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STRATEGIC DYNAMIC CAPABILITY AND PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN NAIROBI CITY COUNTY KENYA

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ABSTRACT

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. The general objective of the study was on effect of strategic dynamic capability on performance of commercial State Corporation in Nairobi city county, Kenya. Specifically, the study seeks to establish effect of strategic innovations capability on performance of commercial state corporations in Nairobi City County, Kenya and to assess effect of quality service capability on performance of commercial state corporations in Nairobi City County in Kenya. The study adopted a descriptive survey research design. A total of 165 management level employees working in state corporations were targeted. The study used primary data that was collected by use of questionnaires. A questionnaire is a research instrument consisting of a series of questions for the purpose of gathering information from respondents. Descriptive statistics were used to summarize data and make general observations about the data on the relationship between managerial capabilities and Performance of commercial state corporations in Kenya. 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. Results show that there is a strong significant relationship between strategic innovation and corporation's performance. In addition, the study found that there is a strong significant relationship between quality service capability and corporation's performance.

Key Words: Strategic Dynamic Capability, Performance of Commercial State Corporation, Strategic Innovations Capability and Quality Service Capability

Background of the Study

Strategic 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 organizational performance (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. The dynamic capability was captured in three dimensions (sensing capability, learning capability, reconfiguration capability). These dimensions are adapted from the work of MacInerney-May (2012). Together these dimensions help the organization to realize the necessity for change, formulate the necessary response to changes in the environment, and apply the right measures to remain competitive (MacInerney-May, 2012).

According to Teece (2007) sensing capability constitutes an organization’s propensity to notice the changes in the environment based on its current capability. That is, sensing capability has to do with the ability to promptly recognize opportunities in the environment when it presents itself, while also, having the means to monitor threats from the environment (Teece, 2007; Barreto, 2010). The second dimension 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). Lastly, the third dimension reconfiguration capability is the organization’s potential to generate capabilities to integrate current capabilities (Lavie, 2006; Capron & Mitchell, 2009).

Organizational performance 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. Organizational performance 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).

Financial measures make intangible measures of performance to be ignored. For instance, assessing customer satisfaction levels, service delivery, effectiveness, employee satisfaction, quality go unnoticed (Clulow *et al.,* 2013). Non-financial measures are able to appraise the performance of firms by taking the necessary control measures to avoid deviation from set goals and work towards ensuring corporate objectives are met (Hussain & Hoque, 2012). Further, Wang *et al.,* (2015) ascertain that financial measures only point out one view of organizational performance and conclude that non-financial measures provide a different perspective on performance.

According to Chowdhury (2011), commercial state corporation's performance measurements involved four core areas, outreach to poor, repayment rates, sustainability and efficiency. Empirical evidences on performance of commercial state corporations reported different results, most of them indicating variation of performance across types of Commercial state corporations. The study by Shaon & Rahman, (2015) used financial metrics to compare performance of commercial state corporations with commercial banks operating in four regions Africa, Asia, Eastern Europe and Latin America.

Performance concept relating to Commercial state corporations is a vital and crucial issue for many reasons such as: to ensure donors or investors effective and efficient utilization of billions of dollars injected in commercial state corporations' programs, also help regulators controlling and monitoring the Commercial state corporations (Yazdanfar, 2013). Boateng & Agyei, (2013) stated that an ineffective Commercial state corporation represents a main constraint on the development of the commercial state corporation industry. Therefore, performance measurement is a tool for managing Commercial state corporations and is a requirement for sustainability. Assessing the performance of an commercial state corporations is about examining its development towards accomplishing goals. The extent to which a commercial state corporation is successful in today's competitive business environment is greatly determined by the dynamic capability to integrate and reconfigure internal and external competences (Ombaka, 2014).

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 organizational performance 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 organizational performance (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.

In emerging economies such Kenya, organizations whose managers have superior dynamic capabilities can adapt and change more successfully than those whose managers have less effective (Helfat & Martin, 2015). 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 (Drnevich & Kriauciunas, 2017). dynamic capabilities lie within the firm's core management (Helfat &

Martin, 2015) such that managerial judgment influences the deployment of dynamic capabilities (Giacomini, 2013).

However, pragmatic evidence demonstrates mixed and inclusive findings support to the impact of dynamic capabilities practices on organizational performance (Drnevich & Kriauciunas, 2017). In addition, empirical studies examining the success of dynamic capabilities practices have not fully addressed the extent to which dynamic capabilities practices contribute to Organizational performance in financial institutions such as commercial state corporations (Fatima – Salwa *et al.*, 2013). There is also little empirical support on dynamic capabilities practiced in commercial state corporations (Stenzel, 2014). It also raises questions regarding the most appropriate mix of capabilities to effectively exploit dynamic capabilities implementation (Stenzel, 2014). As such this study was motivated to assess the effect of dynamic capabilities practices on organizational performance among 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, strategic 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 organizational performance (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, there seems to be relatively few empirical studies that have 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 organizational performance. 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 Organizational performance of banks in Kenya, however, Information on moderating effect of strategic fit and Organizational performance of banks is not known. In addition, studies document that top management internal capabilities are associated with heterogeneity of strategic fit efforts and outcomes (Large & Thomsen, 2011). However, relatively little of this research has focused for indirect on direct of internal capabilities on Organizational performance (Eggers and Kaplan, 2009 & Gavetti, 2012.). Thus this study focused on effect of dynamic capabilities on performance of commercial state corporations in Kenya.

General Objective

The general objective of the study was on effect of strategic dynamic capability on performance of commercial State Corporation in Nairobi city county, Kenya

Specific objectives

i. To Establish effect of strategic innovations capability on performance of commercial state corporations in Nairobi City County, Kenya.
ii. To assess effect of quality service capability on performance of commercial state corporations in Nairobi City County in Kenya.

Theoretical Literature Review

Dynamic Capabilities Theory

The ttheory was first formulated by David Teece, Gary Pisano and Amy Shuen (1997). Later, Ambrosini and Bowman (2009) indicated that the paper provided the first contribution that brought distinctive idea of dynamic capabilities. DCT indicate that RBV theory does not bring a clear demonstration of the criteria that is applied in some of the companies that are successful in undertaking rapid and flexible innovation of products and timely responsiveness alongside capabilities of management to coordinate properly and redeploying external and internal competencies. It was further argued that there is need for considerations to be made on the situations of the external changing environment and therefore contributing to strategic management whose main concern is adaptation, reconfiguration and integration of internal as well as external resources of the organization, skills and practical competency for dynamic environment.

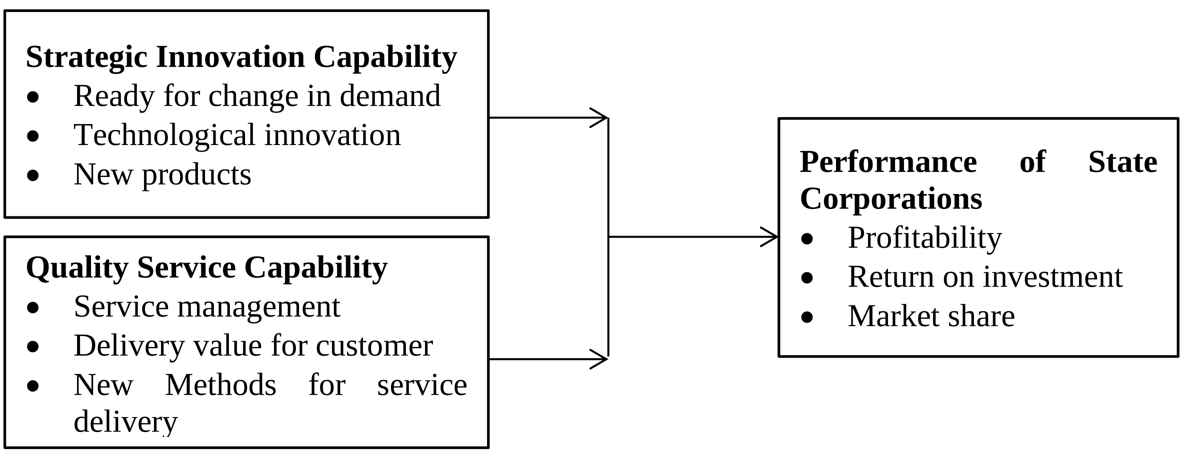
The theory derives its principles from the research on daily organization, core competency, core capacity and rigidity, and ability to absorb. Dynamic capacities act as a buffer between the capital of businesses and the changing business climate by having an organization improves the resource base and thus preserves its competitive advantage, which could otherwise be compromised, in its longevity. Dynamic Capacities Perspective (DCP) relates to a company's ability to gain new ways of competitive advantage by expertise retention, organizational resources and the adjustment to a changing business environment. This ability is complex because the organization must constantly create, adjust and because time-to-market and product positioning become important, the rate of technological progress is high, and it is difficult to determine the essence of future competition and markets (Teece, Pisano & Shuen, 1997).

Resource Dependency Theory

The theory was coined by Pugh and Hickson (1997). They tried to explain organizations with regard to their interdependence with the community. Some scholars have argued that resource provision improves the organizational functioning, the performance of a firm and its survival (Daily *et al*, 2003). It hypothesis reflected on TMT's role in providing the organization with access to resources it needs (Abdullah & Valentine, 2009). Hillman (2000) suggested that the principle of resource dependence reflects on the function TMT played in supplying or retention of essential resources for an organization by its foreign ties. The theory stated that for their protection companies are interdependent with their society and other organizations, as they are not self-dependent (Pugh and Hickson, 1997). Therefore, the theory suggested that TMT is a method for controlling external interactions (Pfeffer & Salancik, 1978), growing environmental instability (Pfeffer, 1972) and interdependence with the environment. According to resource dependency theory, TMT acts as a corporate-external relationship that generates uncertainty and external dependencies (Balta, 2008). Organizations would accept volatility and various environmental shifts in order to survive (Pfeffer & Salancik, 1978). This theory therefore applied to this study, since its demographics played a critical role in influencing the extent to which organizations respond to environmental uncertainty.

Conceptual Framework

Conceptual framework in research is based on the reviewed literature both conceptual and empirical. This is presented graphically to show the connection between different variables affecting and determining the objective of the study relationships



Independent Variables **Dependent Variable**

Figure 2.1: Conceptual Framework

Strategic Innovations Capability

Saunila *et al.*, (2014) examined the strings between innovation capability and performance: the moderating effect of measurement. The examination was directed through an online review in small and medium-sized enterprises (SMEs). An aggregate of 311 reactions were collected from a sample of 2,400 arbitrarily chosen business enterprises. Steady with expectations, the connection between advancement capacity and firm execution is critical within the sight of execution estimation. Execution estimation would thus be able to be utilized as a device for improving the exhibition of SMEs through advancement capacity.

Agyei-Mensah (2017) study investigated how bank performances in Ghana is affected by innovation capacity. The examination configuration received was unmistakable. The populace contained staff, the executives and customers of UT bank. Selected study samples were assessed at 201,039. They utilized comfort testing to choose 150 staff and 245. It was found that product development, advertising advancement and interaction advancement had a moderate relationship with hierarchical execution. In any case, hierarchical development and joint efforts had a feeble relationship with authoritative execution.

Gor, Mummassabba and Muturi (2015) study assessed enablers of innovation capabilities and how it affects performance of an organization. The investigation population was comprised of 6,500 workers of Nakumatt Holding Limited. Since all the representatives couldn't be gotten to inside as far as possible, the examining outline comprised 89 workers positioned at the organization's base camp in Nairobi. The examination set up that reasonable procedures; creative culture; learning climate and abuse of interior asset base are a portion of the empowering agents of development abilities that impact advancement at Nakumatt Holdings Limited. The investigation further settled a positive connection between the empowering influences of advancement abilities and execution of the association.

Quality Service Capability

Singh (2016) examined the impact of quality service on job performance. Information was gathered from 250 police faculties in PDRM in Kuching utilizing overview strategy. Aftereffects of the instrument’s Cronbach Alpha estimation revealed that the score of dependability is more than 0.7, demonstrating adequate levels. Key findings demonstrate that inside assistance quality decidedly correspond with work execution. The investigation gives bits of knowledge on the connection between interior assistance quality and occupation execution in the public area.

Munyao (2014) examined the effect of quality service capability on performance of petroleum distributing companies in Kenya. This study involved an expressive overview of 32 petrol disseminating firms in Kenya. Polls were utilized to gather essential information. The discoveries demonstrated that petrol dispersing firms embraced different assistance quality administration practices generally. The discoveries additionally showed that absence of visionary administration and top administration uphold were the greatest difficulties the organizations looked in their undertaking to actualize administration quality administration rehearses.

Azza and Sally (2018) examined the impact of quality service capability on organizational performance of mobile telecommunications companies in Egypt. A substantial exploration instrument was used to lead a review of 384 top-center and administrative level administrators from 3 Egyptian portable broadcast communications organizations. The outcomes show that quality help capacity decidedly affects authoritative execution. The outcomes additionally show that Egyptian versatile broadcast communications organizations have for the most part underlined the responsiveness, unwavering quality and comfort of their administrations to help their hierarchical exhibition.

Empirical Review

Strategic innovation capability

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RESEARCH METHODOLOGY

Research Design

A research design is the plan for selecting the sources and types of information to be used to answer the research question. The study adopted a descriptive survey research design. Creswell and Clark (2013) note that a descriptive research design deals with what, how and who of a phenomenon which is the concern of this study. It is a method of collecting information by interviewing or administering questionnaires to a sample of individuals (Kombo & Tromp, 2006).

Target Population

A population is a group of people, objects, persons, or items from which a sample is extracted for analysis and to which generalization can be made of the whole population (Mugenda & Mugenda, 2013). The target population for this study are the regulatory state corporations in Kenya. According to information from the website of state corporation’s advisory committee (2021), there are 25 regulatory state corporations in Kenya. Therefore, the target population for this study consisted of twenty-five (25) regulatory state corporations. State corporations are established under the State Corporations Act Chapter 446 of the Laws of Kenya. Regulatory state corporations are a special category of state corporations with oversight roles over their sectors or sub-sectors.

The target population for this study comprised management level employees in regulatory state corporations. The unit of analysis was the individual regulatory state corporations while the unit of observation which defines the independent elements in a population was the management level employees within each of the 25 state corporations. The management level employees were targeted because they are highly involved in running the firms; hence they were instrumental in having an understanding on the effects of participatory leadership style on organizational performance. There are a total of 165 management level employees in all the four companies.

Table 3.1: Target Population

Company	Management level			Total	Percent
	Top	Middle	Low		
Total Kenya	3	7	16	26	**15.8**
KenGen	5	10	22	37	**22.4**
Kenya Power & Lighting Co	7	16	30	53	**32.1**
Umeme	8	12	29	49	**29.7**
Total	**23**	**45**	**97**	**165**	**100**

Sample Size and Sampling Technique

The desired sample size was determined by use of the Yamane (1973) formula which provides a simplified formula to calculate sample size. This is as follows;

$$n = \frac{N}{1+N(e)^2}$$

Where n is the sample size, and N is the population size, e- acceptable sampling error (0.05)

$$= \frac{165}{1+165(0.05)^2}$$

$$= \frac{165}{1.4125} = 116.8141593$$

$n \approx 117$

Therefore, the study sample size was 117 respondents. This represented 70.9% of the target population. According to Mugenda and Mugenda (2003), a sample size of more than 30% of the target population represents a significant level of analysis of the unit under observation.

Table 3.2: Sample Size

Company	Management level						Total
	Top		Middle		Low		
	Population	Sample	Population	Sample	Population	Sample	
Total Kenya	3	2	7	5	16	11	**18**
KenGen	5	4	10	7	22	16	**26**
KPLC	7	5	16	11	30	21	**38**
Umeme	8	6	12	9	29	21	**35**
Total		**16**		**32**		**69**	**117**

The study used stratified random sampling technique to select the study sample. Stratified random sampling is a method of sampling that involves the division of a population into smaller sub-groups known as strata (Creswell, 2017). The strata in this case was the management level (top, middle, and low-level management) in the organizations under study. Once the population has been grouped into strata, the study will use simple random sampling to select a sample from each stratum.

Data Collection Instruments

The study used primary data that was collected by use of questionnaires. A questionnaire is a research instrument consisting of a series of questions for the purpose of gathering information from respondents. Prior to data collection, a letter of introduction was obtained from the university. This helped in introducing the researcher and the study to the respondents.

Pilot Testing

A pilot study was conducted to test the data collection instruments reliability and validity, the completeness, or responses, and analyse the various measures within the instrument. In the pilot study participants were invited to participate in filling the questionnaires. According to Mugenda (2014), 10% of the sample size should constitute the pilot test. Therefore, this entailed 12 questionnaires being distributed for pre-testing. To ensure reliability of the questionnaires, a pilot study was carried out in neighbouring agriculture state corporations in Nairobi city county, kenya. This institution was used for piloting because the two counties share similar conditions. The piloting of the questionnaire was used to identify faults hence improve its reliability and validity.

Data Analysis and Presentation

Descriptive statistics were used to summarize data and make general observations about the data on the relationship between managerial capabilities and Performance of commercial state corporations in Kenya. The descriptive methods used included frequencies, mean, mode, median and standard deviations. To describe the rate of respondents, the study used the frequencies in the form of percentages while the description of the data collected from respondents the study used mean and standard deviations both of which are the measures of central tendency and variability respectively (Sekaran, and Bougie, 2013). The data was presented using tables and graphs.

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 Nairobi city county, 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.

The objective of the study was to test the effect of strategic dynamic capability and Performance of commercial state corporations in Nairobi city county, kenya. Multiple regression models for direct effects between dynamic capabilities in the study will be given as;

$$Y = \beta_0 + C + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where: -
Y is Performance of commercial state corporations in Nairobi city county, Kenya
X_1 is strategic innovation capability
X_2 is quality service capabilities
β_0 is a constant
ε is Error term (random variation due to other unmeasured factors).

RESEARCH FINDINGS AND DISCUSSIONS

Strategic Innovation Capability

The first objective sought to establish how strategic innovations capability affects commercial state corporations in Nairobi City County, Kenya. The staff were asked to tick on their level of agreement on the listed statements related to effect of strategic innovations capability. Findings are presented in Table 4.1

Table 4.1: Strategic Innovation Capability

Key: SD=Strongly disagree, D=Disagree, NS=Not Sure, A=Agree, SA= Strongly agree, M=Mean.

Statements	Strongly disagree		Disagree		Not Sure		Agree		Strongly Agree		mean
	F	%	F	%	F	%	F	%	F	%	
The organization actively invests in research and development initiatives to foster a culture of innovation.	11	12.2	18	20.0	11	12.2	32	35.6	18	20.0	3.31
Employees are encouraged to propose and implement innovative ideas that contribute to the organization's strategic goals.	10	11.1	9	10.0	5	5.6	32	35.6	34	37.8	3.79
The organization has a dedicated department or team responsible for managing and promoting innovation.	10	11.1	16	17.8	7	7.8	28	31.1	29	32.2	3.56
Strategic innovation is considered a priority in the organization's overall strategic planning process.	2	2.2	1	1.1	0	0	7	7.8	80	88.9	4.80
The organization regularly reviews and updates its innovation strategy to align with evolving market trends.	35	38.9	38	42.2	5	5.6	4	4.4	8	8.9	2.06
There are mechanisms in place to identify and evaluate emerging technologies that could enhance the organization's competitiveness.	5	5.6	11	12.2	13	14.4	33	36.7	8	31.1	3.76
The organization collaborates with external partners, such as startups or research institutions, to leverage external expertise and foster innovation.	8	8.9	8	8.9	12	13.3	28	31.1	34	37.8	3.80

N=90

Findings show that the staff strongly agreed that strategic innovation is considered a priority in the organization's overall strategic planning process (M=4.80). The staff also agreed that; the organization actively invests in research and development initiatives to foster a culture of innovation (M=3.31), employees are encouraged to propose and implement innovative ideas that contribute to the organization's strategic goals (M=3.79), the organization has a dedicated department or team responsible for managing and promoting innovation (M=3.56), there are mechanisms in place to identify and evaluate emerging technologies that could enhance the organization's competitiveness (M=3.76), and the organization collaborates with external partners, such as startups or research institutions, to leverage external expertise and foster innovation (M=3.80). The staff disagreed that organization regularly reviews and updates its innovation strategy to align with evolving market trends (M=2.06).

Findings imply that innovations enhance organizational performance. Innovation is a valuable asset needed by the organization to enhance performance. Product innovations enhance cost savings, provides a unique value and benefits for consumers, gain market share and instill competitive advantage over competitors. Findings are in agreement with Mugambi and Kinyua (2020) that innovation is a critical process within a firm and should not be separated from the other practices. Sulistyo (2016) all added that it is important to consistently review innovation competencies to cater for the rapidly changing business environment.

Quality Service Capability

The second objective sought to find out how quality service capability affects commercial state corporations in Nairobi City County in Kenya. The staff were asked to tick on their level of agreement on the listed statements related to effect of quality service capability. Findings are presented in Table 4.2.

Table 4.2: Quality Service Capability

Key: SD=Strongly disagree, D=Disagree, NS=Not Sure, A=Agree, SA= Strongly agree, M=Mean.

Statements	Strongly disagree		Disagree		Not Sure		Agree		Strongly Agree		mean
	F	%	F	%	F	%	F	%	F	%	
The organization has well-defined and documented service standards that guide the delivery of services to its stakeholders.	5	5.6	9	10.0	3	3.3	26	28.9	47	52.2	4.12
Employees are trained and equipped with the necessary skills to provide high-quality services that meet or exceed customer expectations.	15	16.7	15	16.7	4	4.4	26	28.9	30	33.3	3.46
There is a dedicated customer service department or team responsible for handling inquiries, feedback, and addressing concerns from stakeholders.	3	3.3	1	1.1	7	7.8	27	30.0	52	57.8	4.38
The organization actively seeks feedback from stakeholders to assess the quality of its services and identifies areas for improvement.	19	21.1	45	50.0	5	5.6	12	13.3	9	10.0	2.54
Service delivery processes are regularly reviewed and updated to align with industry best practices and changing stakeholder needs.	1	1.1	2	2.2	4	4.4	23	25.6	60	66.7	4.54
Key performance indicators (KPIs) related to service quality are integrated into the organization's performance measurement framework.	19	21.1	7	7.8	8	8.9	40	44.4	16	17.8	3.43
The organization employs technology and digital solutions to enhance the efficiency and effectiveness of its service delivery processes.	28	31.1	49	54.4	7	7.8	1	1.1	5	5.6	2.32

N=90

Findings show that the staff strongly agreed that; there is a dedicated customer service department or team responsible for handling inquiries, feedback, and addressing concerns from stakeholders (M=4.38), and service delivery processes are regularly reviewed and updated to align with industry best practices and changing stakeholder needs(M=4.54). The staff also agreed that; the organization has well-defined and documented service standards that guide the delivery of services to its stakeholders (M=4.12), employees are trained and equipped with the necessary skills to provide high-quality services that meet or exceed customer expectations (M=3.46), key performance indicators (KPIs) related to service quality are integrated into the organization's performance measurement framework(M=3.43). Respondents disagreed that the organization employs technology and digital solutions to enhance the efficiency and effectiveness of its service delivery processes(M=2.32), and the organization actively seeks feedback from stakeholders to assess the quality of its services and identifies areas for improvement (M=2.54).

Findings imply that service quality enhances organizational performance since it ensures that customers get quality service. Executing the promised service consistently, accurately and in a timely manner enhance customer service. The state corporations are however challenged with technology deployment that would enhance service delivery. Findings are in agreement with Al -Jazzazi and Sultan (2017) that service quality is a comprehensive customer evaluation for a particular service, and the extent to which it meets their expectations while providing satisfaction. Yasmeen et al. (2019) also found that service quality is as an assessment of how well a delivered service conforms to the client's should correspond to the customers' expectations and satisfy their needs.

Coefficient of Correlation

Karl Pearson's coefficient of correlation (r), which measures the relationship between independent and dependent research variables, was utilized to make measure the strength and relationship between study variables. The results are shown in Table 4.8 below.

Table 4.2: Correlation Analysis

Variables		Performance level	Strategic innovation	Quality service
Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
Strategic innovation	Pearson Correlation	.628**	1	
	Sig. (2-tailed)	.000		
Quality service	Pearson Correlation	.819**	.455**	1
	Sig. (2-tailed)	.000	.000	

**. Correlation is significant at the 0.05 level (2-tailed)

Results in Table 4.2 show that; there is a strong significant relationship between strategic innovation and corporation's performance (r=0.628, p=0.000) and a strong significant relationship between quality service capability and corporation's performance (r=0.819, p=0.000).

Regression Analysis

In order to calculate the degree to which a unit change in the independent variable causes a change in the dependent variable, the study employed SPSS to enter and code replies from the respondent. The coefficient of determination was calculated to determine how well the statistical model was predicted future outcomes to be. Table 4.9 presents the Model Summary.

Table 4.3: Model Summary

Model	R	r^2	Adjusted r^2	Std. Error of the Estimate
1	0.891	0.790	0.786	.714

Predicators: (constant) strategic innovation and quality service capability

The results show a positive relationship between strategic innovation, quality service capability and performance of commercial state corporations in Nairobi City County, Kenya. The model one had a coefficient of determination of 0.790 leading to the conclusion that 79 % of the variance in performance of commercial state corporations in Nairobi City County, Kenya was a result of changes in the strategic innovation and quality service capability. Therefore, other strategic dynamic capabilities that were not part of this study contribute to 21% of level of commercial state corporations' performance.

Table 4.4: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	180.762	2	90.381	174.82	.000[b]
	Residual	48.081	93	.517		
	Total	228.843	95			

The ANOVA shows that the F value of 174.82 is significant at the 0.05 significance level. The model was hence suitable for explaining changes in performance of commercial state corporations in Nairobi City County, Kenya as caused by strategic innovation and quality service capability.

Table 4.5: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Err1or	Beta		
Constant/Y Intercept	5.613	.41		12.652	.000
Strategic innovation	.612	.080	.515	7.611	.000
Quality service capability	.822	.066	.730	12.817	.000

According to findings in Table 4.5, the equation

$Y= \beta 0+ \beta_1 X_1+\beta_2 X_2+ \varepsilon$ becomes ;

Performance of state corporations= $5.613 + 0.612\ X_1 + 0.822\ X_2$

Findings show that holding all other factors at constant zero performance, performance of commercial state corporations would be 5.613. Findings also shows that a unit increase in strategic innovation results in a 0.612 change in organizational performance, a unit increase in quality service capability results in a 0.822 change in organizational performance. Findings hence help to answer the research questions on the extent to which strategic innovation and quality service capability affect performance of commercial state corporations in Nairobi City County, Kenya. All the variables had causes a significant change on performance of commercial state corporations in Nairobi City County, Kenya ($p<0.05$).

Conclusions

Innovation capability provides insight for firm's innovation potential areas and assets, which leads to identifying strongest or weakest point, where firm should develop. Innovation capability is most required components for developing effective innovation outcomes within the firm to enable the application of resources and continuous transform of knowledge and skills into product, process, and system for the benefits of firms and stakeholders. Innovation capacity of the firm is subsequently responsible for generating highly creative innovation outcomes. Technological innovation enables organization to develop new finished product and services from ideas small ideas. Companies continue to innovate as they strive to outcompete each other in the market, with improved and better product and services. Innovation capability enhance the competitiveness of organizations, customer satisfaction and profitability of organizations.

Service quality is a key facilitator for organizational growth. Quality assessment ensure the organization monitors the quality of services provided to customers and loyalty is earned thereby contributing to positive performance. The state corporations have a dedicated customer service department or team responsible for handling inquiries, feedback, and addressing concerns from stakeholders. This ensures that customers concerns are well handled which ensures customer satisfaction. The staff are trained and equipped with the necessary skills to provide high-quality services that meet or exceed customer expectations, key performance indicators (KPIs) related to service quality are integrated into the organization's performance measurement framework.

Recommendations

The state corporations should constantly re-invent their production techniques and equipment in their organization. The organizations should always be looking for the latest techniques for production and marketing process and adopt them. They should also find unique methods of delivering their goods or services in a manner that meets or surpasses customer expectations in the market. The state corporations should also invest in research and development, feedback channels and environmental scanning to facilitate gathering of insights and growth. The management should at all times look for new ideas among employees and relevant stakeholders to develop these ideas into new product and services.

Organizations should develop an environment that includes orientation, fostering of technical support among co-workers, also, for the effective implementation of quality management systems. The corporations should also outsource quality assurance officers to ensure that the products and services meet the certified quality. They should also invest on customer satisfaction surveys to evaluate if customers are satisfied with the services offered by the state corporations.

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