Organizational Resources and Performance of Kenyan State Corporations

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Abstract

Organizational resources have been posited to influence organizational performance. However, this position has been largely tautological with need for more empirical grounding. The postulations of resource based theory confer a significant effect of resources on organizational performance only when they possess some strategic characteristics. In spite of this postulation, comparative management advances an argument that management is sensitive to the context in which it is practiced; hence empirical testing of the postulation is inconclusive. This study tested the influence of organizational resources on the performance of Kenyan state corporations. Through a cross-sectional descriptive survey, data on resources and performance were obtained from 63 Kenyan state corporations and analyzed using both descriptive and inferential statistics. The findings report a statistically significant relationship between aggregated organizational resources and performance. However, organizational resources could only explain 8.3 percent of performance of Kenyan state corporations. Results of the independent effect of disaggregated organizational resources indicated statistically significant effect of tangible, human and intangible resources on performance. Statistically not significant results were reported for the effect of organizational capabilities on performance. The findings provide partial empirical support for the Resource Based Theory by supporting the postulations that resources possessed by an organization influence performance by establishing the independent contributions of each resource to performance. It has offered direction for day-to-day managerial practice as well as policy direction at both organizational and government levels. At managerial level, practitioners may consider strengthening resource integration, renewal as well as recombination for stellar performance. Government policy should be focused towards encouraging resource acquisition, integration, configuration, and combination

that would have a stronger influence on performance. From the limitations of the study, areas for further research have been pointed out.

Keywords: Organizational resources, Performance, Kenyan state corporations

Introduction

Strategic management research has shown that an organization's performance can be explained by effective possession and employment of the resources it controls. Differences in performance of organizations within the same industry may be attributed to the resources they possess (Barney, 1991; Amit & Shoemaker, 1993; Tokuda, 2005). However, this debate is inconclusive. Some researchers have reported that resources controlled by a firm generally enhance organizational performance. Others posit that resource differences are unrelated to performance. Some organizations possess a huge resource base yet the same does not reflect in their performance. According to Grossman and Hart (1986) one of the economic consequences of the possibility of opportunistic behavior by managers, is that it reduces the amount of resources investors are willing to put up to finance the firm. This leads to inefficient investment levels that in turn have a direct bearing on organizational performance.

Organizational resources are anchored in the Resource Based Theory (RBT) (Penrose, 1959; Wernefelt, 1984) and Dynamic Capabilities Theory (DCT) (Teece, Pisano & Shuen, 1997). The RBT postulates that resources possessed by an organization are the primary source of performance and competitive advantage. On the other hand, the DCT argues that it is not the resource possession alone that leads to competitive advantage. Rather, it is how resources are combined, reconfigured, and coevolved, as needs arise would lead to superior performance.

Explaining and often predicting organizational performance is a primary research objective in the field of strategic management (March & Sutton, 1997). This is because performance improvement is at the heart of this field (Venkatramann & Ramanujam, 1986). Further, explaining variations in performance remains crucial for strategic management practitioners and scholars. Present and extant literature provides linkage of the organizational resources and firm performance. Organizational resources have an influence on firm performance (Talaja, 2012; Newbert, 2008; Cockburn, Henderson & Stern, 2000; Pearce et al., 2012) more than any other factors (Chandler, 1962). Long term performance is guaranteed because new resource configurations are always assured as markets collide, emerge, split, evolve, and die (Teece et al., 1997).

Globally, in spite of the tendency towards privatization for the last 20 years, state corporations are still significant economic players. Historical attempts aimed at reforms illustrate that the answer to improved state corporations' performance is better resources and governance although better resources and reforming governance alone cannot resolve state corporations challenges. Lessons from the historical evidence propose that a comprehensive methodology is required involving state corporations restructuring and privatization. Privatization and public-private partnerships have achieved big gains for different state corporations in competitive and non-competitive areas worldwide (World Bank, 2014).

Kenyan state corporations are also referred to as parastatals. These are institutions or businesses owned by the government either fully or as a majority shareholder. They are formed by the Kenyan government to meet both social and commercial needs while some exist to correct for market failures. This is the case, where, for instance, the service they offer cannot be profitably provided by the private investors. These entities are critical for promoting and accelerating national growth and development through creation of employment opportunities as well as social economic transformation in the form of delivery of public service (Akaranga, 2008; Government of Kenya (GoK), 2012). Performance of Kenyan state corporations, therefore, is of great concern to the government, general public, and other stakeholders.

These concerns have led to concerted efforts in seeking to establish the main factors that influence performance. The Kenyan government in the spirit of New Public Management (NPM) introduced performance contracting as a management tool for measuring negotiated performance targets (GoK, 2005). It was expected that this would improve service delivery, efficiency in resource utilization, elimination of reliance of public agencies on exchequer funding, instilling accountability thus enhancing performance across these organizations (Akaranga, 2008). Evidence shows that, while some state corporations have achieved all these, others have perennially underperformed. Resource availability, allocation, and utilization have been on the fore front as major contributors to performance of Kenyan state corporations (GoK, 2005; Kobia & Mohammed, 2006).

Performance of Kenyan state corporations remains crucial for micro and macro-economic development of the country. The Kenyan government acknowledges that over the years there has been poor performance in the public sector including state corporations, especially in the management of public resources which has hindered the realization of sustainable economic growth (GoK, 2005). This is why performance of these state corporations has been of great concern to many stakeholders including management practitioners, government, and the public at large. This is partly due to dwindling resource base and growing need for public services (GoK, 2013).

While some Kenyan state corporations have been known to consistently perform well, others have been found to perennially underperform, over rely on the exchequer, and lose viability. Less resources, excess in others, poor utilization, and capabilities have been blamed for underperformance and great performance in the same measure. According to GoK (2013) weak human resources and institutional capacity to attract and retain the skills needed to drive performance, has characterized some state corporations.

The relationship between organizational resources and performance has also elicited a vibrant conversation among strategic management scholars and practitioners since the ground-breaking works of Wernefelt (1984). There is evidence that organizational resources have an influence on firm performance (Mishina, Pollock & Porac, 2004; Pearce et al., 2012). However, organizational resources influence on performance debate is inconclusive. There still remain unresolved issues. First, while some researchers reported that resources controlled by a firm generally enhance growth (Talaja, 2012; Mishina et al., 2004; Erdil et al., 2010) and competitive advantage others found that resource difference is unrelated to the growth (Shrader & Simon, 1997). There is need to establish if organizational resources influence firm performance or otherwise. Secondly, most studies on resource-performance relationship have either been conceptual in nature (Pearce et al., 2012) or purely depended on subjective data (Newbert, 2008). There exists a gap on findings that depend on objective composite performance results with regard to the relationship between resources and performance. It was, therefore, the objective of this study to determine the influence of organizational resources on the performance of Kenyan state corporations.

Literature Review and Conceptual Hypotheses

The resource based view of the firm is an influential theoretical framework for understanding how competitive advantage within firms through resources is achieved and how that advantage might be sustained over time (Barney, 1991; Penrose, 1959; Peteraf, 1993; Hitt, Ireland & Hoskisson, 2011; Pearce et al., 2012). The basic argument of this theory is that different types of resources possessed by a firm can have a significant influence on its performance. Variations in resources across firms will, on the other hand, lead to differences in performance. Therefore, possession of unique resources is a source of superior performance.

The foundations of this theory originated from the works of Penrose (1959) and Chandler (1962). These early scholars postulated that organizational resources were the single most important source of organizational performance and competitive advantage. Since then, there had been silence on the internal side of the organization, with most theoretical and

empirical work emphasizing on the external side of the organization. However, frustrations of scholars in the failure to support the link between industrial structure and the performance of a firm (Tokuda, 2005) led to a relook at the internal side of the organization.

Since the mid-1980s, the RBT has emerged as one of the substantial theories of strategic management (Talaja, 2012; Pearce et al., 2012) even though others argue that it does not appear to meet the empirical content criterion for a theoretical system (Priem & Butler 2001). This theory posits that firms can be conceptualized as bundles of resources. That those resources are heterogeneously distributed across firms and that resource differences persist over time (Amit & Schoemaker, 1993; Penrose, 1959; Wernefelt, 1984). Using these assumptions, researchers have conceptualized that when firms have resources that are valuable, rare, inimitable, and non-substitutable (VRIN) they can achieve sustainable competitive advantage by implementing fresh value-creating strategies that cannot be easily duplicated by competing firms (Barney, 1995; Peteraf, 1993; Eisenhardt & Martin, 2000).

The other argument of this theory concerns resource slack in firms. Classic resource based conceptions stress the importance of resource slack as a river of growth rather than the total quality of resources possessed by the firm (Penrose, 1959). Slack is a dynamic quality that represents the difference between resources correctly possessed by the firm and the resource demands of the current business. Two firms can possess the same level of resources but differ in resource need of their current business. The difference in slack will lead to further growth since those with high slack will be endowed with ability to take advantage of the opportunities afforded by the environment (Mishina et al., 2004). Increased attention to the firm's resources by researchers seems to be beneficial in helping clarify the potential contribution of resources to organizational performance. The RBT's growing influence or swing of pendulum has provoked a significant debate on its strategy in the actual market. Some researchers report that the resources controlled by a firm generally enhance growth (Talaja 2012; Eisenhardt & Martin, 2000; Grant & Jordan, 2012) and represents innovation.

Organizational Resources and Firm Performance

Organizational resources influence on firm performance originated with the works of Penrose (1959), Chandler (1962), and other early scholars. These scholars theorized that organizational resources are a primary source for firm performance. However, at one time, strategic management was concerned largely with understanding characteristics of the industry in which the firm competed and in light of those characteristics, determining how the firm should be positioned relative to competitors. The emphasis on industry

characteristics underestimated the role of the firm's resources in its performance (Hitt et al., 2011).

It was not until organizational performance could not be fully explained by the external side of organizations that the swing of the pendulum occurred back to the internal side (Tokuda, 2005). Resources possessed by an organization are the main sources of competitive advantage, growth, and overall performance. They are the foundations of competitive advantage (Hitt et al., 2011). Resources can be broadly classified as tangible, intangible, and human. But, on their own, few resources are productive. It is never resources that are inputs in the productive processes in exclusion but the services that resources render (Grant, 1991; Stalk et al., 1992; Tokuda, 2005).

Capabilities are the abilities of combining the other resources for superior performance (Pearce et al., 2012). From time to time, resources must be configured, reconfigured, coevolved, coordinated, and reorganized for proper exploitation thus leading to superior performance as well as competitive advantage (Teece et al., 1997). Firms unable to creatively bundle and leverage their resources in ways that create value for their customers suffer performance declines (Helfat & Peteraf, 2003; Hitt et al., 2011). Capabilities assure sustainable competitive advantage and indeed long term performance because new resource configurations are always guaranteed as markets collide, emerge, split, evolve, and die (Teece et al., 1997; Eisenhardt & Martin, 2000). Differences in performance of organizations may emanate from how differently organizations combine their resources.

Newbert (2008) argues that even if a company possesses resources that have the potential to create competitive advantage, the potential will not be realized if the company does not possess capabilities for resource exploitation. Conversely, Makadok (2001) argues that, no matter how great firm capabilities might be, they do not generate economic profits if a firm fails to acquire the resources whose production would be enhanced by capabilities. In some cases resource slack can lead to performance depending on how they are converted to active use, while in others, they are a source of poor performance due to costs related to maintaining them (Tokuda, 2005). This notwithstanding, Shrader and Simon (1997) argue that that resource differences are unrelated to the performance. Critics of the resource based approach have argued that it is tautological and lacks empirical grounding. However, in the recent past, several studies have been undertaken on the premise of the propositions of this theory. For instance, Talaja (2012) established that companies with more valuable and rare resources achieve higher levels of performance.

Erdil et al., (2010) found that firms using most valuable core employees had higher performance. Crook et al., (2011) in a meta-analysis established that human capital relates strongly with performance. Further,

Newbert (2008) confirmed that value and rareness of resources are related to competitive advantage. Superior performance from resources can be attained with proper configurations, combinations, evolutions, development, and synergy of the same. In spite of the inconclusive debate on the relationship between resources and performance, this study's hypotheses are:

Organizational resources significantly influence performance of Kenyan state corporations.

The sub-hypotheses for the study, which are based on the main hypothesis, can be stated as:

Ha: *Tangible resources have a significant influence on performance of Kenyan state corporations;*

Hb: *Human resources have a significant influence on performance of Kenyan state corporations;*

Hc: *Intangible resources have a significant influence on performance of Kenyan state corporations;*

Hd: *Capabilities have a significant influence on performance of Kenyan state corporations.*

Methods

The study used a descriptive cross sectional survey design. Cross sectional studies are carried out once and represent a snapshot of one point in time. Cross-sectional survey was chosen to enable collection of data across a large number of organizations at one point in time. Cross sectional surveys help a researcher to establish whether significant associations among variables exist at some point in time (Cooper & Schindler, 2006; Nachmias & Nachmias, 2004). The population of the study was Kenyan state corporations. According to the GoK (2013) there were one hundred and seventy eight (178) Kenyan state corporations spread across all eighteen ministries as at 30th June, 2013. They perform different functions as per their specific mandates. However, the GoK was in the process of the dissolution, merging, and transfer of functions for eighty three (83) of them (GoK, 2013). The process of their winding up, merger, or transfer of functions had been activated when the data collection exercise began. Consequently, this study adopted criterion based sampling to draw ninety five (95) state corporations for the study.

Primary and secondary data were collected because the two sources of data are meant to reinforce each other (Stiles & Taylor, 2001). The data was largely quantitative in nature. Primary data were collected using a semi-structured instrument. The questionnaire comprised of closed ended questions as well as a few open ended ones guided by the concepts of the study, theory and other previous studies. A five point Likert-type scale ranging from 'not at all' (1) to (5) 'a very large extent' was used to construct some of the items. Likert-type scale questions are the most frequently used variations of the

summated rating scale. It is used to test a respondent's perception or attitude. The open ended questions were filled for clarification and enhancement of the quantitative data.

Measures used to explain human and organizational capabilities included land and buildings, equipment, tools, and machinery, financial resources, qualified and skilled top management staff, organizational culture, and knowledge sharing. These organizational resources are vital to strategic decision making of a corporation. In order to capture data for these resources, descriptive statements derived from literature were presented to respondents on a five point Likert-type scale. Respondents indicated the extent to which the statements applied in their corporations.

The study's key target respondents were company secretaries or corporate planning managers because they were deemed to be equipped with information on all departments of the corporations. In their absence officials who act on their behalf were requested to respond. Secondary data on performance for the financial years 2009/2010 to 2012/2013 was collected from the Department of Performance Contracting in the Ministry of Planning and Devolution. The study focused on this period because GoK had consistently used a single tool to measure performance.

Organizational resources were operationalized along the indicators proposed by Pearce et al., (2012); Penrose (1959); Teece et al., (1997) as well as Grant and Jordan (2012). They classify resources into tangible, intangible, human resources, and capabilities. Tangible resources included fixed assets (land and buildings, equipment, tools, and machinery). Other tangible resources were current assets (financial and all other current assets). Human resources were operationalized along adequacy of personnel as well as their skills and competences. This was guided by Erdil et al., (2010) as well as Teece et al., (1997). Intangible resources were operationalized as organizational knowledge, mandate and culture (Helfat & Peteraf, 2003; Teece et al., 1997). Capabilities are also resources (Pearce et al., 2012). They are the abilities of organizations to renew, reconfigure, and recombine resources when needs arise. They were thus operationalized in terms of resource integration, combination, as well as resource renewal.

Performance was operationalized along the performance contracting guidelines (GoK, 2009). In these guidelines, overall performance is measured by computing a single composite index. This index is arrived at by first measuring six broad areas of performance that are weighted. These are finance and stewardship, non-financial, operations, dynamic/qualitative, service delivery, and corruption eradication. Scores in each of these areas are referred to as raw scores. The composite performance score for each organization was measured on a reversed Likert-type scale where 1 represents excellent and 5 represents poor. This study used the composite score of performance.

For in-depth comprehension of the relationship between organizational resources and performance, the study also adopted descriptive statistics for data analysis purposes. The descriptive statistics included standard deviation, frequency distribution, coefficient of variations (CVs), mean, and one sample t-tests.

The study used multivariate regression analysis to test the hypothesis at 95 percent level of confidence. Multiple regression analysis yields the coefficient of determination (R^2) which provided the proportion of variance in the dependent variable accounted for by the combination of independent variables or predictors. The regression equation was presented as:

$P = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where:

P = Performance: β_0, β_1, β_2, β_3, and β_4 are coefficients;

X_1 = Tangible resources; X_2 = Intangible resources;

X_3 = Human resources; X_4 = Capabilities; and ε= error term.

Findings

The study received fully filled questionnaires from sixty three (63) out of the targeted ninety five (95) state corporations resulting into a response rate of 66.31 percent which was considered adequate for statistical analysis. The study gathered data on various demographics of the Kenyan state corporations. The demographics that were considered included the organization broad categorization, age and scope of operations. The broad categorization was necessary to ensure both commercial and non commercial state corporations are represented. Commercial state corporations operate purely on commercial basis and rarely rely on the exchequer for additional funding.

The results indicate that 55.6 percent of the corporations were broadly categorized as commercial while 44.4 percent were non-commercial. Additionally, 46 percent of the state corporations had existed for 25 years and beyond. The rest had existed for a period between five and 24 years. Age of organizations has been associated with stability and accumulation of resources. The results further indicate that most corporations had operations that covered the entire country. These were 69.8% of the respondents. This implies that the Government of Kenya was keen to have public service delivery across the country.

Kenyan state corporations depicted moderately high ranking with respect to possession of various resources (mean scores of above 3.0) for most of the descriptions. However, there appears to be statistical significant responses across the corporations on the level of possessions of various resources (relatively high t-values, $p<0.05$), although few statements were statistically not significant. These results are in tandem with GoK (2013) postulations that Kenyan state corporations had weak human resources

structures and institutional capacity to attract and retain skills set to drive performance. Highly skilled human resources were not possessed by these corporations to a very high extent and in some corporations there could be shortage of staff. It also appeared that some of the employees were not competent enough.

Kenyan state corporations also exhibited moderate ranking with respect to manifestation of organizational capabilities (mean scores of above 3.0) for most of capability descriptions. There appears to be statistically significant differences across the corporations on the capabilities (relatively high t-values, $p<0.05$), implying that some organizations could have more organizational capabilities than others. Although the results reveal that organizations reallocated resources to activities other than those planned for in the course of the financial year, to a less extent. The findings also reveal that in some cases special projects were not properly funded.

Kenyan state corporations' performances mean score was 2.695 in the financial year 2009/2010 to 2012/2013. This indicates that performance was very good across the years with low variations (CV=0.12). This was a surprising result considering that there have been concerns over performance of Kenyan state corporations by GoK. For purposes of analyses, this data was reverse coded to enable the Likert-type scale to be on the same consistent Likert-type scale as responses of organizational resources.

Organizational Resources and Performance

The objective of this study was to establish the influence of organizational resources on performance of Kenyan state corporations. This objective had a corresponding hypothesis stated as: ***Organizational resources significantly influence performance of Kenyan state corporations***. This hypothesis was decomposed into four sub hypotheses:

Ha: *Tangible resources have a significant influence on performance of Kenyan state corporations;*

Hb: *Human resources have a significant influence on performance of Kenyan state corporations;*

Hc: *Intangible resources have a significant influence on performance of Kenyan state corporations;*

Hd: *Capabilities have a significant influence on performance of Kenyan state corporations.*

Results of the independent effects of each resource on organizational performance are presented followed by the test of the combined effect of the resources on performance as well as the composite effect of resources on performance. Each of these tests is presented through a sub hypothesis.

Tangible Resources and Performance

Tangible resources are the physical and financial assets of an organization. They include fixed and current assets. To establish the influence of tangible resources on performance of Kenyan state corporations, a sub hypothesis stated as ***Ha: Tangible resources have a significant influence on performance of Kenyan state corporations*** was tested. The results of the test of this sub hypothesis are presented in Table 1. The results indicate that the independent effect of tangible resources on performance are statistically significant for the current assets ($p<0.05$). Overall tangible resources correlate with performance up to 0.364 meaning it is a moderately weak positive relationship and explain13.3 percent variation in performance. This proportion that is explained by tangible resources is statistically significant (Higher F-value, $p<0.05$). On the basis of these results H_1a is supported. The study, therefore, accepted the sub hypothesis. These findings are depicted by the following equation:

P= 2.089-0.080FA+0.395CA

Where: P=Performance, FA=Fixed Assets Index, CA=Current Assets Index.

Table 1: Independent influence of Tangible Resources on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.364[a]	.133	.096	.32400

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.754	2	.377	3.593	.035[a]
	Residual	4.934	47	.105		
	Total	5.688	49			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	2.089	.237		8.816	.000		
	Fixed assets	-.033	.063	-.080	-.521	.605	.780	1.282
	Current assets	.189	.074	.395	2.567	.014	.780	1.282

a. Predictors: (Constant), Current assets, Fixed assets

b. Dependent variable: Performance

Negative effects were observed for fixed assets while positive effects were reported for current assets. This means that a unit change in fixed assets causes an inverse 0.080 change in performance although the change was not statistically significant, while a unit change in current assets yields a 0.395

positive change in performance. The negative influence of fixed assets is worth noting. It could mean that fixed assets were a cost center rather than source of superior performance for state corporations.

Human Resources and Performance

Development of human capital consistently enables superior performance. Firms which attract highly educated and/or highly skilled workers outperform others. A sub hypothesis was stated to establish the influence of human resources on performance of Kenyan state corporations. It was stated as ***H_b: Human resources have a significant influence on performance of Kenyan state corporations*** and tested. The results of the test of this sub hypothesis are presented in Table 2. The results indicate that the independent effect of human resources on performance are statistically significant for management ($p<0.05$). Overall human resources correlate with performance up to 0.385 which is a moderately weak positive relationship and explain 14.9 percent variation in performance. This proportion that is explained by human resources is statistically significant (Higher F-value, $p<0.05$). On the basis of these results H_1b is supported. The study, therefore, accepted the sub hypothesis. This relationship is represented in the following equation:

P= 2.291+0.367MA+0.099CS

Where: P=Performance, MA=Management Index, CS=Core Staff Index.

Table 2: Independent Influence of Human Resources on Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.385[a]	.149	.114	.29221

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.730	2	.365	4.274	.019[a]
	Residual	4.184	49	.085		
	Total	4.914	51			

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.291	.147		15.624	.000
	Management	.124	.045	.367	2.776	.008
	Core Staff	.032	.042	.099	.750	.457

a. Predictors: (Constant), Core Staff, Management
b. Dependent variable: Performance

Positive effects were reported for both management and core staff. This means that a unit change in management causes positive change of 0.367in performance while a unit change in core staff yield a marginal 0.099 change in performance although this change in core staff are not statistically significant.

Intangible Resources and Organizational Performance

For most organizations, intangible resources are more valuable than tangible ones yet they remain largely invisible. Such include organizational culture, knowledge, and mandate. To establish the influence of intangible resources on performance of Kenyan state corporations, a sub hypothesis stated as ***Hc: Intangible resources have a significant influence on performance of Kenyan state corporations*** was tested. The results of the test of this sub hypothesis are presented in Table 3.

Table 3: Independent Influence of Intangible Resources on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456[a]	.208	.164	.29582

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.243	3	.414	4.735	.005[a]
	Residual	4.726	54	.088		
	Total	5.969	57			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.312	.128		18.026	.000		
	Organizational culture	.141	.042	.472	3.338	.002	.734	1.362
	Mandate	-.003	.030	-.013	-.105	.917	.903	1.108
	Knowledge	.012	.054	.032	.214	.832	.673	1.485

a. Predictors: (Constant), Knowledge, Mandate, Organizational culture
b. Dependent variable: Performance

The results indicate that the independent effect of intangible resources on performance is statistically significant for organizational culture ($p<0.05$). Overall, intangible resources correlate with performance up to 0.456, which is a moderately weak positive relationship and explain 20.8 percent variation in performance. This proportion that is explained by intangible resources was statistically significant (Higher F-value, $p<0.05$). On the basis of these results

H_1c is supported. The study, therefore, accepted the sub hypothesis. This is depicted in the following equation:

P=2.312+0.472OC-0.013MD-0.032KN

Where: P=Performance, OC=Organizational Culture, MD=Mandate and KN=Knowledge.

Positive effects were reported for organizational culture, while negative effects were reported for mandate and knowledge. This means that a unit change in organizational culture causes positive change of 0.472 in performance while a unit change in mandate and knowledge yields a 0.013 and 0.032 negative changes in performance respectively. However, only the change in organizational culture is statistically significant. The changes of mandate and knowledge are not statistically significant.

Organizational Capabilities and Performance

The relationship between organizational capabilities and performance was considered for this study. Capabilities are the abilities to combine, renew, and integrate resources in particular patterns to yield superior performance. To test for the influence of capabilities on performance of Kenyan state corporations, a sub hypothesis was stated as ***H_d: Capabilities have significant influence on performance of Kenyan state corporations*** and tested. The results of the test of this sub hypothesis are presented in Table 4.

Table 4: Influence of Capabilities on Firm Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.266[a]	.071	.018	.32267

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.420	3	.140	1.345	.270[a]
	Residual	5.518	53	.104		
	Total	5.938	56			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.335	.176		13.290	.000		
	Combination	.026	.084	.060	.311	.757	.473	2.114
	Renewal	.031	.055	.093	.556	.580	.631	1.584
	Integration	.056	.056	.166	.996	.324	.630	1.587

a. Predictors: (Constant), Integration, Renewal, Combination

b. Dependent Variable: Performance

The results report statistically not significant results for the effect of organizational capabilities on performance for all the indicators (Low F-value, $p>0.05$). On the basis of these results, H_{1d} is, therefore, not supported; hence the sub hypothesis is rejected. Overall, capabilities correlate with performance up to 0.266 meaning there exists a weak positive correlation between the two. The results indicate that only 7.1% of variation in performance is explained by organizational capabilities. Positive effects were reported for all the indicators of capabilities. These findings are represented in the following equation:

$$P= 2.335 + 0.060CO + 0.093RE + 0.166I$$

Where: P= Performance, CO=Combination, RE= Renewal, I= Integration (Indices)

The coefficients in the equation mean that a unit change in combination, renewal, and integration causes positive change of 0.026, 0.031, and 0.056 unit change in performance respectively though the changes are not statistically significant. These results show that although capabilities correlated with performance, the explanatory power was weak. These results could likely indicate that capabilities are not well developed in Kenyan state corporations.

Combined Effect of Organizational Resources on Performance

Organizational resources are broadly classified as tangible, intangible, human resources, and capabilities. The study's proposition was to study resources in combination and their influence on overall performance. To establish this influence of organizational resources on performance of Kenyan state corporations, the main hypothesis stated as ***H: Organizational resources have a significant influence on performance of Kenyan state corporations*** was tested. The results of the test of this sub hypothesis are presented in Table 5.

Table 5: Joint effect of Organizational Resources on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.339[a]	.115	.031	.33958

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.629	4	.157	1.364	.263[a]
	Residual	4.843	42	.115		
	Total	5.472	46			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.725	.578		4.712	.000		
	Tangible	.058	.089	.113	.646	.522	.685	1.460
	Human	-.105	.099	-.192	-1.066	.293	.649	1.542
	Intangible	.026	.083	.062	.315	.754	.549	1.822
	Capabilities	.026	.091	.056	.290	.773	.565	1.769

a. Predictors: (Constant), Capabilities, Tangible, Human, Intangible
b. Dependent variable: Performance

The results indicate that the joint effects of organizational resources on performance are statistically not significant ($p>0.05$). Overall, organizational resources have a moderately weak positive relationship with performance of up to 0.339 and explain 11.5 percent variation in performance. This proportion that is explained by joint organizational resources was not statistically significant (Low F-value, $p>0.05$). On the basis of these results H_1 is not supported. This relationship is expressed in the following equation:

$$P= 2.725 + 0.113TR - 0.192HR + 0.062IN + 0.056 CA$$

Where: P= Performance, TR=Tangible Resources, HR=Human Resources, CA=Capabilities.

The results show that all resources have positive effects on performance except for human resources. A unit change in tangible, intangible resources and capabilities yields 0.113, 0.062 and 0.056positive change in performance respectively though these changes are not statistically significant. Surprisingly, a unit change in human resources yields a 0.192 negative change in performance. Notably, the joint effects of the resources, weakens the effect of each resource compared to the independent tests.

Further, a composite index of all organizational resources was computed and regressed to test for the combined influence of organizational resources on performance. The same hypothesis stated as: ***H1: Organizational***

resources significantly influence performance of Kenyan state corporations. The results of the test of this sub hypothesis are presented in Table 6.

Table 6: Influence of Organizational Resources on Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.289[a]	.083	.064	.3608785

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.558	1	.558	4.281	.044[a]
	Residual	6.121	47	.130		
	Total	6.678	48			

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.127	.265		8.010	.000
	Organization resources	.200	.097	.289	2.069	.044

a. Predictors: (Constant), Organizational Resources
b. Dependent Variable: Performance

The results indicate that the influence of organizational resources on performance are statistically significant ($p<0.05$). Organizational resources correlate with performance up to 0.289 reflecting a weak positive relationship. They explain 8.3 percent variation in performance. This proportion that is explained by organizational resources was statistically significant (Higher F-value, $p<0.05$).On the basis of these results H_1 is supported. The study, therefore, accepted the hypothesis. These results reveal statistically significant results compared to the joint effects presented in Table 5. This relationship is represented in the following equation:

$P= 2.127+ 0.289OR$

Where: P= Performance Index, OR=Organizational Resources Index

In the equation organizational resources' coefficient is positive. This means that a unit change in organizational resources causes positive change of 0.289 in performance.

Discussion of Findings

The objective of the study was to establish the influence of organizational resources on performance on Kenyan state corporations. Although the resource based view is considered one of the most influential theories of strategic management (Hitt et al., 2011; Newbert, 2008), critics (Priem & Butler, 2001) have doubted its empirical strength. They have argued

that it is more conceptual and tautological than empirically grounded. Newbert (2007) argues that its acceptance seems to be based more on basis of logic and intuition than empirical evidence. It is this criticism that has led to continued interest in confirming or refuting the postulations of the theory. This theory has been juxtaposed with the other evolving dynamic capabilities theory.

Empirical studies have been more focused on various aspects of the relationship between resources or capabilities and performance. In most studies that examine this connection, resource heterogeneity is employed (Talaja, 2012). A resource is identified then its amount correlated to either performance or competitive advantage. This study employed the same approach. The resources were measured identified at four levels as tangible, intangible, human, and capabilities. This operationalization was informed by previous studies, resource based theory, and dynamic capability theory postulations.

Organizational performance measurement was adopted from the Government of Kenya performance contracting results. The results are a composite of various performance indicators. Initial tests indicated that Kenyan state corporations possessed most resources to a moderate extent. However, capabilities were found to be on the lower end of the moderate to less extent for some. These initial results are consistent with those of Kobia and Mohamed (2006) who established that resource utilization in public sector in Kenya was not satisfactory. GoK (2013) argues that Kenyan state corporations have been found to poorly utilize resources, leading to wastage and misallocation. This could be explaining low capabilities as manifested in the results. Surprisingly, the results of performance indicated that on average ranked 'very good' in their performance. This was contrary to literature which argues that on average performance of state corporations was dismal. Performance mean score ranked "very good" compared to resource manifestation, and compared governance structure which were to a moderate extent and sometimes less extent.

This could imply that although the resources were neither possessed nor utilized optimally, performance of these institutions was still very good. From the outset, it is likely that several other factors yield to better performance beyond organizational resources. The study hypothesized that there was a significant influence between organizational resources and performance. The disaggregated organizational resources were each tested on their influence on firm performance. The tests yielded mixed findings.

Tangible and human resources were found to significantly influence performance while intangible resources and capabilities influence was not statistically significant performance. The composite of all resources was established to significantly influence performance. The tests further revealed positive correlation of all resources with performance. The findings with

respect to tangible resources established a statistically significant influence of tangible resources and performance. However, fixed assets coefficient was established to be negative although not statistically significant.

The influence of current assets was positive and significant on performance. These results are consistent with other some theoretical and empirical studies while inconsistent with others. The results are in congruence with Ismail et al., (2012) who argued that financial resources such as cash in hand, bank deposits, and financial stocks were a firm's source of competitive advantage and superior performance. They differ to some extent with Talaja (2012) who established that both physical and financial resources were important to organizational success. Grant and Jordan (2012) posit that physical resources add value to an organizations financial health; however, they are not as important as intangible assets. The negative effects of fixed assets could likely be occasioned by slack resources manifested to a less extent.

These results overall concur with proponents of RBT (Wernerfelt, 1984; Penrose, 1959) that resource possession influences. The results also revealed that Kenyan state corporations did not have more physical assets to a large extent than its current operational needs. These results contradict findings by Centre for Governance and Development (CGD) (2005) position that Kenyan state corporations had slack fixed assets leading to a lot of resource wastage. However, the results indicated that fixed assets possessed by state corporations had a negative influence on their performance.

The study also found a statistically significant relationship between human resources and performance of Kenyan state corporations. The results further revealed that Kenyan state corporations possessed highly qualified management staff to a large extent. These results contradict some previous studies while concurring with other empirical studies and theory. For instance, the findings differ with GoK (2013) which asserts that most Kenyan state corporations had weak human resource and institutional capacities to attract and retain the skills needed to drive performance. Notably, the contribution of human resources in combination with others yielded a negative coefficient.

These findings juxtaposed with comments from respondents that a freeze on hiring of staff to use seconded staff was compromising quality could partly concur with the GoK's postulations. These results also concur with Newbert (2007) who argued that human capital might not be an important determinant of performance. Conversely, independent effects of human resources on performance yielded statistically significant results, concurring with those of Crook et al., (2011) who established that human resources possessed by organizations relate strongly to performance and that firms possessing superior human resources outperformed others.

The results are also in tandem with suggestions that human resources are a source of value and impact positively on performance both at managerial level (Andrews, 1965; Chandler, 1962) and the individual level (Becker, 1964; 1983). Other studies which link human resources to superior performance include Celuch et al., (2002) and Ranft and Lord (2002). Employee skills and their relative contributions in value creation enhance performance (Erdil et al., 2010).

Intangible resources influence on performance was another aspect studied. The results indicated that intangible influence on performance of Kenyan state corporations was statistically significant. These results are consistent with those of (Erdil et al., 2010) as well as Gatignon and Xuereb (1997) who established that possession of organization knowledge, culture, and other unique intangible resources leads to superior performance.

They posit that organizational knowledge and skills become an intangible resource when the organization encourages a culture of sharing across the organization and thus the skills are uniquely possessed by the organization itself. Choe et al., (2006) established that there was a positive relationship between intangible assets and performance. Knowledge yields to better combination of other resources yielding to better performance (Nonaka, 1994). However, the results of independent effects of knowledge on performance of Kenyan state corporations were negative though not statistically significant. This may be attributed to low manifestation (low mean scores) of knowledge in Kenyan state corporations.

Notably, the results show that intangible resources explained 20.8 percent of performance while tangible resources explained 13.3 percent of performance. This is a confirmation of Grant and Jordan (2012) who argue that while intangible resources could be invisible and not appear on valuations of organization's circles they remain influential in organizational performance, more than tangible resources. This study also established that capabilities had a weak positive relationship with performance. The results were also statistically not significant. These results did not support others (Talaja, 2012; Newbert, 2008) who established that capabilities significantly influenced organizational performance. The results however support findings of Makadok (2001) which established that no matter how great firm capabilities might be they do not generate economic profits if a firm fails to acquire the resources whose production would be enhanced by capabilities.

Pearce, Robinson and Mital (2012) categorizes capabilities as resources, however others (Newbert, 2008; Grant & Jordan, 2012; Penrose, 1959) perceive capabilities as abilities to combine resources. They argue that while resources are important terms of their possession and value, they seldom lead to performance on their own. Their application, combination, reuse, evolution, and integration is what cause performance differences (Mckelvie,

2009; Talaja, 2012; Newbert, 2008). Capabilities enable coordination and use of the other resources (Day, 1994). Newbert (2007) and Makadok (2001) propose that studies on resources should be undertaken in combination of all resources as well as capabilities.

These results further lend credence to Penrose (1959) who postulated that capabilities or resources on their own were not sufficient to lead to superior performance. This could explain the weak relationship and not significant results. Further, the results could have been occasioned by methodological arguments. Newbert (2008) argues that specificity of capabilities measured on performance is methodological design's greatest limitation, because ideally all firms in an industry do not compete on the same basis. This is also the case to Kenyan state corporations. They are mandated to carry out different functions. Therefore, although a specific capability may be found to exhibit strong or weak correlation in a specific context, that capability may not fit in with the enterprise level of all other organizations. Overall, according to Newbert (2008), the magnitude of a firm's performance is a function of the value of resources and capabilities.

No resources are of much use by themselves. Any efficient use of them is always viewed in terms of combinations of other resources. Crook et al., (2008) together with Thomas and D'Aveni (2007) agree with Newbert (2008) that tremendous impact on performance can only be realized and potential value when combined with a corresponding capability. Capabilities and resources are inextricably bound together in ensuring superior performance. Kenyan state corporations may consider enhancing the resources so as resource position is at an all-time high. Capabilities equally need to be improved on. Given that resources and capabilities are essentially unproductive in isolation, the key to attaining stellar performance is not simply a valuable resource or a valuable capability but rather the exploitation of valuable resource-capability combination. This study confirmed this position, because, each resource jointly with others could not yield statistically significant results. However, a resource combined with others to form a composite index, they yield statistically significant results. The more valuable the firm's resource capability combination, the greater the advantage they will enjoy.

Conclusion and Implications of the Study

Overall, there is a significant relationship between organizational resources and performance. Resources possessed by state corporations explain 8.3 percent of variations in performance. 91.7 percent is explained by other factors not considered in this relationship. Independently, tangible, human, and intangible resources significantly influence performance of Kenyan state corporations. Capabilities have no independent statistical significant influence

on performance. This could be attributed to weak manifestation of capabilities in Kenyan state corporations.

This study's results confirm some while refute other conceptual as well as empirical studies. The results have also supported several theoretical postulations and refuted some. The study concludes that performance of Kenyan state corporations can barely be explained by organizational resources. The study has various implications to theory, practice, and policy.

The findings of this study lend the much needed empirical strength to the RBT. The study established that resources possessed by organizations lead to performance. The resource based theory's main postulation is that resources possessed by organizations leads to superior performance. This study therefore adds the much needed empirical strength to this theory which critics have argued that it is tautological and more of logical than empirically grounded. The study further enhanced the theory's postulations by establishing the contributions independent contributions of each resource to performance.

The dynamic capabilities theory has equally been supported by this study. The study established that capabilities have a relationship with performance. They explained 7.1 percent of performance. Dynamic capabilities theory's main proposition has been that abilities to combine, reuse, co-evolve, and renew resources is perhaps more important than resources themselves. Surprisingly, this study has revealed that, on their own, capabilities influence on performance was not statistically significant. However, combined with other resources, they yielded statistical significant results on performance. Dynamic capabilities theory therefore benefits in that the proponents will appreciate the need for observing capabilities in combination with the value of resources possessed and not in isolation. Additionally, the theory is still in its formative stages thus the empirical evidence from this study goes a long way to strengthen the theory.

Practitioners would benefit from these findings by mapping which resources had higher impact on performance than others. As resource scarcity lingers on, there is need for prudent allocation of resources for higher performance. Managerial practitioners may consider strengthening resource integration, renewal, as well as recombination for stellar performance. This is because the study established that aspects related to these issues scored low mean. Resource-capability co-alignment is an area of future focus. Measurement of performance in Kenyan state corporations is measured along balanced score card.

The six indicators of performance adopted are finance and stewardship, non-financial, operations, dynamic/qualitative, service delivery, and corruption eradication. However, it is only the composite score of all these indicators that is made public. Managers of Kenyan state corporations should consider making public all their performance scores to ensure public scrutiny

and comparison. Moreover, while it is a constitutional requirement for Kenyan state corporations among other public institutions to publish their financial statements, this is not effectively done. They should, therefore, consider using platforms such as websites to upload and retain financial statements for public consumption once they have been tabled in parliament. This will enable the public and more so researchers to analyze them and offer empirical solutions for better performance.

The findings of this study have several policy implications. State corporations remain instrumental in the economy. This study has brought out key aspects that may require to be relooked at policy level. Government policy should be focused towards encouraging resource acquisition, integration, configuration and combination that would then have a stronger influence on performance of the state corporations. Emphasis could be put on acquisition of relevant tangible and intangible assets as well as skilled human resources. More focus however, should be skewed toward prudent resource utilization and development of capabilities. Proper resource integration, renewal, combination, and evolution would lead to stellar performance. Further, a resource-capability alignment is important and should be considered for better performance.

The study further revealed that mandate as a unique resource had a negative influence on the performance of Kenyan state corporations. The Government of Kenya should consider reviewing policy for state corporations that enjoy sole mandate so that is has positive rather than negative impact. Sole mandate for a state agency creates a monopoly for the entity. Indeed, sole mandate should be a source of competitive advantage rather than creating laxity and monopolistic inefficiencies. Perhaps, the place to begin would be to have institutions that have sole mandates bench mark with high performers in both private sector or state corporations in other countries.

The findings of this study have several implications for methodology. The use of objective performance data has led to surprising results. It is, therefore, notable that the interaction between the subjective and objective results yielded outcomes that need further exploration. A purely qualitative research would also provide rich insights and deeper understanding of Kenyan state corporations.

Limitations and Suggestions for Further Research

While the objective of this study was met, it was not without limitations. One such limitation was that respondents identified for the study were the organization's company secretaries or planning managers. While they are the internal staffs who were well informed about the organization, her resources and performance, the element of bias could not be entirely overruled.

The perspective of others such as the board members or appointing authorities may have provided another perspective to the study.

The study had another limitation. Some Kenyan state corporations were undergoing restructuring. Some had been earmarked for merger, others dissolution and transfer of functions to the counties. This reduced the initial population of study to 95. Those earmarked for restructuring did not wish to participate because the exercise was ongoing. The state corporations not included in the study may have left out vital perspectives and contributions to this study.

Researchers could consider introducing other variables in similar studies such as the external environment, firm characteristics, strategy among other variables and establish their influence on performance. The role of corruption and integrity on performance of Kenyan state corporations should also be considered. Researchers could equally consider using other statistical tools to analyze data such as structural equation modeling, Tobin Q or factor analysis. A purely qualitative approach would also provide a rich insight in the relationship between organizational resources and performance of Kenyan state corporations.

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