. (2-Tailed)		
	N	107	
Learning capability	Pearson Correlation	.872**	1
	Sig. (2-Tailed)	.000	
	N	107	107

Simple Regression Analysis
Learning Capability

A univariate analysis was conducted to identify the effect of learning capability on performance of commercial state corporations in Kenya. The null hypothesis stated:

H_{01}: Learning capability has no significant effect on performance of commercial state corporations in Kenya

As indicated in Table 5, the r-squared for the relationship between learning capability and performance of commercial state corporations in Kenya was 0.529; this is an indication that at 95% confidence interval, 52.9% variation in performance of commercial state corporations in Kenya can be attributed to changes in learning capability. Therefore learning capability can be used to explain some changes in performance of commercial state corporations in Kenya.

Table 5: Model Summary for the Learning Capability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.727[a]	.529	.527	.22923

a. Predictors: (Constant), Learning capability

From the analysis of variance (ANOVA), the study found out that the regression model was significant at 0.000 which is less than the selected level of significance (0.05). Therefore, the data was ideal for making a conclusion on the population parameters. The F calculated value was greater than the F critical value (24.580 > 3.932), an indication that Learning capability significantly influences performance of commercial state corporations in Kenya. The significance value was less than 0.05 indicating that the model was significant in predicting performance of commercial state corporations in Kenya.

Table 6: Analysis of Variance on Learning Capability

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	1.303	1	1.303	24.580	.000[b]
	Residual	5.565	105	0.053		
	Total	6.868	106			

a. Dependent Variable: Performance
b. Predictors: (Constant), Learning capability

From the results the regression model was;

$Y = 0.920 + 0.782\ X + \varepsilon$

The above regression equation revealed that holding learning capability to a constant zero, performance of commercial state corporations in Kenya will be at a constant value of 0.920. The findings also show that learning capability is statistically significant in explaining performance of commercial state corporations in Kenya ($\beta = 0.782$, $P = 0.000$). This indicates that learning capability positively and significantly relates with performance of commercial state corporations in Kenya. The findings also suggest that a unit increase in learning capability would lead to an increase in performance of commercial state corporations in Kenya by 0.782 units. The findings concurs with Kotha, Zheng, and George, (2011) who found that learning capability could both increase technological innovation and market innovation. In terms of technological innovation, external learning capability could help firms to adopt technology from different areas while internal learning capability could facilitate firms to share knowledge internally.

Table 7: Beta Coefficients for Learning Capability

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.920	.137		6.715	.000
	Learning capability	.782	.155	.727	5.045	.000

a. Dependent Variable: Performance

Moderating Effect Regression Analysis
Learning Capability

A stepwise regression analysis was conducted to examine the moderating effect of strategic fit on the relationship between learning capabilities and performance of commercial State Corporation in Kenya.

The null hypothesis stated:

H_{02}: There is no significant moderating effect of strategic fit on the relationship between learning capability and performance of commercial State Corporation in Kenya.

The first model (Table 8) shows the relationship between Learning Capability, strategic fit and performance of commercial State Corporation in Kenya.

The R squared for the relationship between Learning Capability and performance of commercial State Corporation in Kenya was 0.529, which implied that 52.9% of performance of commercial State Corporation in Kenya can be explained by learning capability. However, in the second model, in Table 8, which constituted learning capability, Strategic fit, learning capability*Strategic fit, the r-squared was 0.588. This implies that the introduction of strategic fit in the second model led to an increase in r-squared, showing that strategic fit positively moderates the relationship between learning capability and performance of commercial State Corporation in Kenya.

Table 8: Model Summary for Moderated Learning Capability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.727[a]	.529	.527	.22923
2	.767[b]	.588	.575	.08498

a. Predictors: (Constant), Strategic fit, Learning capability
b. Predictors: (Constant), Strategic fit, Learning capability, Learning capability*Strategic fit

From the findings, the F-calculated for the first model, as shown in Table 9, was 24.580 and for the second model was 17.694. Since the F-calculated for the two models were more than the F-critical, 3.932 (first model) and 2.693 (second model), the two models were good fit for the data and hence they could be used in predicting the moderating effect of strategic fit on the relationship between Learning capabilities and performance of commercial State Corporation in Kenya.

Table 9: ANOVA for Moderated Learning Capability

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.303	1	1.303	24.580	.000[b]
	Residual	5.565	105	0.053		
	Total	6.868	106			
2	Regression	0.372	3	0.124	17.694	.000[c]
	Residual	0.721	103	0.007		
	Total	1.093	106			

a. Dependent Variable: Performance
b. Predictors: (Constant), Strategic fit, Learning capability
c. Predictors: (Constant), Strategic fit, Learning capability, Learning capability*Strategic fit

In the first model, as shown by Table 10, by substituting the beta values as well as the constant term, model 1 emanating from the first step in regression modeling would be as follows:

$Y = 0.920 + 0.782 X_2 + \varepsilon$

The findings show that Learning capability has a statistically significant effect on performance of commercial State Corporation in Kenya as shown by a regression coefficient of 0.782 (p-value=0.000).

In the second regression model, by substituting the beta values as well as the constant term, model 2 emanating from the second step in regression modeling was as follows:

$Y= 1.055 + .833 X_2 + .638 M + 0.406 X_2*M$

The model indicated that learning capability had a positive and statistically significant effect on performance of commercial State Corporation in Kenya as shown by a regression coefficient of .833 (p-value=0.001). Strategic fit had a positive and significant effect on performance of commercial State Corporation in Kenya as shown by a regression coefficient .638 (p-value= 0.005). On the other hand, learning capability*strategic fit also had a positive and significant effect on the performance of commercial State Corporation in Kenya as shown by a regression coefficient of 0.406 (p-value=0.001).

Table 10: Coefficients for the Relationship between for Learning Capability and Strategic Fit

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.920	.137		6.715	.000
	Learning capability	.782	.155	.727	5.045	.000
2	(Constant)	1.055	0.142		7.430	.000
	Learning capability	0.833	0.183	0.731	4.552	.001
	Strategic fit	0.638	0.224	0.694	2.848	.005
	Learning capability*Strategic fit	0.406	0.077	0.535	5.273	.001

a. Dependent Variable: Performance

Conclusion

Learning Capability

The study established that learning capability is statistically significant in explaining performance of commercial state corporations in Kenya. This indicates that learning capability positively and significantly relates with performance of commercial state corporations in Kenya. Based on the findings the study concludes that a unit increase in learning capability would lead to an increase in performance of commercial state corporations in Kenya.

Strategic Fit

The interaction between learning capability and Strategic fit has statistically significant effect on performance of commercial State Corporation in Kenya

Based on the findings, the study concludes that Strategic fit is a significant moderating

variable on the relationship between dynamic capabilities and performance of commercial State Corporation in Kenya.

Recommendations

Learning Capability

Learning capability was found to have positive influence on performance of commercial state corporations. The study thus recommends commercial state corporations to improve their learning capabilities through knowledge sharing, dialogue and experimentation and openness. There is also need for commercial state corporations to adopt advanced technology because through technological innovation, external learning capability could help firms to adopt technology from different areas while internal learning capability could facilitate firms to share knowledge internally.

Strategic Fit

Strategic fit was found to have significant moderating effect on dynamic capabilities. Organizations need to match its resources and capabilities with the opportunities in the external environment. The matching takes place through strategy and it is therefore vital that the company have the actual resources and capabilities to execute and support the strategy. The study also recommends commercial state corporations to ensure the process involves management of all other internal elements within the organization to ensure that the implementation process is successful.

Recommendations for Further Studies

The main focus of this study was to determine the effect dynamic capabilities on performance of commercial State Corporation in Kenya. The study focused only on three measures of dynastic capabilities i.e. sensing capability, learning capability and reconfiguration capability which explained only 74.3% variation in performance of commercial state corporations. There is therefore need to conduct another study using additional measures of dynamic capabilities such as resources and strategies. Resources include employees, equipment, buildings, and intangible assets. There is also the need to replicate the study in other state corporations other than commercial to compare the findings and determine whether the study findings are generalizable. A study should also be conducted in other sectors to facilitate comparison of research findings and their generalization.

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