THE INFLUENCE OF ORGANIZATIONAL CAPABILITY ON EFFECTIVE STRATEGY IMPLEMENTATION AMONG SACCOS IN KENYA

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Abstract

Purpose: To establish the influence of organizational capability on effective strategy implementation among SACCOs in Kenya.

Methodology: Survey research design while both quantitative and qualitative research methodologies were used in the study. The target population of the study was all 176 Deposit Taking SACCOs in Kenya. Purposive sampling was used to sample at least three employees of the SACCO which includes one top level manager one middle level manager and one low level manage. The sample size was 192 respondents. Questionnaires were used to collect the data. Descriptive analysis, analysis of variance (ANOVA) and multiple regressions were used in analyzing the data.

Results: The results of the study indicate that organization capability is a key determinant of effective strategy implementation.

Unique contribution to theory, practice and policy: Every organization has a potential capability that it employs in order to achieve stable competitive advantage and productivity. As long as these capabilities and potential capacities are neither unknown nor realized, it cannot be such efficient to provide barriers for competitors while allowing the organization to surpass competitors.

Keywords: Capability, Skills, Competency, Strategy Implementation, Saccos

55
1.0 INTRODUCTION

1.1 Background of the Study

The need to build and strengthen competitive valuable core competencies and organization capabilities is high among the organization building priorities in the strategy implementation process. Whereas, managers spot the desired competencies and capabilities in the course of formulating strategy, good strategy implementation requires the instituting the desired competencies and capabilities in place, while upgrading them according to market conditions (Thompson, Strickland, & Gamble, 2010). Organization capabilities include the following: skills, routines, management and leadership of the organization. Possessing tangible and intangible assets resources is not enough: the organization must also be capable to deploy and share these resources, to knit various parts of the organization together while coordinating the several activities effectively across the organization (Lynch, 2009).

The strategy implementation process is affected by several variables within the organization’s environment. It looks that the task of strategy implementation is a primary operations-driven activity, revolving around the management of employees and business processes. Successful strategy implementation depends on building and strengthening competitive capabilities, motivating and rewarding employees in a strategy supporting manner. The strategy implementation task comprise of building a capable organization; marshalling resources; instituting policies and procedures; adopting best practices; and continuous improvement (Smith, 2011).

In their daily routines, management and employees throughout an organization should participate early in strategy implementation decisions. Their major role in strategy implementation should be to build upon prior involvement in activities of strategy formulation. Strategists’ genuine personal commitment to implementation is necessary and powerful motivational force for managers and employees. Strategists often, are busy to actively support strategy implementation efforts, while their lack of interest can be detrimental to organization’s success (David, 2011).

Cooperatives can be defined as the association of persons with common socio-economic needs aspirations. Europe is regarded as the origin of modern cooperatives enterprises (Kobia & Minishi, 2014). Cooperatives have existed for more than 100 years on the global scale. Promotion of cooperatives during that time therefore, provide lessons to contemporary cooperative development. British Empire played a key role in cooperative development in independent territories. In this case, there is sufficient evidence that other European Empires also encouraged the formation of cooperatives, the British Empire was the first global cooperative development agency (Rita, 2011).
Several savings and credit groups or credit unions have been operating in many countries for several years. Microfinance can be observed to have existed since the beginning of 20th century whereas Muhammad Yunus, a Nobel Laureate is credited with laying the foundation of the modern Micro Finance Institutions (MFIs) which led to the establishment of Grameen Bank in 1976 in Bangladesh. This foundation, other than addressing the United Nations (UN) Millennium Development Goal of alleviation of poverty, also answers the multilateral organizations other development goals including women and youth literacy and empowerment. Microfinance has now become most popular and has been gaining lot of attention about its growth, innovation and impact. The microfinance industry has shown growth both in terms of clientele, Product type, and its service providers (Mehta & Aggarwal, 2014).

Cooperatives are a worldwide phenomenon. They are found in well over 100 countries in the world and they are of varied type and sizes and kinds. In East Africa, Savings and Credit Societies and agricultural marketing societies are the most popular in the region. The essential role of cooperatives development has received support in East Africa for more than 100 years. A Cooperative society is an organized entity as business enterprises that benefit its members through self help spirit, whiles its services are accessible to ordinary men and women (Kobia & Minishi, 2014).

The Republic of Kenya has a population of over 43 million people, out of which, 2.7 million are members of deposit taking SACCOs. SACCOs employ over 250,000 people in Kenya while over 60% of the population survives on SACCO related activities. SACCOs contribute 45% of the GDP in Kenya. The asset base of these societies has grown by 14% that is, from Ksh. 294 billion in 2012 to 335 billion in 2013 respectively. SACCO deposits on the other hand, have also increased by 13% that is, from Ksh. 213 billion in 2012 to Ksh. 241 billion in 2013 respectively. A World Council of Credit Unions 2013 statistical report on credit unions, Kenya was ranked first in the continent of Africa with assets base of US $ 4.5 billion representing a two third of the total assets base of all SACCOs in Africa (Waitathu, 2015).

1.2 Statement of the Problem

Good strategies that lack effective implementation can never be expected succeed. Strategy implementation is the most significant and yet very difficult part of strategic management process. Strategy and strategic choice of organization are valueless unless strategies are capable of being implemented (Nair, Banerjee, & Aggarwal, 2009). A well thought formulated strategy in the world amounts to nothing if it is not properly or incorrectly implemented throughout the organization. The management of an organization will optimally be responsible for a strategy’s success or failure, their role should be to encourage and create organizational culture which empowers managers to respond to opportunities (Henry, 2011).
According Mumanyi (2014) statistics indicate that there are 10,800 registered cooperatives in Kenya with a membership of about 6 million out of this, 46% are agricultural, 38% are financial based (SACCOs) and 16% are others. Further, 63% of Kenyan population depends on cooperative related activities for their livelihood. SACCOs subsector contributes to over 45% Gross Domestic Product (GDP) in Kenya which benefits one out of two Kenyans directly or indirectly. The research problem should be addressed otherwise many Kenyans will have their benefits from SACCOs at stake.

There is evidence of research gaps in strategy implementation in Kenyan among SACCOs. Owing to the enactment of SACCO Act 2008, SACCOs were given a window to comply with the rules of the Act within four years from the year 2010. The Annual Report of Sacco Society Regulatory Authority (SASRA) of 2013 revealed that there were 215 deposit taking SACCO in Kenya out of which 135 were licensed during the period. The other 80 deposit taking SACCOs were not licensed for non-compliance with rules of the Act. These can be attributed to strategy implementation failure (Ademba, 2013). Studies have shown that many enterprises lack understanding of the importance of strategy implementation, hence need to research on the determinants strategy implementation among SACCOs in Kenya.

1.3 Objective of the Study
To establish the influence of organizational capability on effective strategy implementation among SACCOs in Kenya

2.0 LITERATURE REVIEW
2.1 Theoretical Review

2.1.1 Resource Based View Theory
The RBV addresses competitive business environment faced by organizations but adopt an inside-out approach that is to say it begins with analysis of organization’s internal environment. In this case, RBV is often deemed as an alternate to Porter’s five force model (Hax & Wilde, 2003). The RBV emphasizes internal resources and capabilities of an organization in formulating strategy to obtain sustainable competitive advantages in the market place. Internal resources and capabilities result in strategic choices made by organizations while competing in its external business environment. Organization’s abilities also allow value addition in customer value chain, develop new products or expand in new market place. The RBV draws upon the resource and capability that is within the organizations for it to develop sustainable competitive advantages. Resources may be deemed as inputs that enable organizations to carry out its endeavours (Midhani, 2009).
The Resource-Based View a firm is the strategic management theory that is widely used by managers in SACCO management. It allows managers to spread resources that include organization capability in accordance to alignment with strategy implementation, to identify the value of such resources and required organization capabilities for the competitive advantage of SACCOs in Kenya through leadership and innovation, especially organization management capabilities that have been customized to a specific SACCO environment and developed over time (Almarii & Gardiner, 2014).

2.2 Empirical Studies

Organization capabilities are the specific ‘inputs’ like tangible or intangible assets; rather these are skills, this implies that the ability of combining assets, people and progress are what a company uses to transform inputs into outputs (Pearce & Robinson, 2011). A capability is the capacity for an asset or resource to perform a task of activity in an integrative manner (Ireland & Hitt, 2011). The important task of a manager under the current environment is to build the organization capability to achieve efficiency while utilizing core competency to differentiate from competitors and the ability to better utilize the core competency over other competitors. The other important aspect is the ability to effectively apply strategies. This is the only effective way to build organization competitive advantage since it indicates the organization personnel capability and skill in accomplishing the organization plans (Wingwon, 2012).

Every organization has a potential capability that it employ in order to achieve stable competitive advantage and productivity. As long as these capabilities and potential capacities are neither unknown nor realized, it cannot be such efficient to provide barriers for competitors while allowing the organization to surpass competitors. Organizational capabilities and competencies are considered from two aspects: one, component’s relative power in organization and two, strategic importance of that component (Esfahani, Soltani, & Jafarpisheh, 2013).

In strategic management, organization capabilities are depicted as crucial success factors while nowadays nearly almost every organization intends to be perceived as being capable of doing something in an outstanding manner. It seems therefore advisable to put forward the discussion by clarifying the definition of organizational capabilities. There is enormous variation in the definition of organization capabilities; organization capabilities are sometimes known: as core competence; collective skills; complex routines; best practices; or organizational capabilities. In the context of dynamics and change the term ‘capability’ has gained predominance, There seems to be an agreement that a capability does not represent a single resource in the terms of other resources such as financial assets, technology, or manpower, but rather a distinctive and superior way of allocating resources.
It addresses complex processes across the organization such as product development, customer relationship, or supply chain management. Accordingly, organizational capabilities can be built in different fields and on different levels of organizational activity, for instance at departmental, divisional, or corporate level (Kliesch-Eberl & Schreyogg, 2007).

Competition is increasingly forcing organizations to be creative in their strategic efforts while businesses are learning to improve the way customers or clients are served, whether within the organization or external. The 21st century organization is continually augmenting operations and enhancing its activities. Products and services that were initially unique in nature are not being imitated, strategic alliances are increasing, technological processes are improving astronomically, and companies investing are more intangible assets. Consequently, to remain competitive in this millennium, organizations have to sustain organizational capabilities to enhance the implementation strategy. Superior core competencies and organizational capabilities in an organization form the key factors for proficient strategy execution (Boyce, 2007).

2.3 Conceptual Framework

![Figure 1: Conceptual Framework](image)

3.0 RESEARCH METHODOLOGY

Survey research design and both quantitative and qualitative research methodology were used in the study. The reason for employing the surveys design is that it is important when the researcher is contacting relatively enormous numbers of people to obtain data on the same issue or issues, often posing the same question to all (Jankowicz, 2005). The target population of the study was all 176 Deposit Taking SACCOs in Kenya. The deposits taking SACCOs targeted for the study were the supervised and regulated by SASRA which are homogeneous in their operations.

Purposive sampling was used to sample draw a sample of 192 respondents comprising at least three employees of the SACCO which includes one top level manager that is CEO or the Finance Manager, or Head of Department; one middle level manager that is Branch Manager or Credit Manager; and one low level manager that is Accountant or Customer Relations Officer.
The study adopted open and closed questionnaire in the collection of data. The questionnaire was administered by the researcher, assisted by four research assistants who were engaged by the researcher to ease work in data collection process. The researcher issued questionnaires as it is frequently used since the researcher is available to explain the questions as proposed by Mugenda and Mugenda, (2003).

4.0 RESULTS AND DISCUSSION

4.1 Response Rate

The study targeted 192 SACCO employees as shown in Table 4.1. A total of 192 questionnaires were administered to the respondents out of which 138 questionnaires were duly filled and returned successfully. This responds represented 71.8% response rate. Mugenda and Mugenda (2003) consider that a response of 60% is good and a response of 70% and over as very good. The response rate of 71.8 % was deemed adequate since (Mapetere, Mavhiki, Nyamwanza, Sikomwe, & Mbonde, 2012) in a similar study had a response of 72%.

Table 1: Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed and returned</td>
<td>138</td>
</tr>
<tr>
<td></td>
<td>71.8%</td>
</tr>
<tr>
<td>Not completed</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>28.2%</td>
</tr>
<tr>
<td>Distributed</td>
<td>192</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

4.2 Respondents Demographics

The demographic data from respondents include: age, gender, job category, academic qualification and work experience

4.2.1 Age of Respondents

The study sought to determine of the respondents. The researcher construed that age is an aspect of better understanding of matters of strategy implementation. As shown in the figure 2 below majority of (55.07%) of the participants were aged between 31 to 40 years, the next (23.91%) of the respondents indicated that they belong to the 20-30 years age bracket while (23.91) fell in the 31-40 years age brackets. The minority constituted (21%) of respondents indicated that they were 41 years and above majority of the respondents were below 41 years of age which is the active working age.
The results presented in the figure 2 shows that majority of the respondents were below 41 years of age which is the active working age. A local study by (Sila & Gichinga, 2016) on strategy implementation, the results reveal that the respondents between the ages 18-30 years were (22.6%), between 31-40 years were (25%) and between 41-50 years were 25.8%.

![Figure 2: Age of Respondents](image)

4.2.3 Gender of Respondents

The findings on Figure 3 reveal that majority (61.59%) of the population sampled indicated that they were male while (38.41%) were female. This signify that majority of the respondents in the study were male. Babbie, Halley, Wagner, and Zaino (2013) posited that gender is a demographic variable associated with great many attitudes and behaviors. A study carried out by (Smith, 2011) on strategy implementation confirmed that majority of respondents (63%) were male while (37%) were female.

![Figure 3: Gender of Respondents](image)
4.2.4 Educational Background of Respondents

The results in Figure 4 indicate majority of (57.25%) of the respondents had attained undergraduate degree, while (27.54%) achieved masters degree and above while (14.49%) of them obtained diploma and (0.72%) certificate. This means that they had sufficient knowledge to answer the questionnaires. A study (Wachira & Kamure, 2014) on strategy implementation in insurance industry in Kenya found that majority of respondents 40(70%) indicated that they had reached university level as their highest academic, 10(18%) indicated they had reached post graduate and 5(9%) of the respondents indicated they reached college level.

Figure 4: Education of Respondents

4.2.5 Job Category of Respondents

Results in Figure 5 indicated majority (35.51%) of the participants represented low level that included: Accountants and Customer Relationship Officers management. The next (34.06%) belong to the middle level management which includes: Branch Manager and Credit Manager, while (30.43%) were top management level which included: Chief Executive Officer, Deputy Chief Executive Officer, Finance Manager, Operations Manager, and Head of Departments. A comparable study (Cater & Pucko, 2010) on factors of effective strategy implementation from Slovenian business practice show that respondents were most managing directors (48.8%) and directors of divisions or business functions (25%) while (17.5%) of respondents were heads of different departments.
4.2.5 Work Experience of Respondents

Results in Figure 6 majority (76.09%) of respondents revealed that they worked in the organization for more than three (3) years, the other (17.39%) respondents have worked in the organization for up to two (2) years, the other (4.35%) worked for one (1) year, while the minority (2.17%) have worked for only six (6) months. The findings show that majority of respondents have worked for at least 3 years long enough to understand how the organization operate, therefore, they had enough information for the study.

Figure 6: Work Experience
4.3 Descriptive Statistics

The objective of the study was to establish the influence of organizational capability on effective strategy implementation among SACCOS in Kenya. The respondents were requested to respond to the statements on organization capability. The responses were evaluated on a five Likert scale as presented in Table 2. Majority 91.6% (%) (49.6% + 42%) of the respondents agreed with the statements that organization capability influence strategy implementation, 50.7% agreed with the statement that organization capability is achieved through efficient utilization of core competency to effectively implement strategy.

These findings concur with that of (Mwawasi, Wanjau, & Mkala, 2013) which found that such successful strategy implementation the following factors are considered: staff skills and expertise, consciously building and strengthening strategy – supportive competencies and competitive organization capabilities. The findings clearly indicate that organization capability is an important factor of effective strategy implementation.

Table 2: Organization Capability

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>$\chi^2$</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A manager is to build org capability</td>
<td>0(0.0%)</td>
<td>5(3.6%)</td>
<td>6(4.3%)</td>
<td>73(52.9%)</td>
<td>54(39.1%)</td>
<td>102.75</td>
<td>.000</td>
</tr>
<tr>
<td>Org capability achieved thro competency</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>9(6.5%)</td>
<td>70(50.7%)</td>
<td>59(42.8%)</td>
<td>45.957</td>
<td>.000</td>
</tr>
<tr>
<td>Org diff competitors through competency</td>
<td>0(0.0%)</td>
<td>3(2.2%)</td>
<td>11(8.0%)</td>
<td>65(47.1%)</td>
<td>59(42.8%)</td>
<td>89.130</td>
<td>.000</td>
</tr>
<tr>
<td>Org capabilities are tangible/intangible assets</td>
<td>0(0.0%)</td>
<td>2(1.4%)</td>
<td>15(10.9%)</td>
<td>79(52.9%)</td>
<td>48(34.8%)</td>
<td>89.884</td>
<td>.000</td>
</tr>
<tr>
<td>Org has capability to competitive</td>
<td>0(0.0%)</td>
<td>0(0.0%)</td>
<td>7(5.1%)</td>
<td>60(43.5%)</td>
<td>71(51.4%)</td>
<td>50.913</td>
<td>.000</td>
</tr>
</tbody>
</table>
advantage
Org capabilities depict critical success factor
0(0.0%) 0(0.0%) 16(11.6%) 61(42.2%) 61(44.2%) 29.348 .000
Org perceived of something outstanding
0(0.0%) 1(0.7%) 13(9.4%) 74(53.6%) 50(36.2%) 98.116 .000
Capabilities include competencies and skills
0(0.0%) 1(0.7%) 7(5.1%) 74(53.6%) 56(40.6%) 113.072 .000
Org capabilities addresses complex processes
0(0.0%) 0(0.0%) 8(5.8%) 74(53.6%) 56(40.6%) 50.609 .000
Org remain competitive capabilities sustain
0(0.0%) 2(1.4%) 10(7.2%) 64(46.4%) 62(44.9%) 95.159 .000

Mean (0.0%) (1.0%) (7.4%) (49.6%) (42.0%)

4.4 Inferential Statistics
The results in Table 3 indicate that there is a positive and significant influence between organization capability and effective strategy implementation among SACCOs in Kenya. A unit increase in organization capability increases effective strategy implementation by 1.08 units. The p value was less than 0.05 therefore there is sufficient evidence to support rejection of the null hypothesis and hence conclude that there is a significant relationship between effective strategy implementation and organization strategy. The study results corroborates with the findings of a study (Bundotich, Nzulwa, & Mburu, 2016) on determinants of strategy implementation in Agricultural Corporation found that there was a strong positive relationship/influence between organization capability and strategy implementation.
Another study (Hall, Sarkani, & Mazzuchi, 2011) on impacts of organization capabilities in information securities further found that there was a strong and positive association between organization capability with effective implementation of information security strategy.

**Table 3: Regression Model**

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-0.353</td>
<td>0.083</td>
<td>-4.244</td>
<td>0.000</td>
</tr>
<tr>
<td>Org Capability</td>
<td>1.084</td>
<td>0.026</td>
<td>42.243</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The regression model this study is:

Effective Strategy Implementation = -0.353 + 1.084X

Where,

X = Organization Capability

5.0 DISCUSSION CONCLUSION AND RECOMMENDATION

5.1 Discussion

The objective of the study was to establish the influence of organization capability on effective strategy implementation among SACCOs in Kenya. The results of the study indicated that organization capability is a key determinant of effective strategy implementation among SACCOs in Kenya. It is also evident from the findings that the task of management is to build the capability of the SACCO and the results confirmed that organization capability can be achieved through efficient utilization of core competency in order for the SACCO to achieve competitive advantage. For the organizations to remain competitive, organization capabilities must be sustained while personnel capabilities enables an organization’s effectiveness in transforming inputs into outputs. Regression and correlation results indicate that there was a positive and significant influence between organization capability and effective strategy implementation.

5.2 Conclusion

Based the findings of the study it is concluded that organization capability is a key determinant of effective strategy implementation among SACCOs in the country. It was indicative that the main task of managers was build organization capability for efficient utilization of core competencies, while recognizing tangible and intangible assets that drive organization potential to achieve competitive advantage.
The study results also pointed out perception of staff to differentiate products and services from competitors through better utilization core competencies in order to achieve stable competitive advantage. It was realized that personnel collective skills, organization complex routines, and best organization practices such as product development, customer relationship, management and supply chain management highly influence effective strategy implementation among SACCOs in Kenya.

5.3 Recommendation
The study recommends that management ought to understand that it is their task to build the capacity of the organization. Further, managers should realize that organization capability is achieved through efficient utilization of employee core competency which enables the organization to achieve competitive advantage. Managers have to ensure the sustainability of organization capabilities for the organization to remain competitive in the market. Organizations must appreciate that personnel capabilities enables an organization’s effectiveness in transforming inputs into outputs.

5.4 Areas of Further Studies
The study delimited itself on organization capability as a determinant of effective strategy implementation. Additional studies should focus on other determinants which may include: organization structure, leadership styles and customer satisfaction. The study narrowed down to SACCOs in Kenya. Another study should be conducted adopting other determinants of strategy implementation in other sectors of the economy of Kenya.
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69


