

**INFLUENCE OF STRATEGIC RELATIONAL CAPITAL INITIATIVES ON  
COMPETITIVE ADVANTAGE OF SAVINGS AND CREDIT  
COOPERATIVES IN NAIROBI COUNTY, KENYA**

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**April, 2020**

**DECLARATION**

I declare that this document and the research that it describes are my original work and that they have not been presented in any other university for academic work

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**DEDICATION**

I dedicate this study to my family for their prayers, support and endurance in my absence throughout the study.

### **ACKNOWLEDGEMENT**

I would like to thank the Almighty God for His wisdom and strength even at the most difficult times of my study. I am thankful to all the lecturers and in particular my supervisor Dr. Hesbon Nangabo for his support, time and invaluable contribution. I am highly indebted to all my friends and colleagues who together we labored towards this worthy cause. To you all, I say a big thank you and God's blessings upon your lives.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>i</b>
<b>DEDICATION</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iii</b>
<b>TABLE OF CONTENTS</b> .....	<b>iv</b>
<b>LIST OF TABLES</b> .....	<b>viii</b>
<b>LIST OF FIGURES</b> .....	<b>ix</b>
<b>ABSTRACT--</b> .....	<b>x</b>
<b>DEFINITION OF TERMS</b> .....	<b>xi</b>
<b>LIST OF ABBREVIATIONS AND ACRONYMS</b> .....	<b>xii</b>
<b>CHAPTER ONE</b>	
<b>INTRODUCTION</b>	
1.1 Introduction.....	1
1.2 Background of the Study.....	1
1.3 Statement of the Problem.....	9
1.4 Purpose of the Study.....	9
1.5 Objectives of the Study.....	10
1.6 Hypotheses of the Study.....	10
1.7 Significance of the Study.....	11
1.8 Scope of the Study.....	12
1.9 Delimitation of the Study.....	12
1.10 Limitation of the Study.....	13
1.11 Assumptions of the Study.....	13
1.12 Theoretical Framework.....	14

1.13 Conceptual Framework.....	18
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## **CHAPTER TWO**

### **LITERATURE REVIEW**

2.1 Introduction .....	22
2.2. Review of Literature.....	22
2.2.1 Core Value Initiatives and Competitive Advantage .....	22
2.2.2 Networking Initiatives and Competitive Advantage .....	25
2.2.3 Talent Management Initiatives and Competitive Advantage .....	27
2.2.4 Customer Relationship Initiatives and Competitive Advantage .....	30
2.2.5. Competitive Advantage .....	33
2.3 Summary and Research Gap .....	34

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

3.1 Introduction .....	38
3.2 Research Design.....	38
3.3 Research Site .....	38
3.4 Target Population.....	39
3.5 Study Sample.....	40
3.5.1 Study Sample Size.....	40
3.5.2 Sampling Procedure .....	41
3.6 Data Collection .....	41
3.6.1 Data Collection Instruments.....	41
3.6.2 Pilot Testing of Research Instruments .....	42
3.6.3 Validity of Findings .....	43
3.6.4 Reliability of Research Instruments .....	44

3.6.5 Data Collection Procedure .....	45
3.7 Data Analysis .....	45
3.8 Legal and Ethical Considerations .....	49

## **CHAPTER FOUR**

### **DATA ANALYSIS AND FINDINGS**

4.0. Introduction .....	50
4.1 Validity and Reliability of Research Instruments .....	50
4.2 Response Rate .....	51
4.3 Analysis of Demographic Data .....	51
4.4 Descriptive Statistics .....	53
4.4.1 Descriptive Statistics: Core Values Initiatives .....	53
4.4.2 Descriptive Statistics: Networking Initiatives .....	55
4.4.3 Descriptive Statistics: Talent Management Initiatives .....	57
4.4.4 Descriptive Statistics: Customer Relationship Initiatives .....	60
4.4.4 Descriptive Statistics: Competitive Advantage .....	62
4.5 Inferential Statistics .....	64
4.5.1 Assumptions of Multiple Regression Analysis Models. ....	64
4.5.2 Linear Regression Results .....	65
4.5.3 Multiple Regression Analysis .....	71
4.5.4 Hypothesis Testing .....	73

## **CHAPTER FIVE**

### **DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS**

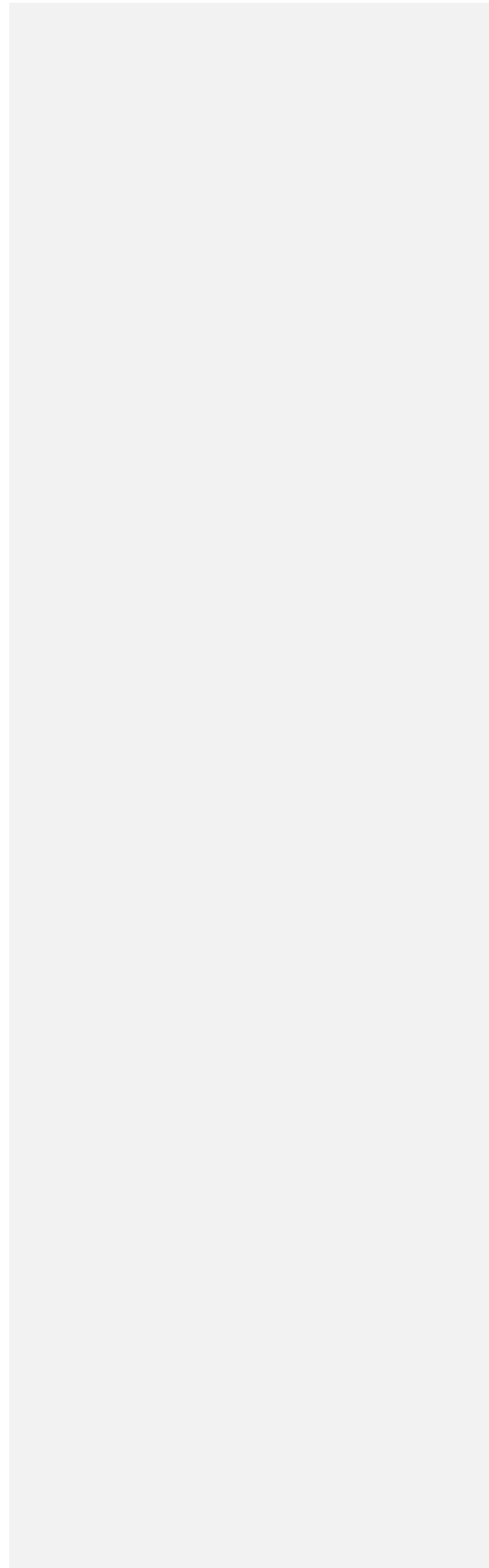
5.1 Introduction .....	78
5.2 Discussion of Findings .....	78
5.2.1 First Specific Objective .....	64

5.2.2 Second Specific Objective .....	65
5.2.3 Third Specific Objective.....	71
5.2.4 Fourth Specific Objective.....	73
5.3 Summary of Main Findings.....	83
5.4 Conclusion .....	87
5.5 Recommendations.....	87
5.6 Areas of Further Research .....	89
<b>REFERENCES</b> .....	90
<b>APPENDICES</b> .....	96
Appendix 1: Letter Of Transmittal Of Data Collection .....	96
Appendix Ii: Research Questionnaire.....	97
Appendix Vi: Nacosti Research Permit.....	105
Appendix Iv : Anu Research Authorization Letter .....	106
Appendix Iii : List Of Saccoss In Nairobi County.....	107
Appendix V : Normality Tests .....	109
APPENDIX VI: MAP OF STUDY AREA.....	114



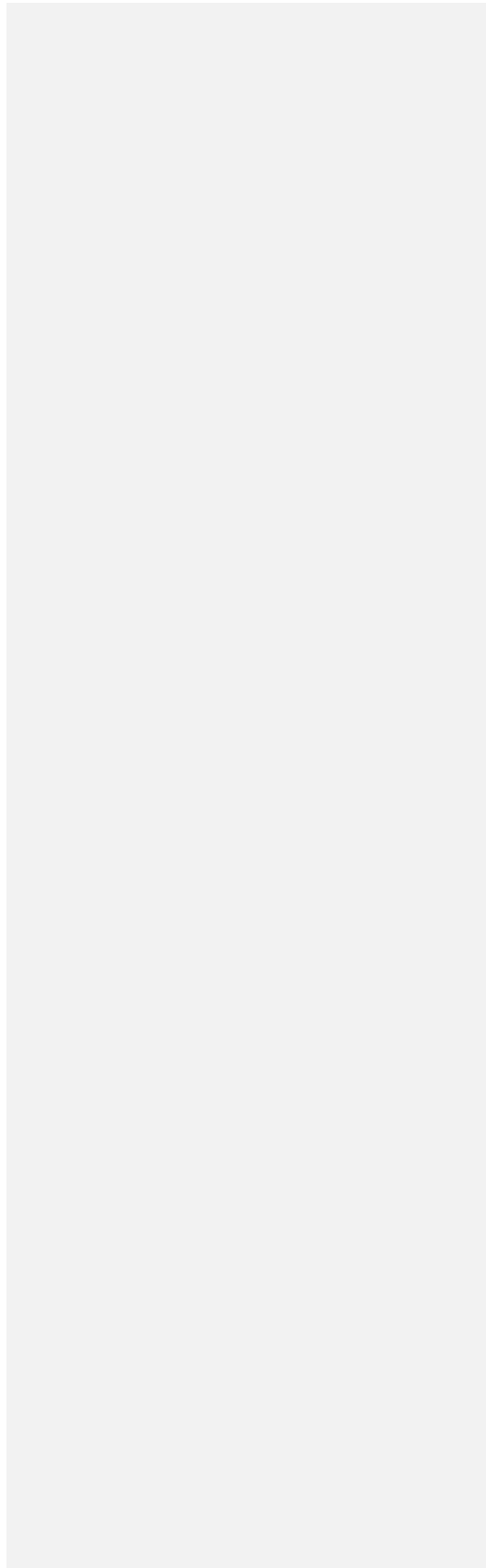
### LIST OF TABLES

<b>Table 3. 1</b> : Target Population .....	39
<b>Table 3. 2:</b> Sample Size .....	41
<b>Table 4. 1:</b> Results of Reliability Test.....	50
<b>Table 4. 2:</b> Demographic Data .....	51
<b>Table 4. 3:</b> Descriptive Statistics: Core Value Initiatives .....	54
<b>Table 4. 4:</b> Descriptive Statistics: Networking Initiatives .....	56
<b>Table 4. 5:</b> Descriptive Statistics: Talent Management Initiatives.....	58
<b>Table 4. 6:</b> Descriptive Statistics: Customer Relationship Initiatives .....	60
<b>Table 4. 7:</b> Descriptive Statistics: Competitive Advantage.....	62
<b>Table 4. 8:</b> Correlation Analysis .....	65
<b>Table 4. 9:</b> Linear Influence of Core Value Initiatives on Competitive Advantage ...	66
<b>Table 4. 10:</b> Linear Influence of Networking Initiatives on Competitive Advantage.	67
<b>Table 4. 11:</b> Linear Influence of Talent Management Initiatives on Competitive Advantage .....	69
<b>Table 4. 12:</b> Linear Influence of Customer Relationship Initiatives on Competitive Advantage .....	70
<b>Table 4. 13:</b> Multiple Regression Results .....	71
<b>Table 4. 14:</b> Coefficients .....	73



**LIST OF FIGURES**

**Figure 1. 1:** Conceptual Framework ..... 19



## ABSTRACT

Companies face many challenges when attempting to gain market share and maintain a competitive advantage over rivals. It can be difficult to know which strategies are worth pursuing based on a business' position in the industry and on the competitive nature of the industry. A number of studies have been done in Kenya on resources and their impact on the competitive advantage of an organization in various public and private sectors; with limited focus on strategic relational capital initiatives in SACCOs. This study therefore investigated the influence of the strategic relational capital initiatives conceptualized as talent management initiatives, core values initiatives, customer relationship initiatives and networking initiatives on competitive advantage of savings and credit cooperatives in Nairobi County, Kenya. The study was guided by the Resource Based View, and the Relational view theories. This study employed a descriptive survey research design and collected quantitative data. According to SASRA annual report for 2018, 162 DT-SACCOs have been mandated to operate up to the year ending 2018. Out of the 162 DT-SACCOs, 42 are based in Nairobi County. Therefore the target population of this study was 252 senior management staff in the 42 SACCOs from where Yamame's sampling formula has been used to get a sample size of 156 respondents who were selected using stratified and simple random sampling technique. The questionnaires were thus administered to 156 senior management staff in the 42 SACCOs head offices using a drop and pick method where the instruments were dropped and collected later after having been completely filled by the respondents. Data analysis was computed by SPSS 24, where descriptive statistics such as frequencies, percentages and means summarized data into meaningful form, while for variable relationships, inferential analyses such as correlations, linear and multiple regressions were computed. The analyzed data was presented in the form of table and graphs. From 156 questionnaires that were dispatched for data collection, 109 questionnaires were returned completely filled, representing a response rate of 69.9% which is good for generalizability of the research findings to a wider population. Both descriptive and inferential statistics indicated that core values initiatives, networking initiatives, talent management initiatives and customer relationship initiatives significantly influence competitive advantage of SACCOs in Nairobi County. The study concluded that one, core values initiatives can significantly boost SACCOs' competitive advantage if well implemented by all employees beginning from top management level; two, talent management initiatives though new to some SACCOs in Nairobi County can significantly boost SACCOs competitive advantage when effectively applied to attract and retain talented and innovative employees. The study recommends that one, networking initiatives should be well-articulated within the SACCO's policy framework so as to yield significant competitive advantage for the SACCO and two, talent management initiatives should be well implemented to attract and retain talented and innovative employees which will in the long run significantly boost SACCOs competitive advantage and three, SACCOs should effectively utilize customer relationship initiatives to attract and retain customers so as enhance SACCO's competitive edge in terms of building a large customer base. A similar study can be done on sustainability of strategic relational capital initiatives on SACCO's competitive advantage.

## DEFINITION OF TERMS

**Strategic Relational Capital Initiatives:** Are key strategic intangible resources that contribute towards competitive success of the firm and include among others, core values initiatives, customer relations initiatives, talent management initiatives and networking initiatives (Fenandez, Moutes & Vazquez, 2000).

**Core Value Initiatives:** Are broad preferences concerning appropriate courses of action or outcomes that reflects a person's sense of right or wrong or what ought to be; that guide the team member's attitudes and behaviors in directions consistent with a firm's mission and vision (Jacob, Flink, & Schuchman, 2010).

**Customer Relationship Initiatives:** These are bonding initiatives between the firm and its customers meant to attract and retain a high customer base for the firm (Schuler, Jackson, & Tarique, 2011).

**Networking Initiatives:** Refers to a mutual exchange or sharing of intangible resources, knowledge and innovations between two or more firms in order to maximize value creation and attain competitive advantage (Kohm, La Piana & Gowdy, 2000).

**Competitive Advantage:** Companies have competitive advantage when they produce products, services or delivery systems with attributes which correspond to the key buying criteria for the majority of the customers in their targeted market for a long period of time (Schuler, Jackson & Tarique, 2011).

**Talent Management:** A set of process that involve talent discovery, identification, deployment, talent development and talent retention aimed to meet current and future business needs of talents (Hughes & Rog, 2008).

**LIST OF ABBREVIATIONS AND ACRONYMS**

<b>DT-SACCO</b>	:	Deposit Taking Savings and Credit Co-operatives
<b>P.M. I</b>	:	Project Management Institute
<b>RBV</b>	:	Resource Based View
<b>SACCOs</b>	:	Savings and Credit Co-operatives
<b>SASRA</b>	:	SACCO Societies Regulatory Authority
<b>CA</b>	:	Competitive Advantage
<b>SPSS</b>	:	Statistical Package for Social Sciences

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction.**

This chapter covers background of the study, statement of the problem, general objective of the study, specific objectives of the study, research hypotheses, the significance of the study, scope of the study, limitations and delimitations of the study.

#### **1.2 Background of the Study**

Competitive strategy provides a clear direction and focuses the effort of the entire organization on a common competitive strategic goal. The competitive strategy needs to specify how the importance of competitive strategies will be communicated to employees to achieve their buy-in and must explicitly reflect the importance that management places on competitive strategies (Clayton, 2010).

Further, competitive advantage is not bound only to the physical environment. It includes different perspectives from society and environment, to the economy and organizational processes. As Kim and Mauborgne (2011) mentions, competitive advantage has three main pillars which organizations should contribute to their improvement; they include economic, environmental and social performance. Maintaining a competitive advantage requires a strategy that makes the business unique and carries the company forward as the world around it changes.

According to Weerawardena (2016), the sources of firm's strategic process can be attributed to the firms' entrepreneurship; market focused learning capability and organizational learning intensity. These factors also define the firm's competitive advantage. While the importance of defensive strategies in protecting and exploiting existing resource strengths cannot be underestimated, securing the long-term future of an organization must consider how to derive unique areas of value added in the future (Ekvall, 2015).

For this purpose, acquiring competitive advantage has to assume a different meaning which points itself towards penetrability, for example, in terms of new breakthroughs. This is because the speed at which the uniqueness of the resources of an organization becomes accessible dictates the speed at which the competitive advantage of an organization diminishes. In fast-moving competitive environments, acquiring competitive advantage involves creating safe-havens from cut-throat competition by continuously creating gaps through unique resources that cannot be easily bridged by the competitors (Kao, 2014).

### **1.2.1 Strategic Relational Capital Initiative**

A firm's critical resources may span firm boundaries and may be embedded in its resources and routines. An increasingly important unit of analysis for understanding competitive advantage is the relationship between firms and identification of four potential sources of inter-organizational competitive advantage including relation-specific assets, knowledge sharing routines, complementary resources or capabilities, and effective governance (Dyer & Singh, 2008). Strategic relational capital initiatives have become important factors of value creation in today's knowledge economy.



The growing Strategic relational capital initiatives base of corporations represents a symptom of a larger transformation from the industrial economy, characterized by a seller's market and industrial mass production, to today's knowledge economy where companies have to operate in open global buyer's markets and where differentiation has become a key success factor. This requires continuous innovation, customer centricity, which is reinforced through open global markets, that required companies in the last decades to invest more in their innovation and adaptation capabilities as well as customer attraction brands and relationship building (Lev & Daum, 2014).

In Kenya, cooperatives have further expanded in terms of the types of savings and credit financial services that they offer to their membership. Key among these financial services is the venturing into the deposit-taking financial business, similar to the one undertaken by commercial banking institutions except for the fact that, such deposits are taken from members. SACCO's total assets and its core capital play an increasingly important role in Kenya's financial sector, serving a growing number of both urban and rural poor households. Out of an estimated 1.7 million Kenyans, 9% of the country's adult population relies on SACCOs for financial services. This expansion of the financial services to deposit taking led to the emergence of the Deposit Taking SACCO Societies (DT), thereby giving rise to two clusters of namely the Deposit-Taking segment (DT-) and the non-deposit-taking segment (non- DT-) (SASRA, 2011).

Further, in Kenya, the liberalization of the economy allowed most of the SACCOs to open up front office services to serve the economic, the social and cultural development as well as the human advancement of the members leading to high competition from the banking sector. For the last decade, SACCOs have been faced by several challenges including a steady rise in the level of competition from

commercial banks. The banks have encroached into the traditional role of the savings and credit cooperatives in some cases have nearly caused collapse of some of the SACCOs. Delayed remittance by some employers to the society has also in turn affected the society's cash flow affecting the society lending programs. Moreover, most activities that were being carried out by commercial banks are now being done by SACCOs (Kariuki, 2015).

For SACCOs to survive in the current competitive environment, SACCOs have resorted to a number of strategic relational capital initiatives (talent management initiatives, core values initiatives, customer relationship initiatives, and networking initiatives among others) to enable them maintain a competitive edge. Further, the government has been regulating the SACCO sector, hence sometimes the government may design some policies that affects the members of society adversely. Thus, increased number of challenges facing SACCOs has forced most SACCOs to re-examine their strategies as a means of gaining competitive edge within the industry. These challenges facing SACCOs are in terms of membership, lack of strategic intangible resource initiatives, leadership issues, minimal capitation, financial leveraging and withdrawal of some of the members (Kariuki, 2015).

### 1.2.2 Strategic Relational Capital Initiatives and Competitive Advantage: Global Perspective

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The four categories of intangible resources that contribute towards competitive success of the firm are classified as human capital, organizational capital, relational capital and technological capital (Fenandez, Moutes, & Vazquez, 2000). Warren (2015) pointed out the three categories of intangible resources. Psychological factors are concerned with the state of mind of key groups, especially customers and staff, but also investors and other stakeholders. Information-based resources, such as data, technology, and knowledge; and certain quality-related factors must be built up and sustained over time so as to create a sustained competitive advantage. Intangible, or soft factors clearly have a big impact on performance. Damaged reputation can destroy a business while strong staff motivation can drive powerful growth.

Proprietary knowledge can generate market-leading products. But making practical use of these factors to steer strategy is difficult, because terminology is often abstract, ambiguous, and inconsistent (Barney, 2007). Firms that are able to accumulate resources and capabilities that are rare, valuable, non-substitutable, and difficult to imitate will achieve a competitive advantage over competing firms. He further explained that competitive advantage results from the possession of relevant capability differentials. Regulatory and positional capabilities are concerned with intangible assets while functional and cultural capabilities are concerned with competencies. Companies have a competitive advantage when they produce products and delivery systems with attributes which correspond to the key buying criteria for the majority of the customers in their targeted market. These factors include price, specification, reliability, aesthetics, functionality, availability, and image among

others (Hall, 2003). Coyne (1986) suggests that in order to maintain competitive advantage, the product or delivery system attributes need to be significant to customers. For them to do this they need to be the result of a capability differential which will endure.

According to Barney (2007), to understand the sources of competitive advantage, it is necessary to build a model based on the statement that the resources of the company are immobile and heterogeneous. The model known as VRIO (Value, Rarity, Imitability and Organization) states that for a company to have a potential competitive advantage, its resources must be: valuable, in the sense that it exploits opportunities and/or neutralizes threats; rare among the current companies and potential competitors; imperfectly imitable; and there cannot be any strategically equivalent substitutes for these resources.

Lynch (2015), studied on the role of talent management initiatives on competitive advantage in financial lending institutions in France and found that talent management initiatives boosts a firm's competitive advantage. The researcher asserted that competitive advantage represents a very important standard for successful companies, because the successful companies are those that find new forms for the sustainably used advantage, as long their old forms have become known and available widely while the competitors fully know them.

Al-Azzam (2015) studied customer relationship strategies and its role in achieving competitive advantage in Princess Rahma Hospital for Pediatric in Jordan. The study aimed at finding out the effect of customer attraction, development and retention on competitive advantage achievement. The study used the analytical and descriptive approach. The data were obtained from 164 staff at Princess Rahma Hospital for

Pediatrics through questionnaire survey. The findings showed that there is a significant statistical effect of customer attraction and retention strategies on achieving competitive.

A study by Coltman, Devinney and Midgley (2010) on the effect of customer relationship as a competitive practice that fosters firm performance using data from social networks found that Micro finance institutions are globally inefficient with respect to customer relationships. The study also found that computerized management of the customer relationship and the proximity of social contacts were the most influential elements in fostering competitive advantage and suggested application of customer relationship in fostering competitive advantage in SACCOs.1.2.3 SACCOs in Nairobi County in Kenya

According to SASRA (2015), the various types of co-operatives enterprises can be clustered into two major categories namely financial co-operatives and non-financial co-operatives. This is determined by their involvement in financial intermediation and they are cooperatives which are registered with the objectives of financial intermediation on behalf of their members in one way or the other. The membership may be individuals; or primary, secondary or tertiary co-operative societies. They include, the Savings and Credit Cooperative Societies (SACCOs), the Land or Housing Co-operative Societies, and Investment Cooperative Societies.

SACCOs help members afford them an opportunity for accumulating savings and create a source of funds at fair and reasonable rate of interest. They also provide an opportunity for each of its members to improve their respective economic and social conditions by providing them credit for purposes of providence or production or both. SACCOs also offer the members complimentary savings and credit services and other financial products as may be required by the members from time to time.

SACCOs ensure safety and soundness of the members funds through a risk management program or appropriate insurance coverage. SACCOs also ensure the progress of its members by educating them continuously on the proper use of credit (Kenya Police SACCO Society Limited, 2017). Cooperative financial institutions tend to be more stable in times of crisis. These investment patterns use the capital of members in ways that best serve their long term needs and interests (Hesse & Cihak, 2007).

It is therefore thought that their comparative stability, under both average and extraordinary conditions, can help to mitigate crisis impact for members and clientele, especially in the short-term. However, since most draw their membership from the formal sector, in times of economic downturn, the functioning of the SACCO can be undermined if member's incomes are destabilized by volatility in the economy and this may lead to reduction of members' savings and increased demand for loans. SACCO sector stability impacts long-term economic growth through effect on the efficiency of intermediation and allow monitoring of the users of external funds, thus affecting the productivity of capital employed.

This impacts the volume of saving, which influences the future income-generating capacity of the economy and also affects the stability of the whole economy. This study therefore seeks to investigate the influence of strategic relational capital initiatives on the competitive advantage in Savings and Credit Organization in Nairobi County in Kenya. Out of the 162 SACCOs which have been duly licensed to carry out deposit- taking SACCO business in accordance with Section 26(1) of the Act for the year ending December 2018, 42 are located in Nairobi County Government (SASRA, 2017).

### **1.3 Statement of the Problem**

Although SACCOs play a pivotal role in Kenya, the business environment in which they operate is turbulent and chaotic in nature, calling for rapid response strategies to ensure sustainability of the business in the competitive environment (Kariuki, 2015). In this regard, a number of SACCOs have failed in their mandate since they do not have a competitive edge while some SACCOs have also either wound up or are not able to either pay members annual dividends or offer maximum loans as required.

Further, although the Kenyan government has come up with a number of legislations to regulate SACCOs in the country, most of them have not been able to serve their members to satisfaction. As at 2016, SACCOs reported an annual loss of approximately 22.4% and this was attributed to low membership and cash flow problems. It has also been reported that approximately 19% of the members defaulted from loan repayment and quit thus making some SACCOs unable to sustain competitive advantage which is key for firms' economic success (SASRA, 2017). It is therefore against this background that this study endeavors to investigate the influence of strategic relational capital initiatives on competitive advantage in selected Savings and Credit Cooperatives in Nairobi County, Kenya.

### **1.4 Purpose of the Study**

The purpose of the study was to investigate the influence of strategic relational capital initiatives on competitive advantage in Savings and Credit Cooperatives (SACCOs) in Nairobi County, Kenya.

## **1.5 Objectives of the Study**

### **1.5.1 General objective of the Study**

The general objective of the study was to investigate the influence of strategic relational capital initiatives on competitive advantage in Savings and Credit Cooperatives (SACCOs) in Nairobi County, Kenya.

### **1.5.2 Specific objectives of the Study**

- i) To determine the influence of core values initiatives on competitive advantage in SACCOs in Nairobi County.
- ii) To examine the role of networking initiatives on competitive advantage in SACCOs in Nairobi County.
- iii) To evaluate the influence of talent management initiatives on competitive advantage in SACCOs in Nairobi County.
- iv) To assess the influence of customer relationship initiatives on competitive advantage in SACCOs in Nairobi County.

## **1.6 Hypotheses of the Study**

**H<sub>01</sub>:** Core value initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County.

**H<sub>02</sub>:** Networking initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County.

**H<sub>03</sub>:** Talent management initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County.



**H<sub>04</sub>:** Customer relationship initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County.

### **1.7 Significance of the Study**

Companies face many challenges when attempting to gain market share and maintain a competitive advantage over rivals. It can be difficult to know which strategies are worth pursuing based on a business' position in the industry and on the competitive nature of the industry itself. At the corporate level, results on the influence of talent management, core values, networking, and customer relationship on the organization's competitive advantage may be used by the SACCO managers towards competitive advantage.

The study results are of great use in the day to day management and interactions with the human resources, partners, customers and competitors to guide them in re-evaluating their operations and strategies in order to sustain their competitive edge. This may in turn help in positive influence of attitudes and behaviors of employees to increase productivity in organizations that may have a significant positive relationship with competitive advantage and performance of an organization. At the institutional level, data on the influence of talent management initiatives on the organization's competitive advantage would help in the creation of a framework of knowledge and skills reservoirs to show why knowledge transfer can be difficult. The study results are helpful to institutions as this will help them in identifying the kinds of knowledge that are most difficult to transfer to different contexts, including interactions among people, tasks, and tools that are least likely to fit the new context and hence are the most difficult to transfer in organizations, relevant government ministries, private and public sectors. The study results provide a basis for theoretical reviews illuminating

how organizations can derive competitive advantage by transferring knowledge internally while preventing its external transfer to competitors.

Finally, the findings on the effect of networking on the organization's competitive advantage will enable organizations to establish long term strategic networking relationships. Researchers and academicians will use the data to explore more empirical researches on the efficacy of strategic relational capital initiatives in sustaining competitive advantage in profit making firms.

### **1.8 Scope of the Study**

The study confined itself to the CEO/branch managers, Finance managers, Human resource managers, Internal Auditors, Credit Managers and Marketing managers of the selected SACCOs in Nairobi County and their branches in satellite towns of Nairobi County from May to July, 2018.

### **1.9 Delimitation of the Study**

First, the study targeted all licensed deposit taking SACCOs in Nairobi County (SACCO headquarters offices) plus their branches in satellite towns of Nairobi whereby their managers are assumed to possess valid information about strategic relational capital initiatives and SACCO business competition.

Secondly, the researcher was patient while collecting data plus adequate use of research assistants to ensure high response rate so that the study results can be generalized to a wider population.

### **1.10 Limitation of the Study**

The study was only done on licensed deposit taking SACCOs in Nairobi County plus their branches in satellite towns of Nairobi, thus the researchers must have adequate time to access all licensed deposit taking SACCOs in Nairobi County plus their branches in satellite towns of Nairobi.

The study only covered strategic relational capital initiatives such as core values, networking, talent management and customer relationship initiatives, thus any other existing strategic relational capital initiative in SACCOs will not be covered.

### **1.11 Assumptions of the Study**

The following formed assumptions of the study;

That the concept of strategic relational capital initiatives is familiar amongst the respondents and they are able to provide the required information that is needed for this study.

That strategic relational capital initiative in Savings and Credit Cooperatives is linked to competitive advantage.

That the respondents who are recruited from the study uniformly understand the strategic relational capital initiatives and can distinguish them from other strategic initiatives.

That the sampled respondents avail themselves during the period of carrying out this research and their responses are honest.

## **1.12 Theoretical Framework**

The theoretical review focuses on the contribution of the Relational View theory, the Resource Based View theory, and the Capability-Based View theory to explaining competitive advantage of an organization.

### **1.12.1 The Relational View Theory and Competitive Advantage of a Firm**

According to Porter (2000) Relational View theory points out sources of competitive advantage arise from two prominent views regarding the sources of supernormal returns. The industry structure view associated with Porter (2000) suggests that supernormal returns are primarily a function of a firm's membership in an industry with favorable structural characteristics like relative bargaining power, barriers to entry, among others. Consequently, many researchers have focused on the industry as the relevant unit of analysis.

The competitive advantages of partnerships, as documented in studies to date, seem to fall into four categories: investments in relation-specific assets; substantial knowledge exchange, including the exchange of knowledge that results in joint learning; the combining of complementary, but scarce, resources or capabilities (typically through multiple functional interfaces), which results in the joint creation of unique new products, services, or technologies; and lower transaction costs than competitor alliances, owing to more effective governance mechanisms (Dyer & Singh, 2008). Governance plays a key role in the creation of relational rents because it influences transaction costs, as well as the willingness of alliance partners to engage in value-creation initiatives.

Goodwill trust is defined as one party's confidence that the other party in the exchange relationship will not exploit its vulnerabilities (Ring & Van, 2012).

Goodwill trust resulting from the partnerships and networking or collaborations at the interfirm level refers to the extent to which there is a collectively held trust orientation by organizational members toward a partner firm, although the literature on choice of governance mechanisms has focused primarily on transaction costs. Porter (2000) shows that coordination costs stemming from the nature of the interdependence between partners (pooled, reciprocal, or sequential) are very important determinants of alliance governance structures and competitive advantage.

Market relationships are incapable of generating relational rents because there is nothing idiosyncratic about the exchange relationship that enables the two parties to generate profits above and beyond what other seller-buyer combinations can generate. The relationships are not rare or difficult to imitate. Buyers can only achieve a differential advantage if they bring greater bargaining power to the table hence alliances generate competitive advantages only as they move the relationship away from the attributes of market relationships (Dyer & Singh, 2008). The relationship view therefore applies in this study because customer relationship is key in attracting and retaining strong customer base against competitors.

#### **1.12.2 Resource Based View (RBV) Theory and Competitive Advantage of a Firm**

According to Burney (2007), the resource-based view theory emanated from the work of Edith Penrose in 1959 and the RBV theory recognizes that resources may not create rents in isolation; rather, bundles of resources may together create a configuration that conveys competitive advantage. Moreover, bundled resources create complexity, which increases the importance of proper organizational configuration and impedes duplication (Rivkin, 2010). The RBV of strategic

management examines the resources and capabilities of firms including the strategic relational capital initiatives that enable them to generate above-normal rates of return and a competitive advantage (Barney, 2007). Wright (2013) points out that the resource-based view can also be utilized as a theory to guide the pursuit of competitive advantage because it is suited to align with the human capital view of people within the firm. This includes the people's skills, talents, core values and attitudes, and cultural diversity initiatives that guide the teams. The RBV theory suggests that the method in which resources are applied within a firm can create a competitive advantage (Barney, 2007).

Brown (2007) states that the RBV of competitive advantage is based on two main assumptions: Resource diversity and resource immobility. An action passes the resource diversity test if it is one which competing firms and partners are unable to imitate. For example, legal protection in the case of trademarks or patents, supplier or distributor contracts in the case of manufacturing firms and R&D teams in the case of scientific or technology driven firms. Resource immobility refers to a resource which is difficult to obtain by competitors because the cost of developing, acquiring or using that resource is too high. This includes strategic relational capital initiatives such as talent, core values and attitudes, skills, reputation, branding, and organizational learning among others.

Further, the Resource-Based View (RBV) of the firm argues that differential firm performance is fundamentally due to firm heterogeneity rather than industry structure (Barney, 2007). Firms that are able to accumulate resources and capabilities that are rare, valuable, non-substitutable, and difficult to imitate will achieve a competitive advantage over competitors. RBV theory views the firm as the primary unit of analysis. Although these two perspectives have contributed greatly to our

understanding of how firms achieve above-normal returns, they overlook the important fact that the (dis)advantages of an individual firm are often linked to the (dis)advantages of the network of relationships in which the firm is embedded. Proponents of the RBV have emphasized that competitive advantage results from those resources and capabilities that are owned and controlled by a single firm. Consequently, the search for competitive advantage has focused on those resources that are housed within the firm. Competing firms purchase standardized (non-unique) inputs that cannot be sources of advantage, because these inputs (factors) are either readily available to all competing firms or the cost of acquiring them is approximately equal to the economic value they create (Barney, 2007). Therefore, this theory applies in this study since unique talent management and networking initiatives can be used as key intangible resources that a firm can use to sustain competitive advantage.

### **1.12.3 The Capability-Based View Theory and Competitive Advantage of a Firm**

According to Grant (2002), Capability-Based View theory came up in 1990s as an extension of the resource based theory to reinforce the core competence of corporations; thus asserted that capabilities are significant sources of competitive advantage while resources are the source of capabilities. Day and Schoemaker (2004) adopted a similar position and suggested that resources do not contribute to sustained competitive advantages for a firm, but its capabilities do. Haas and Hansen (2005) supported the importance of capabilities and suggest that a firm can gain competitive advantage from its ability to apply its capabilities to perform important activities within the firm.

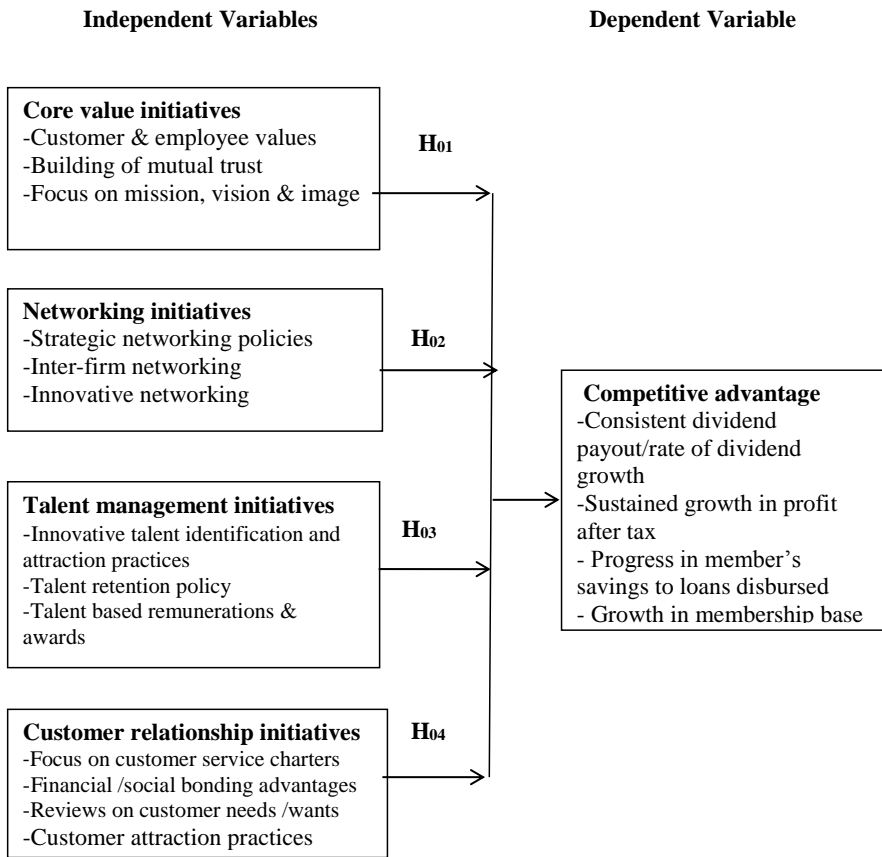
Day and Schoemaker (2005) define capabilities in contrast to resources, as a firm's capacity to deploy resources, usually in combination using organizational processes,

and affect a desired end. They are information-based, tangible or intangible processes that are firm-specific and developed over time through complex interactions among the firm's resources. (Teece, 2007) defines dynamic capabilities as, the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Grant (2002) defines organizational capability as, a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs to outputs. He further divides capability into four categories namely cross-functional capabilities, broad-functional capabilities, activity-related capabilities and specialized capabilities. Therefore, the capability-based view is relevant in this study, since it will assess how SACCO's intangible resource capabilities such as innovations and networking capabilities enable them sustain competitive advantage.

### **1.13 Conceptual Framework**

A conceptual framework in this study depicts a diagram showing the direct relationship between the independent variables (core value initiatives, networking initiatives, talent management initiatives and customer relationship initiatives) and the dependent variable (competitive advantage).





**Figure 1. 1: Conceptual Framework**

**Source: Researcher (2019)**

From the conceptual framework, the study sought to examine the hypothesized relationship between core value initiatives, networking initiatives, talent management initiatives and customer relationship initiatives with competitive advantage in SACCOs in Nairobi County, Kenya; so as to accept or reject the study's null hypotheses on whether there exist a significant relationship between the independent variables and outcome (dependent) variable.

#### **1.13.1 Core Value initiatives and Competitive Advantage**

Jacob, Flink, and Schuchman (2010) asserted that core value initiatives are broad preferences concerning appropriate courses of action or outcomes that reflects a person's sense of right or wrong or what ought to be; that guide the team member's attitudes and behaviors in directions consistent with a firm's mission and vision This study assessed whether SACCOs' core value initiatives such as customer and employee values, building of mutual trust, focus on mission, vision and SACCO image influence SACCOs' competitive advantage.

#### **1.13.2 Networking Initiatives and Competitive Advantage**

Kohm, La Piana and Gowdy (2000) insisted that networking initiatives involves a mutual exchange or sharing of intangible resources, knowledge and innovations between two or more firms in order to maximize value creation and attain competitive advantage. This study therefore evaluated if there is a significant relationship between SACCOs' networking initiatives such as strategic networking policies, inter-firm networking and innovative networking and SACCOs' competitive advantage.

### **1.13.3 Talent Management Initiatives and Competitive Advantage**

Hughes and Rog (2008) reported that talent management initiatives encompass a set of process that involve talent discovery, identification, deployment, talent development and talent retention aimed to meet current and future business needs of talents. In this regard, this study assessed the relationship between talent management initiatives such as innovative talent identification and attraction practices, talent retention policy, talent-based remunerations & awards and SACCOs' competitive advantage.

### **1.13.4 Customer Relationship Initiatives and Competitive Advantage**

Customer relationship initiatives are bonding initiatives between the firm and its customers meant to attract and retain a high customer base for the firm (Schuler, Jackson, & Tarique, 2011). This study thus evaluated whether there is a significant relationship between customer relationship initiatives such as focus on customer service charters, financial /social bonding advantages, reviews on customer needs /wants, customer attraction practices SACCOs' competitive advantage.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter consists of the theoretical review that focuses on the Resource Based View, the Relational View and the Capability-Based View theories to explain competitive advantage of an organization. The conceptual review in this chapter focuses on the strategic relational capital initiatives including talent management, core values, customer relationship and networking initiatives and their contribution to the competitive advantage of a firm. A topical approach has been adopted to guide the discussion in the chapter.

#### **2.2. Review of Literature**

The empirical literature reviewed here below is based on studies on how the independent variables strategic relational capital initiatives (core value initiatives, networking initiatives, talent management initiatives and customer relationship initiatives) influences the dependent variable competitive advantage

##### **2.2.1 Core Value Initiatives and Competitive Advantage**

Core value initiatives are broad preferences concerning appropriate courses of action or outcomes that reflects a person's sense of right or wrong or what ought to be; that guide the team member's attitudes and behaviors in directions consistent with a firm's mission and vision (Jacob, Flink & Schuchman, 2010).

Kao (2014) studied on the effective use of a company's core values as enshrined in the mission and vision of the organization and found that when mission, vision and

values are more than slogans on a corporate document or simply lip service, they can be leveraged by organizations to create a competitive advantage. That is, some business firm executives do not realize that a firm's mission is an underused asset in improving organizational performance and profitably, and they neglect their ultimate responsibility of aligning their brand and core values in achieving a competitive advantage.

Kim and Mauborgne (2011) also studied whether firm overall purpose as expressed by the firm's core values drives profit. They identified 28 companies as having a well-articulated and authentically-lived purpose (mission and vision) that goes beyond profit maximization. This sample returned 410 percent growth over the ten-year period, compared to only 107 percent growth for the S&P 500 company. The study concluded that a well-articulated mission, vision and values can energize companies towards positive business outcomes and give them a significant advantage over their competitors. Further, the study found that even though many companies are spending large amounts of effort creating these statements, research indicates that they do not always resonate with employees. Thus, organizational energy is created and released when an organization's people are emotionally and intellectually excited by the firm's vision and values.

Mathur (2015) study on the appreciation of company core values by employees in UK technological firms found that only four in ten employees strongly agree that the mission or purpose of their company makes them feel their job is important. Also, less than half of workers feel strongly connected to their company's mission, vision or values. This showed that a majority of leaders and managers are failing to connect employees with their company's mission or core values as a strategy to sustain competitive advantage. In view of this the study conclude that for firms to effectively

use core values as a competitive advantage, managers should walk the talk, have clear communication during launch of company strategic plan, attract and develop talent with a shared vision, create alignment with departments/teams, and discuss the new mission, vision and values with clients, employees and explain how it will help the organization to build a differentiated brand and enable it to separate itself from its competition.

Lynch (2015) study on human relationship at work as a reflection of a worker's value systems in what the researcher termed as relationship consciousness, found that there is need for an organization to have a harmonious interpersonal relationships and good internal communications as among its core values. That is, without good relationships with employees, customers and suppliers, company survival is compromised and overtaken by competitors. The study concluded that the critical issue on employee relationships is to create a sense of loyalty and belonging among employees, and a sense of caring and connection between the organization and its customers, open communication, mutual respect and employee recognition, friendliness, responsiveness and listening. When these are in place, loyalty and satisfaction among employees and customers will create strong bonds.

Mendez and Stander (2011) also studied on company core values using internal cohesive consciousness aspect in a company structure in US manufacturing firms. The researchers stressed on the need of building cultural cohesion and developing a capacity for collective action and for this to happen, leaders and managers must set aside their personal agendas and work for the common good. That is, the critical issue of internal cohesive consciousness is developing a shared vision of the future and a shared set of values. These values and behaviors must therefore be reflected in all the

processes and systems of the organization with appropriate consequences for those who are not willing to walk-the-talk.

### **2.2.2 Networking Initiatives and Competitive Advantage**

Networking initiatives involves a mutual exchange or sharing of intangible resources, knowledge and innovations between two or more firms in order to maximize value creation and attain competitive advantage (Kohm, La Piana & Gowdy, 2000).

First, Grandori and Soda (2005) studied on the use of firm networking and found that main variables that characterize a network are mainly the degree of differentiation between units (both from a negative side linked to the coordination costs, and from a positive side linked to the innovation and complementary resources); the intensity of inter-firm interdependences (that is in turn affected by asset specificity, uncertainty, resource exchanges); the number of units to coordinate; the complexity of interdependent activities; and the asymmetries between resources of different firms in the network, such as knowledge flows and information. The study recommended that for business firms to foster competitive advantage they have to make a network operative coordination mechanism and other systems of cooperation have to be applied.

Huggins and Johnston (2010) studied on networking on a sample of knowledge-intensive firms in Northern England and found that firms are used to set linkages also with actors of other regions to foster complex knowledge exchanges. These transfers across spatial boundaries provide a high performing network structure combined with innovation-driven growth.

Zeng et al. (2010) investigated the relationship between Chinese cooperation network and innovation performance. Focusing on small and medium size enterprises, they

found inter-firm cooperation networks, and in particular vertical cooperation (with different partners), to be positively related with innovation outcomes. This is due to the amount and variety of knowledge shared during inter-firm networking which gives networking firms competitive advantage.

Cainelli et al. (2006) also empirically analyzed the effects of business groups, as a type of business networking structure. Business groups were defined as different firms belonging to the same owner or related in one way or another (Cainelli et al., 2006), and they originate from the evolution of some industrial districts' firms in leading firms with bigger dimension. The study found that the growth of these firms was due to innovation upgrading and product differentiation that are shared through networking practices.

Further, Camuffo and Grandinetti (2011) studied on inter-firm networks and found that many networking firms share innovations. That is, networks rooted in local contexts, supports the idea that knowledge and innovation spread also outside the boundaries of clustered areas. Further the researchers asserted that what is important to highlight is not just the development of new process and product with the resources embedded in an area, but also the exploration and exploitation of new knowledge coming from networking firms. These networking capabilities turn out to increase firms' competitive advantage in the global scenario, which boosts its productivity and profitability.

Xu (2015) study in networking in Chinese business found that business networking between high performing and low performing firms cannot cease to exist. That is, attained business unit performance is an adequate indicator of business network utilization for three reasons. First, linked to the absorptive capacity argument, high-



performance businesses are likely to have a higher absorptive capacity than low-performance businesses; high performers already have the experience and knowledge needed to identify and successfully implement new knowledge in their units. Second, linked to the relative position argument, the study found that high-performance businesses may benefit differently from their peers compared to low performing businesses since the relative knowledge position of high performers is strong. Finally, related to the knowledge needs argument, the study found that low performing businesses require basic knowledge on how to attain higher sales levels, whereas the high performing businesses already understand their business and need broader and more complex knowledge to take their business to the next level so as to sustain competitive advantage.

### **2.2.3 Talent Management Initiatives and Competitive Advantage**

Talent management initiatives encompasses a set of process that involve talent discovery, identification, deployment, talent development and talent retention aimed to meet current and future business needs of talents (Hughes & Rog, 2008).

Mendez and Stander (2011) studied on talent management on competitive advantage in business firms and found that competitive advantage provides high quality of services and products to achieve superior performance than competitors, in order to attract customers and achieve high satisfaction and insisted that when a company has a product or service that its competitors do not have so it use it to rise the competition and maximize its value in the marketplace.

Lynch (2015), studied on the role of talent management initiatives on competitive advantage in financial lending institutions in France and found that talent management initiatives boosts a firm's competitive advantage. The researcher

asserted that competitive advantage represents a very important standard for successful companies, because the successful companies are those that find new forms for the sustainably used advantage, as long their old forms have become known and available widely while the competitors fully know them.

Lyria (2013) studied on role of talent management on company performance in Companies Listed in Nairobi Security Exchange in Kenya. The study used the analytical approach. The findings showed that talent management has a very important competitive role in improving company performance.

Diab (2014) also studied on whether the Jordanian private hospitals use talent management as a competitive advantage dimension to achieve competitive advantage, the data were obtained from 200 managers. The findings showed that the Jordanian private hospitals used talent management dimensions to achieve competitive advantage.

Shafieian (2014) studied on talent management components so as to find out the importance of talent management in the University of Chaloos in Iran. The data were obtained from 198 employees in Chaloos University through questionnaire. The findings showed that talent management components provide a way to reduce challenges and improve employee performance which improved the university's competitive advantage.

Al-Azzam (2015) studied on talent management strategies and its role in achieving competitive advantage in Princess Rahma Hospital for Pediatric in Jordan. The study aimed to find out the effect of talent management strategies (employee attraction, development, retention and succession planning) on Competitive Advantage achievement. The study used the analytical and descriptive approach. The data were

obtained from 164 staff at Princess Rahma Hospital for Pediatrics through questionnaire survey. The findings showed that there is a significant statistical effect of talent management strategies on achieving competitive advantage. Thus, development strategy of talent management is the most influential in achieving competitive advantage at the hospital.

Jarrah and Doleh (2015) studied on the impact of applying talent management strategies in enhancing the organizational affiliation among Faculty Members in Jordanian Public Universities. The data were obtained from 300 members of Jordanian Universities. The finding showed that there was a medium level of applying talents management strategies and a medium level of company affiliation among the members of faculty in the Jordanian Universities, and on overall there was a significant impact of talents management strategies on company affiliation which gives it a competitive advantage.

Mathur (2015) studied on achieving competitive advantage through employees. The study aimed to identify employees as a source to achieve competitive advantage in the companies. The study used the analytical approach. The findings showed that attracting and retaining right talented people in the right jobs with the right skills and attitude is the source to success in today's highly competitive business market and company's success depends on employee's behavior, talent and dedication. The recommended that companies should pay much more importance to employee needs and struggle to recruit and retain talented employees.

More so, Khurshid and Darzi (2016) studied on managing talent for competitive advantage. The study aimed to identify the importance of using talent management and its impact on competitive advantage by retaining and developing the most

valuable assets of a company. The result revealed that talent management increased the competition for companies to maintain their great market share and improving its position in the competitive business market.

#### **2.2.4 Customer Relationship Initiatives and Competitive Advantage**

Customer relationship initiatives are bonding initiatives between the firm and its customers meant to attract and retain a high customer base for the firm (Schuler, Jackson, & Tarique, 2011). Empirically, John and Fredrick (2012) studied on how customer relationship is used as a competitive strategy by firms in China and found that when well used addresses all aspect of identifying customers, creating customer knowledge, building customer relationship and shaping their perception of the organization and its products. The study recommended that in order to have a more efficiently-managed customer relationship, competing firms must focus on effectively turning information into intelligent business knowledge. That information can come from anywhere inside or outside the firm. This requires successful integration of multiple database and technologies such as the internet, call centers, sales force automation and data warehousing.

A study by Coltman, Devinney and Midgley (2010) on the effect of customer relationship as a competitive practice that fosters firm performance using data from social networks found that Micro finance institutions are globally inefficient with respect to customer relationships. The study also found that computerized management of the customer relationship and the proximity of social contacts were the most influential elements in fostering competitive advantage.

Reinartz, Krafft and Hoyer (2004) also studied customer relationship management and in their study, they constructed the customer relationship process and its dimensions, operationalized and validated the construct, and empirically investigated the organizational consequences of implementing it. They were able to group the key activities of a formalized customer relationship process in terms of three primary dimensions namely relationship initiation, maintenance, and termination. They then developed items to assess the extent to which those dimensions were implemented. Their work represented the first attempt toward developing what constitutes a standard for defining the nature of customer relationship processes. The authors concluded that the implementation of customer relationship processes is associated with better firm performance in two of the three stages which include that the strongest effect is from relationship maintenance followed by relationship initiation. Relationship termination provided no significant effect on performance.

Simonet, Kamdem and Nguéfack (2012) carried out a study to measure the impact of customer relationship as a competitive strategy to boost commercial performance of Micro Finance Institutions in Cameroon. They used a censored to bit model to regress a performance score on a set of customer relationship practices namely the satisfaction of customers with regards to past experiences, the computerized management of the customer relationship, and the closeness of the contacts between the Micro Finance Institutions and their customers. The study concluded that the computerized management of the customer relationship and the proximity (closeness) of the social contacts exert a positive influence on performance, while satisfaction toward past experiences with customers exerts a negative and very significant influence on performance.

Al-Azzam (2015) studied on customer relationship strategies and its role in achieving competitive advantage in Princess Rahma Hospital for Pediatric in Jordan. The study aimed to find out the effect of customer attraction, development and retention on competitive advantage achievement. The study used the analytical and descriptive approach. The data were obtained from 164 staff at Princess Rahma Hospital for Pediatrics through questionnaire survey. The findings showed that there is a significant statistical effect of customer attraction and retention strategies on achieving competitive.

Locally, Nyakerario and Oloko (2014) studied the influence of customer relationship strategies on performance of public university saving and credit cooperative societies in Kenya, and found that customer acquisition and retention strategies significantly influence the performance of SACCOs like any other organization; while Kimani (2010) studied the relationship between customer relationship and performance in Kenyan manufacturing firms and found that many businesses do not understand the role of this concept in the modern dynamic and competitive business environment.

More so, Wanjohi (2014) studied on the link between customer relationship and SMEs performance in Kenya found a positive correlation between the two variables in terms of profits generated, while Jerono (2012) conducted a study on customer relationship marketing as retention strategy in commercial banks and found that customer relationship marketing positively influenced retention of customers thus boosting the banks' competitive advantage.

### **2.2.5. Competitive Advantage**

Companies have competitive advantage when they consistently produce products, services or delivery systems with attributes which correspond to the key buying criteria for the majority of the customers in their targeted market for a long period of time (Schuler, Jackson & Tarique, 2011).

From reviewed literatures, a company's competitive advantage will always be the result of a successful differentiation or low-cost strategy (Porter, 2000). These strategies are dependent on the firm's resources and managerial capabilities to align effectively the resources at the firm's disposal to achieve necessary competitive advantage.

According to Jarrah and Doleh (2015), firm performance is not always the ideal dependent variable due to the fact that firms can have other competitive disadvantages, which reduce the return. On the contrary, strategic resources are generally knowledge-based and the trade-off often concerns non-monetary factors. A company can, for example, make heavy investments and direct most of its attention and HRM activities on their customer service department. This will most likely result in a competitive advantage in terms of customer care, and fast response times for customer inquiries.

Further, organizational competences also condition the way activities fit and reinforce one another, which in turn sustain the operational effectiveness. As they are built internally through complex social and learning processes, organizational competencies are causally ambiguous (Brewster, 2007). As a result, they are difficult to trade or imitate, scarce, valuable, and non-substitutable. These characteristics make them the source of competitive advantage, and thereby the basis of long-term

profitability and above-average performance in the long run. In fact, organizational competencies, when leveraged into relational capital initiatives generate value and firm profitability and impact consequently the overall firm performance (John & Fredrick, 2012).

More so, Barney (2007) reinforced that the ability of an organization to exploit their intangible assets has become far more decisive than their ability to invest and manage their physical assets. Also, their capacity to retain, develop, organize, and utilize their employee competencies enables them to remain at the forefront and hence maintain a competitive edge.

In the context of SACCOs, this study will examine competitive advantage indicators such as consistent dividend payout/rate of dividend growth, growth in profit after tax, progress in member's savings to loans disbursed plus growth in membership base.

### **2.3 Summary and Research Gap**

Existing literature indicate that many companies face many challenges when attempting to gain market share and trying to maintain a competitive advantage over rivals. It can be difficult to know which strategies are worth pursuing based on a business' position in the industry and on the competitive nature of the industry itself. The RBV of a firm recognizes that resources may not create rents in isolation; rather, bundles of resources may together create a configuration that conveys competitive advantage. The RBV theory suggests that the method in which resources are applied within a firm can create a competitive advantage.

Capabilities are the source of competitive advantage while resources are the source of capabilities. Resources do not contribute to sustained competitive advantages for a



firm, but its capabilities do. A firm can gain competitive advantage from its ability to apply its capabilities to perform important activities within the firm. The competitive advantages of partnerships, as documented in studies to date, seem to fall into four categories. These partnerships include investments in relation-specific assets and substantial knowledge exchange, including the exchange of knowledge. These results in joint learning; the combining of complementary but scarce resources or capabilities.

Partnerships result in the joint creation of unique new products, services, or technologies and lower transaction costs than competitor alliances, owing to more effective governance mechanisms. The strategic relational capital initiatives that will be key in this section include talent management initiatives, core values initiatives, culture and diversity initiatives and partnership and networking initiatives respectively. Organizational strategies and talent management strategies will continue to be driven by workforce trends such as an increasingly global and virtual workforce, different generations working together, longer life expectancies and an empowered and autonomous workforce that have forever changed the workplace.

Empirical literature also inconsistencies and inconclusive studies about strategic relational capital initiatives and competitive advantage, thus the need to evaluate the influence of selected relational capital initiatives on competitive advantage in SACCOs in Nairobi County, Kenya.

There is little empirical evidence on the effective use of strategic relational capital initiatives on competitive advantage because most reviewed literature only focused general competitive strategies. For instance, a study done by Mummasabba (2015) on “Factors influencing competitive advantage among supermarkets in Kenya” employed

a descriptive survey design. The design was used to structure the research, to show how all of the major parts of the project, which include the samples or groups, measures, treatments or programs, and methods of assignment that work together to try to address the central research questions. The study revealed that product innovation, information technology, managerial capacity, and supplier relationship have a great influence on competitive advantage among supermarkets in Kenya.

The study recommended that further studies for other independent variables such as customer service, employee morale, pricing strategy, quality of the products sold and other factors outside the scope of this study. A study conducted by (Njui, 2013) to determine the Role of strategic business networking as a source of competitive advantage in the Motor Vehicle Industry in Kenya adopted a cross sectional survey design. The study established that foreign companies have entered into strategic networking with the local companies.

Strategic networking leads to companies concentrating on their distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise. The study pointed out that individual resource may not yield to a competitive advantage and it is through the synergistic combination and integration of sets of resources that competitive advantages are formed. The study confined itself to all the motor vehicle companies operating in Kenya and the findings may not be applicable in other sectors as a result of uniqueness of the motor vehicle industry. The study recommended that the study is replicated in other sectors to establish the use of strategic business networking as a source of competitive advantage.

A study done by Lyria (2013) on “Role of Talent Management on Organization Performance in Companies Listed in Nairobi Security Exchange in Kenya” focused on talent management that involves positioning the right people in the right jobs to ensure that the employees maximize their talent for optimal success of the organization. The study reviewed literature related to the role of talent management on organization performance with the view to establish gaps for further studies on the topic. Descriptive, qualitative and quantitative study designs were used and stratified simple random sampling technique was employed to enable select the respondents from the ten stratum of NSE listed companies. The study revealed that talent management is a relatively new area for both public and private sector organizations, the study revealed that most organizations have prioritized it to ensure they acquire, develop and retain the right staff. The research findings indicated learning and development as a component of talent management has a significant influence on the organizational performance.

Most of the reviewed literature results show that studies on strategic relational capital initiatives did not directly link strategic relational capital to competitive advantage. Arising from the above there exists a research gap hence the need to conduct the current study on the influence of strategic relational capital initiatives (core value initiatives, networking initiatives, talent management initiatives and customer relationship initiatives) on competitive advantage in SACCOs in Nairobi County, Kenya.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the methodology that was used in conducting the study. It contains a description of the study design, target population, sample frame, sample size, sample technique, data collection instruments, data collection procedures, pilot test, data processing and analysis.

#### **3.2 Research Design**

This study employed a descriptive survey design. Mugenda (2008) points out that descriptive research is appropriate for collecting data so as to answer questions concerning the current status of a phenomenon and does not involve manipulation of study variables. This was appropriate for collecting descriptive data necessary for both descriptive and inferential analysis.

#### **3.3 Research Site**

First, SACCOs face many challenges when attempting to gain market share and trying to maintain a competitive advantage over rivals. Thus, it can be difficult to know which strategies are worth pursuing based on a business' position in the SACCO industry and on the competitive nature of the industry itself. Therefore, at the corporate level, data on the influence of talent management, core values, networking, and customer relationship on the organization's competitive advantage may be used by the SACCO managers in customizing these feasible relational capital initiatives in

ensuring competitive advantage by the deposit taking SACCOs. Secondly, Nairobi is the commercial and business hub of Kenya and thus hosts headquarters of all major SACCOs in Kenya, which then must engage in strategic relational capital initiatives in order to maintain a competitive advantage over rivals the growing SACCO industry in Kenya.

### 3.4 Target Population

Saunders, Lewis and Thornhill (2000) define population as a full set of cases from which a sample is taken. Thus, a target population is a complete set of individuals, cases or objects with some common observable characteristics. This implies all the members of a real or hypothetical set of people, events or objects to which a researcher would generalize the study results. The target population of this study was 252 senior management staff from the 42 licensed deposit taking SACCO societies in Nairobi County for period ending 31st December, 2018; as shown in table 3.1. The list of 42 licenses deposit taking SACCOs is attached in the appendix.

**Table 3. 1 : Target Population**

<b>CATEGORY OF EMPLOYEE</b>	<b>NO. OF TARGETED RESPONDENTS</b>
CEOs	42
Finance managers	42
Internal Auditors	42
Credit Managers	42
Marketing managers	42
Human Resource Managers	42
<b>Total</b>	<b>252</b>

Source: SASRA (2018)

### 3.5 Study Sample

#### 3.5.1 Study Sample Size

A sample size determines the precision within which population values can be estimated. Therefore, experts emphasize that the sample size has to be reasonably large to obtain accurate estimates of population parameters. However, if the population is significantly homogeneous on a given measure, a small sample will produce accurate estimates of the measure (Mugenda & Mugenda, 2008).

Kothari (2009) defines a sample size as a definite plan for obtaining a sample from the sampling frame. The sample size of this study was determined by Taro Yamane's proportional sampling technique formula. The importance of this expression is that it gives a researcher the required sampling interval for a given population and a known sample.

That is;

$$n = N / (1 + N(e)^2)$$

Where n=Sample size

N=population under study

e=margin error (0.05)

1= constant

Therefore

$$n = 252 / (1 + 252(0.05)^2)$$

$$n = 252 / (1 + 252(0.0025))$$

$$n = 252 / (1 + 0.63)$$

$$n = 252 / 1.63$$

$$n = 155.601 \text{ rounded off to } 156$$

### 3.5.1 Sampling Procedure

The study employed stratified random sampling technique which provided a guideline on how the sampled employees were selected. The technique ensures that sample selection bias is minimized and also ensures that certain cadres of the population are not overrepresented (Mugenda & Mugenda, 2008). Therefore, a sample size of 156 senior management staff was selected using stratified random sampling technique as shown in table 3.2

**Table 3. 2: Sample Size**

Category of Staff	No. of Senior Management Staff	Sample n= (N/Target Pop.) X
	(N)	Sample size
CEOs	42	26
Finance managers	42	26
Internal auditors	42	26
Credit managers	42	26
Marketing managers	42	26
Human Resource Managers	42	26
<b>Total</b>	<b>252</b>	<b>156</b>

Source: Researcher (2019)

### 3.6 Research Instruments

#### 3.6.1 Data Collection Instruments

The study used structured (closed-ended) questionnaire to get responses from respondents to gain a better and more insightful interpretation of the results from the study. The structured questionnaires were constructed based on Likert scale from

which respondents selected the suitable answer that describe their situation by simply ticking (Mugenda & Mugenda, 2008). The questionnaire was divided into three sections.

Part A of the questionnaire sought to establish the demographic information of the respondents which sought respondent's details on gender, age, experience, level of education and position they occupy in the SACCO. Part B solicited information on influence factors (Independent variables) which include talent management, core values, networking and customer relationship initiatives. The Likert scale covered four focus areas of the study that were identified as likely to influence Competitive Advantage in SACCOs. Part C of the questionnaire sought to assess the sustainability of competitive advantage in SACCOs as measured by the Likert scale of measurement. The Likert scale had a range of options from (5) "Strongly Agree" to (1) "Strongly Disagree".

### **3.6.2 Pilot Testing of Research Instruments**

Cooper and Schindler (2010) point out that a pilot test is conducted to detect weaknesses in design and instrumentation to provide proxy data for selection of a probability sample, while Mugenda and Mugenda (2008) assert that a pilot study is conducted when a questionnaire is given to just a few people with an intention of pre-testing the questions. Therefore, prior to carrying out the actual study, the researcher conducted a pilot test on 18 respondents drawn from each of the 6 categories of staff in 3 selected DT SACCOs in Kiambu County which neighbors the study county (Nairobi County). The said respondents that were used during pilot testing did not form part of the study. The objective of piloting is to detect any ambiguities in the



questions, identifying problems in research methodology and data gathering techniques.

### 3.6.3 Validity of Findings

Content validity was used to validate research instruments. Content validity is a judgmental act where experts check whether the items represent the construct which is being studied as well as the wording, formatting and scoring of the instrument.

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#### **3.6.4 Reliability of Research Instruments**

Babbie (2002) define reliability as the degree to which an instrument measures the same way each time it is used under the same conditions. Reliability ensures that the research instruments are consistent (consistency of results) in that it measures exactly the variables of the study. Reliability of the questionnaires was done using Cronbach alpha from data obtained from the pilot study. Babbie (2002) argues that Cronbach alpha of 0.7 or above for all the constructs is considered adequate.

### **3.6.5 Data Collection Procedure**

As required by ethical practices in research, the researcher secured legitimate documents such as ANU research authorization letter from the University. The questionnaires were self-administered through sending hard copies of the questionnaires to the respondents and picking them when dully filled. The researcher engaged five research assistants to assist in administering the questionnaires. The researcher first paid a courtesy visit to the CEO/General Manager of the enlisted SACCOs to avail the letter of notification to carry out research in the SACCO. The study adopted a drop and pick method where the instruments were dropped and collected a week later after having been filled out by the respondents. Frequent follow up was done to overcome a low response rate and chances that the respondents forget to fill in the questionnaires. Confidentiality of the respondents was assured by for instance by asking them not to include their names on the questionnaire and explaining to them the purpose of the study as being academic.

### **3.7 Data Processing and Analysis**

Jwan and Ong'ondo (2011) define data analysis as a systematic process of transcribing, collating, editing, coding and reporting the data in a manner that makes it sensible and accessible to the reader and researcher for the purposes of interpretation and discussion. The study used quantitative methods of data analysis. The study had four objectives and therefore, data analysis was done per each objective. Data collected was edited, cleaned, and coded and computed using SPSS version 24. That is, the coded data was fed into the IBM statistical package for social sciences (IBM SPSS) version 24. Descriptive statistical analysis summarized data into meaningful form by use of frequencies, percentages, means and standard deviations. Moreover,

for variable relationships, inferential statistics, namely correlation, linear and multiple regression analyses was computed.

### 3.7.1 Multiple Regression Model

For modeling the relationship between the depended variable [competitive advantage] and Independent variables [Talent management initiatives, core value initiatives, customer relationship initiatives, networking initiatives], the following multiple regression equation was applied;

$$\gamma = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where  $\gamma$  = Dependent variable [competitive advantage]

$\alpha$  = Constant i.e. the y intercept or the average response when both predictor variables are 0

$X_1$  = Independent variable 1 [Core value initiatives]

$X_2$  = Independent variable 2 [networking initiatives]

$X_3$  = Independent variable 3 [talent management initiatives]

$X_4$  = Independent variable 4 [networking initiatives]

$\varepsilon$  = error term

$\beta_1 \dots \beta_4$  = Beta Coefficients

### 3.7.2 Assumptions of Multiple Regression Analysis

The following assumptions that underlie multiple regression model of analysis were put into consideration. First, normality was tested by histogram with normal curve whereby the curve should show a bell-shaped distribution thus confirming that data is approximately normally distributed.

Secondly, test of linearity refers the degree to which the change in the dependent variable is related to the change in the independent. This was tested by correlation coefficients and correlation results should show that independent variables have significant correlation with the dependent variable.

Thirdly, number of cases of the independent variable ought to be at least 20. This study had four independent variables; therefore, the minimum cases ought to be  $4 \times 20 = 80$ . This study sample size was over 80, hence met this assumption.

Lastly, multi-collinearity tests whether two or more conceptualized independent variables that are highly correlated with each other. This leads to problems with understanding which independent variable contributes to the variance explained in the dependent variable, as well as technical issues in calculating a multiple regression model. This assumption was checked by the inspection of correlation coefficients whereby, when computing a matrix of Pearson's bivariate correlations among all independent variables, the magnitude of the correlation coefficients should be less than 0.9. Thus, Pearson's bivariate correlations values more than 0.9 indicates multicollinearity.

### 3.7.3 Testing of Study Hypotheses

The study tested a total of four hypotheses (**H<sub>01</sub>**, **H<sub>02</sub>**, **H<sub>03</sub>**, **H<sub>04</sub>**) stated in null form and tested at  $p < 0.05$  using regression analysis after the summated scores of categorical data was statistically transformed into continuous data using SPSS version 24 so as to allow running correlations, linear and multiple regression analyses. Therefore, in testing hypotheses the following procedure was adopted;

Example;

(Null Hypothesis) **H<sub>01</sub>**: Core value initiatives have no significant influence on competitive advantage of SACCOs in Nairobi County.

(Alternative Hypothesis) **H<sub>A</sub>**: Core value initiatives have significant influence on competitive advantage of SACCOs in Nairobi County.

Then the test statistic results was set at  $p < 0.05$  significance level;

So, if for instance, the results indicate  $p=0.02$ ; then this is significant at  $p < 0.05$ ;

**Verdict**; reject the null hypothesis (**H<sub>01</sub>**) and accept the alternative hypothesis (**H<sub>A</sub>**) that core value initiatives have significant influence on competitive advantage of SACCOs in Nairobi County; and vice versa.

Therefore, this hypothesis testing procedure was applied in testing all the study's null hypotheses (**H<sub>01</sub>**, **H<sub>02</sub>**, **H<sub>03</sub>**, **H<sub>04</sub>**).

### **3.8 Legal and Ethical Considerations**

First, the researcher had an introduction letter from the University to be used to seek permission from the Management of SACCOs to conduct the study. Secondly, the researcher obtained a permit from the National Council for Science and Technology (NACOSTI). The researcher also assured respondents of confidentiality and that the data being collected will purposely be used for this study.

## CHAPTER FOUR

### DATA ANALYSIS AND FINDINGS

#### 4.0. Introduction

This chapter entails reliability tests, response rate, demographic data, descriptive statistics, linear regression analysis, multiple regression analysis, hypothesis testing and discussion of findings.

#### 4.1 Validity and Reliability of Research Instruments

Validity of research instruments was checked using content validity where all questions were checked for clarity of words and ensuring all questions had adequate content as per the study variables. Reliability of research instruments was tested using Cronbach alpha; which tests internal consistency and the results in table 4.1 shows Cronbach alpha coefficients values of 0.7 and above confirming that reliability of the study's research instruments.

**Table 4. 1: Results of Reliability Test**

Variable	Number of items	Cronbach Alpha
Core value initiatives	6	.823
Networking initiatives	5	.819
Talent management initiatives	7	.851
Customer relationship initiatives	8	.863
Competitive advantage	6	.795



#### 4.2 Response Rate

From 156 questionnaires that were dispatched for data collection, 109 questionnaires were returned completely filled, representing a response rate of 69.9% which is good for generalizability of the research findings to a wider population. The high response rate was achieved by the effective use of research assistants and the researcher also patiently waiting for respondents to fill the questionnaire completely before picking them.

#### 4.3 Analysis of Demographic Data

Demographic data collected included gender, age, level of education of respondents and length of service in the SACCO. The results are displayed in table 4.2.

**Table 4. 2: Demographic Data**

		Frequency	Valid %
<b>Gender</b>	Male	63	57.8
	Female	46	42.2
	<b>Total</b>	<b>109</b>	<b>100.0</b>
<b>Level of Education</b>	Diploma	6	5.5
	Degree	82	75.2
	Masters	21	19.3
	<b>Total</b>	<b>109</b>	<b>100.0</b>
<b>Length of service</b>	Less than 5 years	9	8.3
	5-10yrs	77	70.6
	11 & above years	23	21.1
	<b>Total</b>	<b>109</b>	<b>100.0</b>
<b>Age in yrs</b>	30 yrs & below	5	4.6
	31-39yrs	29	26.6
	40-49yrs	61	56.0
	50yrs & above	14	12.8
	<b>Total</b>	<b>109</b>	<b>100.0</b>

Source: Researcher (2019)

From table 4.2, most respondents were male (57.8%) but the difference was not that big because female respondents were 42.2% implying that most SACCOs in Nairobi county has really tried to employ women and even promote them to senior levels of management.

In regard to level of education, most respondents had degree level of education (75.2%) implying that most employees in senior management levels are graduates, thus understand the need for competitive strategies. Those with Master's degree level were 19.3% meaning that some employees could have acquired this degree to give them a competitive edge when applying for promotion to senior management levels. Lastly, those with Diploma level of education were the least (5.5%) implying that respondents with diploma level of education could be those with CPAs with adequate working experience in financial management of SACCOs.

In terms of length of service, most respondents had worked for 5-10 years (70.6%), followed by those who had worked for 11 and above years (21.1%) implying that most respondents had worked for above 5 years, thus actually understand competitive strategies in SACCOs. Lastly, those who had worked for less than 5 years were the least (8.3%) meaning that these could comprise of youthful employees with innovative management skills to give SACCOs competitive advantage.

Lastly, in regard to age of respondents, most of them were aged 40-49 years (56.0%) implying they had worked for long time hence length of service gave them some advantage for promotion to senior levels of management. Secondly, those aged 31-39 years were 26.6% while those aged 30 years and below were the least (4.6%), implying these were youthful employees who could have been promoted to management levels due to possession of dynamic innovative skills required for

SACCOs competitive advantage. Lastly, those aged 50 years and above were 12.8% implying they had the longest service in SACCOs management, thus really understands strategic relational capital initiatives required for SACCOs competitive advantage.

#### **4.4 Descriptive Statistics**

The descriptive statistics presented in this section are summated responses on the statements measuring the study's independent and dependent variables (core values initiatives, networking initiatives, talent management initiatives, customer relationship initiatives, competitive advantage) using Likert scale with values ranging from 5 to 1; that is; 5=Strongly Agree, 4=Agree, 3= Uncertain, 2=Disagree and 1= Strongly Disagree. The results are presented in the table form showing frequencies of responses as per each statement and its corresponding percentage score in brackets, means and standard deviations.

##### **4.4.1 Descriptive Statistics: Core Values Initiatives**

This summarized responses on whether core values initiatives influence competitive advantage in SACCOs in Nairobi County. The descriptive results are presented in table 4.3.

**Table 4. 3: Descriptive Statistics: Core Value Initiatives**

Statement	5	4	3	2	1	Mean	Std Dev
1. There is a clear consistent set of values that governs the running of the organization	11 (10.1)	51 (46.9)	20 (18.3)	19 (17.4)	8 (7.3)	3.45	0.709
2. The staff and members are periodically trained on core values	17 (15.6)	46 (42.2)	19 (17.4)	17 (15.6)	10 (9.2)	3.39	0.894
3. There is a statement on the organization's core values that clearly communicate its goals	19 (17.4)	51 (46.9)	14 (12.8)	13 (11.9)	12 (11.0)	3.48	0.829
4. There is a clear path for customer feedback	12 (11.0)	42 (38.5)	21 (19.3)	24 (22.0)	10 (9.2)	3.32	0.977
5. The organization behaves ethically, is admirable, worthy of respect, trustworthy	14 (12.8)	45 (41.3)	23 (21.1)	16 (14.7)	11 (10.1)	3.42	0.778
6. Core values are displayed strategically	20 (18.3)	55 (50.5)	17 (15.6)	11 (10.1)	6 (5.5)	3.66	0.865
<b>Valid (listwise) 109</b>							
<b>Grand mean = 3.453</b>							

From table 4.3, most respondents agreed (46.9%) and strongly agreed (10.1%) that there is a clear consistent set of values that governs the running of the organization while a further 46.2% and 15.6% agreed and strongly agreed respectively that the staff and members are periodically trained on core values which thus enables all employees to stick to SACCO core values, because by compromising core values, will necessitate loss of customers to competitors.

More so, 46.9% and 17.4% of respondents agreed and strongly agreed respectively that there is a statement on the organization's core values that clearly communicate its goals; but there were mixed reactions about a clear path for customer feedback; thus while 38.5% agreed, 22.0% disagreed while 19.3% were uncertain, implying that

some SACCOs have not really embraced a clear path for customer feedback which can provide a loophole for loss of customers to competitors due to delayed or known response to customer complains.

Further, 50.5% of respondents agreed that core values are displayed strategically while 41.3% and 12.8% agreed and strongly agreed respectively that the organization behaves ethically, is admirable, worthy of respect and trustworthy; attributes that can assist to attract and retain customers. The grand mean is 3.453 which is rounded off to 4 = agree on the Likert scale of measurement, which generally means that most respondents agreed that core value initiatives influence competitive advantage of SACCOs in Nairobi county. This is also supported by Jacob, Flink and Schuchman (2010) assertion that core value initiatives are broad preferences concerning appropriate courses of action or outcomes that reflects a person's sense of right or wrong or what ought to be; that guide the team member's attitudes and behaviors in directions consistent with a firm's mission and vision; and in this case SACCO's core values as reflected by mission and vision statements can boost its competitive advantage.

#### **4.4.2 Descriptive Statistics: Networking Initiatives**

This summarized responses on whether networking initiatives influences competitive advantage in SACCOs in Nairobi County. The descriptive results are presented in table 4.4.

**Table 4. 4: Descriptive Statistics: Networking Initiatives**

Statement	5	4	3	2	1	mean	Std.dev
1. There is a liaison officer for partnerships and networking	14 (12.8)	44 (40.4)	20 (18.3)	16 (14.7)	15 (13.8)	3.34	0.854
2. There exists a policy on networking	11 (10.1)	43 (39.4)	21 (19.3)	18 (16.5)	16 (14.7)	3.25	0.843
3. The organization enters long term strategic networking with other enterprises in order to improve its own competitive position	16 (14.7)	41 (37.6)	23 (21.1)	17 (15.6)	12 (11.0)	3.29	0.819
4. The organization has existing networking contracts that are geared towards achieving a sustained competitive advantage.	13 (11.9)	42 (38.5)	22 (20.2)	17 (15.6)	15 (13.8)	3.19	0.941
5. The existing networking initiatives are in line with the organization's mission, vision and goals	17 (15.5)	44 (40.4)	23 (21.1)	15 (13.8)	10 (9.2)	3.39	0.879
<b>Valid (listwise) 109</b>							
<b>Grand mean = 3.292</b>							

From table 4.5, there mixed reaction on whether there is a liaison officer for partnerships and networking, because 40.4% agreed, 18.3% were uncertain while 14.7% disagreed and 13.8% strongly disagreed, meaning while SACCOs especially established ones, newly established SACCOs could not be having a liaison officer for partnerships and networking. This is further reinforced by only 39,4% who agreed, 19.3% who were uncertain and 16.5% who disagreed that there exists a policy on networking.

More so, 37.6% agreed, 21.1% were uncertain, while 15.6% disagreed that the organization enters long term strategic networking with other enterprises in order to

improve its own competitive position, implying that some SACCOs have not yet entered strategic networking with other business enterprises which could make them not have competitive advantage with similar SACCOs having strategic networks.

In regard to existing networks, there were still mixed reactions because 38.5% agreed, 20.2% were uncertain while 15.6% disagreed that the organization has existing networking contracts that are geared towards achieving a sustained competitive advantage. This implies a number of SACCOs in Nairobi county do not have existing networking contracts thus have not really embraced networking initiatives to make them gain competitive edge.

Lastly, 40.4% agreed while 21.1% were uncertain and 13.8% disagreed that the existing networking initiatives are in line with the organization's mission, vision and goals. On overall there were mixed reactions about the use of networking initiatives because from responses, some SACCOs have embraced networking initiatives while other SACCOs have not; yet Kohm, La Piana & Gowdy (2000) insisted that networking initiatives involves a mutual exchange or sharing of intangible resources, knowledge and innovations between two or more firms in order to maximize value creation and attain competitive advantage

#### **4.4.3 Descriptive Statistics: Talent Management Initiatives**

This summarized responses on whether talent management initiatives influence competitive advantage in SACCOs in Nairobi County. The descriptive results are presented in table 4.5.

**Table 4. 5: Descriptive Statistics: Talent Management Initiatives**

<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>mean</b>	<b>Std. dev</b>
1. The management identifies top performing and talented employees to develop, nurture and retain	13 (11.9)	42 (38.6)	25 (22.9)	17 (15.6)	12 (11.0)	3.25	0.788
2.The organization strives to attract the right talent	15 (13.8)	43 (39.5)	20 (18.3)	18 (16.5)	13 (11.9)	3.27	0.837
3.The organization designs and maintains employee scorecards and employee surveys for ensuring talent is nurtured and grown perpetually	16 (14.7)	46 (42.2)	24 (22.0)	13 (11.9)	10 (9.2)	3.41	0.856
4.The organization provides an enabling and development of abilities, skills and requirements of the organization to improve retention	12 (11.0)	43 (39.5)	21 (19.3)	19 (17.4)	14 (12.8)	3.18	0.926
5.The organization charts employee retention programs and strategies to recruit, develop, retain and engage quality people	13 (11.9)	44 (40.4)	23 (21.1)	17 (15.6)	12 (11.0)	3.27	0.791
6.Talent management programs, trainings and hiring assessments are an integral aspect of HR processes	12 (11.0)	45 (41.2)	26 (23.9)	17 (15.6)	9 (8.3)	3.31	0.820
7.The organization has innovative initiatives to invest in employees talents for professional development towards growth, succession planning and performance management	13 (11.9)	42 (38.6)	28 (25.7)	14 (12.8)	12 (11.0)	3.28	0.870
<b>Valid (listwise) 109</b>							
<b>Grand mean = 3.281</b>							

From table 4.5, there were mixed reactions about talent management initiatives in SACCOs in Nairobi County. That is, 38.6% agreed, 22.9% were uncertain, while 15.6% disagreed that the management identifies top performing and talented employees to develop, nurture and retain; thus explains the switching behavior of



employees from one SACCO to another. This is further supported by only 39.5% of respondents who agreed that the organization strives to attract the right talent.

Thirdly, 42.2% and 14.7% of respondents agreed and strongly agreed that the organization designs and maintains employee scorecards and employee surveys for ensuring talent is nurtured and grown perpetually; thus a fair move to retain top performing talented employees. However, only 39.5% of respondents agreed that the organization provides an enabling and development of abilities, skills and requirements of the organization to improve retention; thus explaining the reason talented employees could switch to SACCOs that have an enabling environment for development of employee abilities and skills.

More so, most respondents agreed (40.4%) and strongly agreed (11.9%) that the organization charts employee retention programs and strategies to recruit, develop, retain and engage quality people, thus, implying that some SACCOs in Nairobi County have employee retention programs. This is further reinforced by 41.2% and 11.0% of respondents who agreed and strongly agreed respectively that talent management programs, trainings and hiring assessments are an integral aspect of human resource processes.

Lastly, only 38.6% agreed, 25.7% were uncertain while 12.8% of respondents disagreed that organization has innovative initiatives to invest in employees' talents for professional development towards growth, succession planning and performance management. This generally implies that talent management initiatives have not really been embraced by a number of SACCOs in Nairobi county yet, Hughes & Rog, (2008)) reported that talent management initiatives encompasses a set of process that

involve talent discovery, identification, deployment, talent development and talent retention aimed to meet current and future business needs of talents.

#### 4.4.4 Descriptive Statistics: Customer Relationship Initiatives

This summarized responses on whether customer relationship initiatives influence competitive advantage in SACCOs in Nairobi County. The descriptive results are presented in table 4.6.

**Table 4. 6: Descriptive Statistics: Customer Relationship Initiatives**

Statement	5	4	3	2	1	mean	Std.dev
1. There are enough customer care officers to promptly address customer needs	13 (11.9)	47 (43.1)	22 (20.2)	17 (15.6)	10 (9.2)	3.33	0.855
2. The SACCO has established strategies to predict constant changes in customer needs/wants	15 (13.8)	48 (44.0)	19 (17.4)	16 (14.7)	11 (10.1)	3.37	0.891
3. The SACCO offers customer service attributes which are different from those of competitors	11 (10.1)	44 (40.4)	21 (19.3)	20 (18.3)	13 (11.9)	3.18	0.903
4. There is a real-time feedback for new customers and members	12 (11.0)	43 (39.5)	22 (20.2)	18 (16.5)	14 (12.8)	3.19	0.821
5. Customer complaints are addressed in time	15 (13.8)	48 (44.0)	23 (21.1)	14 (12.8)	9 (8.3)	3.42	0.833
6. The SACCO has effective customer attraction practices	8 (7.3)	47 (43.2)	18 (16.5)	24 (22.0)	12 (11.0)	3.14	0.774
7. The SACCO has good financial and social bonding practices	7 (6.4)	49 (45.0)	16 (14.6)	27 (24.8)	10 (9.2)	3.15	0.845
8. The SACCO has effective customer retention programs	10 (9.2)	45 (41.3)	12 (11.0)	29 (26.6)	13 (11.9)	3.09	0.936
<b>Valid (listwise) 109</b>							
<b>Grand mean = 3.234</b>							

From table 4.6, most respondents agreed (43.1%) and strongly agreed (11.9%) that there are enough customer care officers to promptly address customer needs; which is further reinforced by 44.0% and 13.8% of respondents who agreed and strongly agreed that the SACCO has established strategies to predict constant changes in customer needs/wants; thus implying that most SACCOs in Nairobi County have actively address customer needs.

More so, 40.4% and 10.1% of respondents agreed and strongly agreed respectively that the SACCO offers customer service attributes which are different from those of competitors; an institute to attract and retain customers which is reinforced by 39.5% and 11.0% of respondents who agreed and strongly agreed respectively that there is a real-time feedback for new customers and members.

As a way of also implementing customer relationship initiatives, most respondents agreed (44.0%) that customer complaints are addressed in time; 43.2% agreed that the SACCO has effective customer attraction practices, 43.0% agreed that the SACCO has good financial and social bonding practices; while 41.3% agreed that the SACCO has effective customer retention programs. This generally implies that some SACCOs in Nairobi County have embraced customer relationship initiatives as a competitive advantage mechanism which is supported by Schuler, Jackson and Tarique (2011) assertion that customer relationship initiatives are bonding initiatives between the firm and its customers meant to attract and retain a high customer base for the firm.

In this regard, a fair number of SACCOs have rolled out customer relationship initiatives such as focus on customer service charters, financial /social bonding advantages, reviews on customer needs /wants, customer attraction practices so as to gain competitive edge over rivals.

#### 4.4.4 Descriptive Statistics: Competitive Advantage

This summarized responses on competitive advantage in SACCOs in Nairobi County.

The descriptive results are presented in table 4.7.

**Table 4. 7: Descriptive Statistics: Competitive Advantage**

Statement	5	4	3	2	1	mean	Std .dev
1. There is consistent dividend payout	12 (11.0)	42 (38.5)	22 (20.2)	18 (16.5)	15 (13.8)	3.17	0.836
2. There is progress in member's savings to loans disbursed	15 (13.8)	41 (37.6)	24 (22.0)	16 (14.7)	13 (11.9)	3.27	0.822
3. The SACCO has sustained growth in profit after tax	13 (11.9)	43 (39.4)	21 (19.3)	17 (15.6)	15 (13.8)	3.20	0.746
4. The SACCO has sustained dividend growth	14 (12.8)	44 (40.4)	23 (21.1)	17 (15.6)	11 (10.1)	3.30	0.882
5. The SACCO has high number of customer base compared to competitors	11 (10.1)	45 (41.3)	25 (22.9)	16 (14.7)	12 (11.0)	3.25	0.864
6. The SACCO has reputable corporate image	19 (17.5)	54 (49.5)	14 (12.8)	16 (14.7)	6 (5.5)	3.59	0.907
<b>Valid (listwise) 109</b>							
<b>Grand mean = 3.297</b>							

From table 4.7, only 38.5% and 11.0% agreed and strongly agreed respectively that there is consistent dividend payout, while 16.5% of respondents disagreed implying some SACCOs in Nairobi County have inconsistent dividend payouts. Further, only, 37.6% and 13.8% of respondents agreed and strongly agreed respectively that there is progress in member's savings to loans disbursed, while only 39.4% agreed and 11.9% strongly agreed that the SACCO has sustained growth in profit after tax, implying that relatively some SACCOs in Nairobi County do not progress in member's savings to loans disbursed nor have sustained growth in profit after tax.

More so, only 40.4% and 12.8% of respondents agreed and strongly agreed respectively that the SACCO has sustained dividend growth; while 41.3% and 10.1% of respondents agreed and strongly agreed respectively that the SACCO has high number of customer base compared to competitors; implying that some SACCOs in Nairobi County do not have sustained dividend payout nor having a high number of customer base compared to competitors thus really need to adopt competitive strategies.

Lastly, 49.5% and 17.5% of respondents agreed and strongly agreed respectively that the SACCO has reputable corporate image, because corporate image can really either attract or chase away would be customers. This is reinforced by Schuler, Jackson and Tarique (2011) who asserted that profit making companies have competitive advantage when they consistently produce products, services or delivery systems with attributes which correspond to the key buying criteria for the majority of the customers in their targeted market for a long period of time.

In the case of this study, SACCOs, in Nairobi County were assumed to have competitive advantage when they have consistent dividend payout/rate of dividend growth, growth in profit after tax, progress in member's savings to loans disbursed plus growth in membership base.

## **4.5 Inferential Statistics**

Inferential statistics was used by the researcher to make predictions from the collected data.

### **4.5.1 Assumptions of Multiple Regression Analysis Models.**

First, test of linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variable. This was tested by correlation coefficients and correlation results showed that independent variables (core value, networking, talent management and customer relationship initiatives) have significant correlation with the dependent variable (competitive advantage) as shown in table 4.8 on correlation analysis.

Secondly, number of cases of the independent variable ought to be at least 20. This study had four independent variables; therefore, the minimum cases ought to be  $4 \times 20 = 80$ . This study sample size was over 80, hence met this assumption.

Thirdly, multicollinearity tests whether two or more conceptualized independent variables are highly correlated with each other. This leads to problems with understanding which independent variable contributes to the variance explained in the dependent variable, as well as statistical problems in calculating a multiple regression model. This assumption was tested using correlation analysis. Most researchers insist that if correlation coefficient, ( $r$ ) is close to 1 or -1, then there is multicollinearity but if correlation coefficient ( $r$ ) is not above 0.9, then there is no multicollinearity. In this study (table 4.8 on correlation analysis), the highest correlation coefficient between all pairs of independent variables (core value, networking, talent management and customer relationship initiatives) is 0.812, which is below the threshold of 0.9, thus multicollinearity assumption was checked and met.

**Table 4. 8: Correlation Analysis**

		Core Value Initiatives	Networking Initiatives	Talent Management initiatives	Customer Relationship initiatives
Core Value Initiatives	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	109			
Networking Initiatives	Pearson Correlation	.447**	1		
	Sig. (2-tailed)	.000			
	N	109	109		
Talent Management Initiatives	Pearson Correlation	.542**	.633**	1	
	Sig. (2-tailed)	.000	.000		
	N	109	109	109	
Customer Relationship Initiatives	Pearson Correlation	.585**	.678**	.671**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	109	109	109	109
Competitive Advantage	Pearson Correlation	.798**	.737**	.809**	.812**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	109	109	109	109

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Lastly, normality test assumption asserts that data must have a normal distribution and this was tested by the use histograms with normal curve. The results (appendix V) show histograms with bell-shaped normal curves indicating that data was approximately normally distributed, thus met this assumption.

It is almost important to note as a statistical rule that since the researcher collected categorical data on independent and dependent variables, the collected categorical data was first summated and transformed into continuous data using SPSS to allow running of correlations, linear and multiple regressions analyses.

#### 4.5.2 Linear Regression Results

This tested the linear influence of core value initiatives, networking initiatives, talent management initiatives and customer relationship initiatives on competitive advantage

in SACCOs in Nairobi County. This was computed by SPSS based on transformed data from categorical data to continuous data so as to run regression analyses based on continuous data.

#### 4.5.2.1 Linear Influence of Core Value Initiatives on SACCOs Competitive Advantage

This tested the direct influence of core value initiatives on competitive advantage in SACCOs in Nairobi County. The results are shown table 4.9.

**Table 4. 9: Linear Influence of Core Value Initiatives on Competitive Advantage**

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.798 <sup>a</sup>	.637	.634	.70916	.637	187.912	1	107	.000	
ANOVA <sup>b</sup>										
Model	Sum of Squares		df	Mean Square	F	Sig.				
1	Regression	94.502	1	94.502	187.912	.000 <sup>a</sup>				
	Residual	53.811	107	.503						
	Total	148.313	108							
Coefficients <sup>a</sup>										
Model	Unstandardized Coefficients			Standardized Coefficients		T	Sig.			
	B	Std. Error		Beta						
1	(Constant)	.790	.195			4.054	.000			
	Core Value Initiatives	.811	.059		.798	13.708	.000			

a. Dependent Variable: Competitive Advantage

From table 4.9, the model summary shows that  $R^2 = 0.637$ ; implying that 63.7% variations in the competitive advantage in SACCOs in Nairobi County is explained by core value initiatives while other factors not in the study model accounts for 36.3% of variation in competitive advantage in SACCOs in Nairobi County . Further, coefficient analysis shows that core value initiatives have positive significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.811$



(0.059); at  $p < .01$ ). This implies that a single improvement in feasible core value initiatives will lead to 0.811 unit increase in competitive advantage in SACCOs in Nairobi County.

Therefore, the linear regression equation is;

$$(i) y = 0.790 + 0.811X_1$$

Where;

$y$  = competitive advantage in SACCOs in Nairobi County

$X_1$  = core value initiatives

#### 4.5.2.2 Linear Influence of Networking Initiatives on SACCOs Competitive Advantage

This tested the direct influence of networking initiatives on competitive advantage in SACCOs in Nairobi County. The results are shown table 4.10.

**Table 4. 10: Linear Influence of Networking Initiatives on Competitive Advantage**

Model Summary									
Model	R	Adjusted R Square		Std. Error of the Estimate	Change Statistics				Sig. F Change
		R Square	R Square		R Square Change	F Change	df1	df2	
1	.737 <sup>a</sup>	.543	.538	.79617	.543	126.972	1	107	.000
ANOVA <sup>b</sup>									
Model	Sum of Squares		df	Mean Square		F	Sig.		
1	Regression	80.486	1	80.486	126.972	126.972	.000 <sup>a</sup>		
	Residual	67.827	107	.634					
	Total	148.313	108						
Coefficients <sup>a</sup>									
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.		
		B	Std. Error	Beta					
1	(Constant)	1.084	.211			5.148	.000		
	Networking Initiatives	.735	.065	.737		11.268	.000		

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.737 <sup>a</sup>	.543	.538	.79617	.543	126.972	1	107	.000
ANOVA <sup>b</sup>									
Model	Sum of Squares		df	Mean Square		F	Sig.		
1	Regression	80.486	1	80.486	126.972	126.972	.000 <sup>a</sup>		
	Residual	67.827	107	.634					
	Total	148.313	108						
Coefficients <sup>a</sup>									
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.		
		B	Std. Error	Beta					
1	(Constant)	1.084	.211			5.148	.000		
	Networking Initiatives	.735	.065	.737		11.268	.000		

a. Dependent Variable: Competitive Advantage

From table 4.10, the model summary shows that  $R^2 = 0.543$ ; implying that 54.3% variations in the competitive advantage in SACCOs in Nairobi County is explained by networking initiatives while other factors not in the study model accounts for 45.7% of variation in competitive advantage in SACCOs in Nairobi County. Further, coefficient analysis shows that networking initiatives have positive significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.735$  (0.065); at  $p < .01$ ). This implies that a single improvement in feasible networking initiatives will lead to 0.735 unit increase in competitive advantage in SACCOs in Nairobi County. Therefore, the linear regression equation is;

$$(ii) y = 1.084 + 0.735X_2$$

Where;

y = competitive advantage in SACCOs in Nairobi County

$X_2$  = networking initiatives

#### 4.5.2.3 Linear Influence of Talent Management Initiatives on SACCOs Competitive Advantage

This tested the direct influence of talent management initiatives on competitive advantage in SACCOs in Nairobi County. The results are shown table 4.11.

**Table 4. 11: Linear Influence of Talent Management Initiatives on Competitive Advantage**

Model Summary									
Model	R	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	
1	.809 <sup>a</sup>	.654	.651	.69214	.654	202.591	1	107	.000
ANOVA <sup>b</sup>									
Model		Sum of Squares	Df	Mean Square	F			Sig.	
1	Regression	97.053	1	97.053	202.591			.000 <sup>a</sup>	
	Residual	51.260	107	.479					
	Total	148.313	108						
Coefficients <sup>a</sup>									
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t			Sig.	
1	(Constant)	.475	.209		2.276			.025	
	Talent Management	.924	.065	.809	14.233			.000	

a. Dependent Variable: Competitive Advantage

From table 4.11, the model summary shows that  $R^2 = 0.654$ ; implying that 65.4% variations in the competitive advantage in SACCOS in Nairobi County is explained by talent management initiatives while other factors not in the study model accounts for 34.6% of variation in competitive advantage in SACCOS in Nairobi County. Further, coefficient analysis shows that talent management initiatives have positive significant influence on competitive advantage in SACCOS in Nairobi County ( $\beta = 0.924$  (0.065); at  $p < .01$ ). This implies that a single improvement in viable talent management initiatives will lead to 0.924 unit increase in competitive advantage in SACCOS in Nairobi County. Therefore, the linear regression equation is;

$$(iii) y = 0.475 + 0.924X_3$$

Where;

y = competitive advantage in SACCOS in Nairobi County

$X_3$  = talent management initiatives

#### 4.5.2.4 Linear Influence of Customer Relationship Initiatives on Competitive Advantage

This tested the direct influence of customer relationship initiatives on competitive advantage in SACCOs in Nairobi County. The results are shown in table 4.12.

**Table 4. 12: Linear Influence of Customer Relationship Initiatives on Competitive Advantage**

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change	
						F Change	df1	df2		
1	.812 <sup>a</sup>	.659	.656	.68722	.659	207.039	1	107	.000	
ANOVA <sup>b</sup>										
Model	Sum of Squares		Df	Mean Square	F	Sig.				
1	Regression		97.779	1	97.779	207.039	.000 <sup>a</sup>			
	Residual		50.533	107	.472					
	Total		148.313	108						
Coefficients <sup>a</sup>										
Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.				
	B	Std. Error	Beta							
1	(Constant)	.769	.187		4.103	.000				
	Customer relationship	.816	.057	.812	14.389	.000				

a. Dependent Variable: Competitive advantage

From table 4.11, the model summary shows that  $R^2 = 0.659$ ; implying that 65.9% variations in the competitive advantage in SACCOs in Nairobi County is explained by customer relationship initiatives while other factors not in the study model accounts for 34.1% of variation in competitive advantage in SACCOs in Nairobi County. Further, coefficient analysis shows that customer relationship initiatives have positive significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.816$  (0.057); at  $p < .01$ ). This implies that a single improvement in viable customer relationship initiatives will lead to 0.816 unit increase in competitive advantage in SACCOs in Nairobi County. Therefore, the linear regression equation is;

$$(iv) y = 0.769 + 0.816X_4$$

Where;

y = competitive advantage in SACCOs in Nairobi County

X<sub>4</sub> = customer relationship initiatives

#### 4.5.3 Multiple Regression Analysis

Multiple regression analysis was computed to assess the multivariate influence of the study's independent variables (core value, networking, talent management and customer relationship initiatives) on the dependent variable (competitive advantage in SACCOs in Nairobi County). This was after the compulsory assumptions of multiple regression analyses were checked and met. The multiple regression results are shown in table 4.:13.

**Table 4. 13: Multiple Regression Results**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.923 <sup>a</sup>	.851	.846	.46053	.851	148.822	4	104	.000

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	126.255	4	31.564	148.822	.000 <sup>a</sup>
	Residual	22.058	104	.212		
	Total	148.313	108			

a. Predictors: (Constant), Customer relationship, Core Value Initiatives, Networking Initiatives, Talent management initiatives

b. Dependent Variable: Competitive advantage

Table 4.13 shows the multiple regression results of the combined influence of the study's independent variables (core value, networking, talent management and customer relationship initiatives). The model's R squared (R<sup>2</sup>) is 0.851 which shows

that the study explains 85.1% of variation in the competitive advantage in SACCOs in Nairobi County, while other factors not in the conceptualized study model accounts for 14.9%, hence, it is a good study model.

Further, Analysis of Variance (ANOVA) shows the mean squares and F statistics significant ( $F = 148.822$ ; significant at  $p < .001$ ), thus confirming the fitness of the model and also implies that the study's independent variables (core value, networking, talent management and customer relationship initiatives) have significant variations in their contributions to SACCOs competitive advantage.

Further, from the values of unstandardized regression coefficients with standard errors in parenthesis in table 4.14, all the study's independent variables (core value initiatives;  $\beta = 0.444$  (0.111) at  $p < 0.01$ ; networking initiatives;  $\beta = 0.241$  (0.081) at  $p < 0.05$ ; talent management initiatives;  $\beta = 0.499$  (0.135) at  $p < 0.01$ , customer relationship initiatives;  $\beta = 0.508$  (0.220) at  $p < 0.05$ ) significantly influenced competitive advantage in SACCOs in Nairobi County (dependent variable).

From coefficients analysis, customer relationship initiatives had the highest coefficient (0.508), followed by talent management initiatives (0.499), implying that SACCOs that invest in customer value and focus on customer needs and satisfaction, plus recruiting and retaining talented employees will experience high competitive advantage against rivals. Core value initiatives was third (0.444) while networking initiatives was the last (0.241); implying that emphasis on SACCO's core values can also give SACCOs competitive advantage, while few SACCOs that too engage in networking initiatives make them gain a competitive edge against rivals, though some SACCOs in Nairobi County have not really engaged in networking initiatives.

The study's final multiple regression equation is;

$$y = 0.437 + 0.444X_1 + 0.241X_2 + 0.499X_3 + 0.508X_4$$

Where;

y= competitive advantage in SACCOs in Nairobi County

X<sub>1</sub>= core value initiatives

X<sub>2</sub>= networking initiatives

X<sub>3</sub>= talent management initiatives

X<sub>4</sub>= customer relationship initiatives

**Table 4. 14: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.437	.199		2.192	.031
Core Value Initiatives	.444	.111	.442	3.997	.000
Networking Initiatives	.241	.081	.240	2.967	.004
Talent management initiatives	.499	.135	.437	3.692	.000
Customer relationship initiatives	.508	.220	.445	2.307	.023

a. Dependent Variable: Competitive advantage

#### 4.5.4 Hypothesis Testing

**Study hypothesis one (H<sub>01</sub>)** stated that core value initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that core value initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.444$  (0.111) at  $p < 0.01$ ).

**Hypothesis one is therefore rejected.** The results indicate that a single improvement in feasible core value initiatives will lead to 0.444 unit increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Kao (2014) studied on the effective use of a company's core values as enshrined in the mission and vision of the organization and found that when mission, vision and values are more than slogans on a corporate document or simply lip service, they can be leveraged by organizations to create a competitive advantage. That is, some business firm executives do not realize that a firm's mission is an underused asset in improving organizational performance and profitably, and they neglect their ultimate responsibility of aligning their brand and core values in achieving a competitive advantage.

Mathur (2015) study on the appreciation of company core values by employees in UK technological firms also reinforced that for firms to effectively use core values as a competitive advantage, managers should walk the talk, have clear communication during launch of company strategic plan, attract and develop talent with a shared vision, create alignment with departments/teams, and discuss the new mission, vision and values with clients, employees and explain how it will help the organization to build a differentiated brand and enable it to separate itself from its competition.

**Study hypothesis two (H<sub>02</sub>)** stated that networking initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that networking initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.241$  (0.081) at  $p < 0.05$ ).

**Hypothesis two is therefore rejected.** The results indicate that a single improvement in viable networking initiatives will lead to 0.241 unit increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Huggins and Johnston (2010) who studied on networking on a sample of knowledge-intensive firms in Northern England and found that firms



are used to set linkages also with actors of other regions to foster complex knowledge exchanges. These transfers across spatial boundaries provide a high performing network structure combined with innovation-driven growth.

Further, Camuffo and Grandinetti (2011) also studied on inter-firm networks and found that many networking firms share innovations. That is, networks rooted in local contexts, supports the idea that knowledge and innovation spread also outside the boundaries of clustered areas. Further the researchers asserted that what is important to highlight is not just the development of new process and product with the resources embedded in an area, but also the exploration and exploitation of new knowledge coming from networking firms; thus, networking capabilities turn out to increase firms' competitive advantage.

**Study hypothesis three (H<sub>03</sub>)** stated that talent management initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that talent management initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.499$  (0.135) at  $p < 0.01$ ). **Hypothesis three is therefore rejected.** The results indicate that a single improvement in feasible talent management initiatives will lead to 0.499 unit increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Lynch (2015) who studied on the role of talent management initiatives on competitive advantage in financial lending institutions in France and found that talent management initiatives boosts a firm's competitive advantage. The researcher asserted that competitive advantage represents a very important standard for successful companies, because the successful companies are

those that find new forms for the sustainably used advantage, as long their old forms have become known and available widely while the competitors fully know them.

More so, Mathur (2015) also studied on achieving competitive advantage through employees. Study findings showed that attracting and retaining right talented people in the right jobs with the right skills and attitude is the source to success in today's highly competitive business market and company's success depends on employee's behavior, talent and dedication. The recommended that companies should pay much more importance to employee needs and struggle to recruit and retain talented employees.

Finally, **study hypothesis four (H<sub>04</sub>)** stated that customer relationship initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that customer relationship initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.508$  (0.220) at  $p < 0.05$ ). **Hypothesis four is therefore rejected.** The results indicate that a single improvement in sustainable customer management initiatives will lead to 0.508 unit increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Coltman, Devinney and Midgley (2010) who studied on the influence of customer relationship as a competitive practice that fosters firm performance using data from social networks and found that computerized management of the customer relationship and the proximity of social contacts were the most influential elements in fostering competitive advantage.

Further, Nyakerario and Oloko (2014) studied the influence of customer relationship strategies on performance of public university saving and credit cooperative societies in Kenya, and found that customer acquisition and retention strategies significantly

influence the performance of SACCOs like any other organization; while Kimani (2010) studied the relationship between customer relationship and performance in Kenyan manufacturing firms and found that many businesses do not understand the significant role of this concept in the modern dynamic and competitive business environment.

## CHAPTER FIVE

### DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter finalizes the study by presenting summary of study findings, conclusions, recommendations, and suggested areas for further research.

#### 5.2 Discussion of Findings

##### 5.2.1 First Specific Objective

The first specific objective of the study was to determine the influence of core values initiatives on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that core value initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.444$  (0.111) at  $p < 0.01$ ). The results indicate that a single improvement in feasible core value initiatives will yield a significant increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Kim and Mauborgne (2011) also studied whether firm overall purpose as expressed by the firm's core values drives profit. They identified 28 companies as having a well-articulated and authentically-lived purpose (mission and vision) that goes beyond profit maximization. This sample returned 410 percent growth over the ten-year period, compared to only 107 percent growth for the S&P 500 company. The study concluded that a well-articulated mission, vision and values can energize companies towards positive business outcomes and give them a significant advantage over their competitors. Further, the study found that even

though many companies are spending large amounts of effort creating these statements, research indicates that they do not always resonate with employees. Thus, organizational energy is created and released when an organization's people are emotionally and intellectually excited by the firm's vision and values.

Mendez and Stander (2011) also studied on company core values using internal cohesive consciousness aspect in a company structure in US manufacturing firms. The researchers stressed on the need of building cultural cohesion and developing a capacity for collective action and for this to happen, leaders and managers must set aside their personal agendas and work for the common good. That is, the critical issue of internal cohesive consciousness is developing a shared vision of the future and a shared set of values. These values and behaviors must therefore be reflected in all the processes and systems of the organization with appropriate consequences for those who are not willing to walk-the-talk.

### **5.2.2 Second Specific Objective**

The second specific objective of the study was to examine the role of networking initiatives on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that networking initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.241$  (0.081) at  $p < 0.05$ ). The results indicate that a single improvement in viable networking initiatives will yield a significant increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Grandori and Soda (2005) who studied on the use of firm networking and found that main variables that characterize a network are mainly the degree of differentiation between units (both from a negative side linked to the coordination costs, and from a positive side linked to the innovation and

complementary resources); the intensity of inter-firm interdependences (that is in turn affected by asset specificity, uncertainty, resource exchanges); the number of units to coordinate; the complexity of interdependent activities; and the asymmetries between resources of different firms in the network, such as knowledge flows and information. The study recommended that for business firms to foster competitive advantage they have to make a network operative coordination mechanism and other systems of cooperation have to be applied.

Xu (2015) study in networking in Chinese business also found that business networking between high performing and low performing firms cannot cease to exist. That is, attained business unit performance is an adequate indicator of business network utilization for three reasons. First, linked to the absorptive capacity argument, high-performance businesses are likely to have a higher absorptive capacity than low-performance businesses; high performers already have the experience and knowledge needed to identify and successfully implement new knowledge in their units. Second, linked to the relative position argument, the study found that high-performance businesses may benefit differently from their peers compared to low performing businesses since the relative knowledge position of high performers is strong. Finally, related to the knowledge needs argument, the study found that low performing businesses require basic knowledge on how to attain higher sales levels, whereas the high performing businesses already understand their business and need broader and more complex knowledge to take their business to the next level so as to sustain competitive advantage; thus some SACCOs in Nairobi county that have not engaged in it need to roll out viable networking initiatives.

### 5.2.3 Third Specific Objective

The third specific objective of the study was to evaluate the influence of talent management initiatives on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that talent management initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.499$  (0.135) at  $p < 0.01$ ). The results indicate that a single improvement in feasible talent management initiatives will yield a significant increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Diab (2014) also studied on whether the Jordanian private hospitals use talent management as a competitive advantage dimension to achieve competitive advantage, the data were obtained from 200 managers. The findings showed that the Jordanian private hospitals used talent management dimensions to achieve competitive advantage.

Shafieian (2014) studied on talent management components so as to find out the importance of talent management in the University of Chaloos in Iran. The data were obtained from 198 employees in Chaloos University through questionnaire. The findings showed that talent management components provide a way to reduce challenges and improve employee performance which improved the university's competitive advantage.

Locally, Lyria (2013) studied on role of talent management on company performance in Companies Listed in Nairobi Security Exchange in Kenya. The study used the analytical approach. The findings showed that talent management has a very important competitive role in improving company performance, thus use of talent management initiatives can boost SACCO performance.

#### 5.2.4 Fourth Specific Objective

Lastly the fourth specific objective was to assess the influence of customer relationship initiatives on competitive advantage in SACCOs in Nairobi County. Multiple regression results indicate that customer relationship initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.508$  (0.220) at  $p < 0.05$ ). The results indicate that a single improvement in sustainable customer management initiatives will yield a significant increase in competitive advantage in SACCOs in Nairobi County.

The results are supported by Al-Azzam (2015) studied on customer relationship strategies and its role in achieving competitive advantage in Princess Rahma Hospital for Pediatric in Jordan. The study aimed to find out the effect of customer attraction, development and retention on competitive advantage achievement. The study used the analytical and descriptive approach. The data were obtained from 164 staff at Princess Rahma Hospital for Pediatrics through questionnaire survey. The findings showed that there is a significant statistical effect of customer attraction and retention strategies on achieving competitive.

John and Fredrick (2012) also studied on how customer relationship is used as a competitive strategy by firms in China and found that when well used addresses all aspect of identifying customers, creating customer knowledge, building customer relationship and shaping their perception of the organization and its products. The study recommended that in order to have a more efficiently-managed customer relationship, competing firms must focus on effectively turning information into intelligent business knowledge. That information can come from anywhere inside or outside the firm. This requires successful integration of multiple database and



technologies such as the internet, call centers, sales force automation and data warehousing.

Jerono (2012) also conducted a study on customer relationship marketing as retention strategy in commercial banks and found that customer relationship marketing positively influenced retention of customers thus boosting the banks' competitive advantage, thus, customer relationship initiatives can be applied to achieve advantage in SACCOs.

In this regard, SACCOs with effective management of customer relationships, real time feedback can attract and retain many customers compared to rival SACCOs with poor customer relationship management. That is SACCOs in Nairobi County need to roll out vibrant customer management initiatives to gain a competitive edge against rivals.

## **5.2 Summary of Main Findings**

The general objective of the study was to investigate the influence of strategic relational capital initiatives on competitive advantage in Savings and Credit Cooperatives (SACCOs) in Nairobi County, Kenya. The study tested a total of four hypotheses; **H<sub>01</sub>**: Core value initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County; **H<sub>02</sub>**: Networking initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County; **H<sub>03</sub>**: Talent management initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County; **H<sub>04</sub>**: Customer relationship initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County.

**Study hypothesis one (H<sub>01</sub>)** stated that core value initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. From descriptive statistics, grand mean is 3.453 which is rounded off to 4 = agree on the Likert scale of measurement, which generally means that most respondents agreed that core value initiatives influence competitive advantage of SACCOs in Nairobi county. This is also supported by Jacob, Flink and Schuchman, (2010) assertion that core value initiatives are broad preferences concerning appropriate courses of action or outcomes that reflects a person's sense of right or wrong or what ought to be; that guide the team member's attitudes and behaviors in directions consistent with a firm's mission and vision; and in this case SACCO's core values as reflected by mission and vision statements can boost its competitive advantage.

Multiple regression results indicate that core value initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.444 (0.111)$  at  $p < 0.01$ ). The results indicate that a single improvement in feasible core value initiatives will lead to 0.444 unit increase in competitive advantage in SACCOs in Nairobi County.

**Study hypothesis two (H<sub>02</sub>)** stated that networking initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. From descriptive statistics, there were mixed reactions about the use of networking initiatives because from responses, some Saccos have embraced networking initiatives while other Saccos have not; yet Kohm, La Piana and Gowdy (2000) insisted that networking initiatives involves a mutual exchange or sharing of intangible resources, knowledge and innovations between two or more firms in order to maximize value creation and attain competitive advantage.

Multiple regression results indicate that networking initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.241$  (0.081) at  $p < 0.05$ ). The results indicate that a single improvement in viable networking initiatives will lead to 0.241 unit increase in competitive advantage in SACCOs in Nairobi County.

**Study hypothesis three (H<sub>03</sub>)** stated that talent management initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. From descriptive statistics, most respondents agreed that not all Saccos use innovative initiatives to invest in employees talents for professional development towards growth, succession planning and performance management. This generally implies that talent management initiatives have not really been embraced by a number of Saccos in Nairobi county yet, Hughes and Rog (2008)) reported that talent management initiatives encompasses a set of process that involve talent discovery, identification, deployment, talent development and talent retention aimed to meet current and future business needs of talents.

Multiple regression results indicate that talent management initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.499$  (0.135) at  $p < 0.01$ ). The results indicate that a single improvement in feasible talent management initiatives will lead to 0.499 unit increase in competitive advantage in SACCOs in Nairobi County.

Lastly, **study hypothesis four (H<sub>04</sub>)** stated that customer relationship initiatives have no significant influence on competitive advantage in SACCOs in Nairobi County. From descriptive statistics, most respondents agreed that not all SACCOs use innovative initiatives to invest in employees' talents for professional development

towards growth, succession planning and performance management. This generally implies that talent management initiatives have not really been embraced by a number of SACCOs in Nairobi county yet, Hughes and Rog (2008) reported that talent management initiatives encompasses a set of process that involve talent discovery, identification, deployment, talent development and talent retention aimed to meet current and future business needs of talents.

Multiple regression results indicate that customer relationship initiatives have significant influence on competitive advantage in SACCOs in Nairobi County ( $\beta = 0.508$  (0.220) at  $p < 0.05$ ). The results indicate that a single improvement in sustainable customer management initiatives will lead to 0.508 unit increase in competitive advantage in SACCOs in Nairobi County.

From descriptive statistics on implementation of customer relationship initiatives, most respondents agreed (44.0%) that customer complaints are addressed in time; 43.2% agreed that the SACCO has effective customer attraction practices, 43.0% agreed that the SACCO has good financial and social bonding practices; while 41.3% agreed that the SACCO has effective customer retention programs. This generally implies that some SACCOs in Nairobi County have embraced customer relationship initiatives as a competitive advantage mechanism which is supported by Schuler, Jackson and Tarique (2011) assertion that customer relationship initiatives are bonding initiatives between the firm and its customers meant to attract and retain a high customer base for the firm.

#### **5.4 Conclusion**

First, the study concludes that core values initiatives can significantly boost SACCOs' competitive advantage if well implemented by all employees beginning from top management level.

Secondly, networking initiatives have not been utilized by some SACCOs in Nairobi County yet when well-articulated within the SACCO's policy framework can yield significant competitive advantage. Thirdly, talent management initiatives though new to some SACCOs in Nairobi County can significantly boost SACCOs competitive advantaged when effectively applied to attract and retain talented and innovative employees.

Fourthly, customer relationship initiatives considerably enhance SACCO's competitive edge when efficiently utilized to attract and retain an enormous customer base.

#### **5.5 Recommendations**

First, the top management of SACCOs should play a leading role in instigating core values to all employees if the SACCO has to successfully utilize core value initiatives to achieve competitive advantage.

Secondly, networking initiatives should be well-articulated within the SACCO's policy framework so as to yield significant competitive advantage for the SACCO.

Thirdly, talent management initiatives should be well implemented to attract and retain talented and innovative employees which will in the long run significantly boost SACCOs competitive advantaged

Fourthly, SACCOs should effectively utilize customer relationship initiatives to attract and retain customers so as enhance SACCO's competitive edge in terms of building a large customer base.

### **5.6 Areas of Further Research**

First, a longitudinal study for a span of five years can be done on all SACCOs in Kenya that have successfully implemented strategic relational capital initiatives so as to determine key success indicators of strategic relational capital initiatives in giving SACCOs competitive edge.

Secondly, a similar study can be done on sustainability of strategic relational capital initiatives on SACCO's competitive advantage.

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## APPENDICES

### APPENDIX 1: LETTER OF TRANSMITTAL OF DATA COLLECTION

Lydia Muriuki  
Africa Nazarene University,  
Nairobi Campus.

18<sup>th</sup> Sept. 2019

#### **RE: REQUEST FOR DATA BY FILLING QUESTIONNAIRES**

I am Lydia Muriuki, a student at African Nazarene University undertaking an MBA degree. As part of the partial fulfillment of the degree, am carrying a research on (Influence of strategic relational capital initiatives on competitive advantage of savings and credit cooperatives in Nairobi County, Kenya.

I therefore kindly request for your time in filling this questionnaire. Please note the highest level of confidentiality will be observed thus you are not required to indicate your name. Further, that there is no right or wrong answer and the study is for academic purposes only.

Thanks

Lydia Muriuki

**APPENDIX II: RESEARCH QUESTIONNAIRE**

Use a tick (✓) for appropriate response

Do not indicate your name on the questionnaire

**Section A: Demographic Information**

1. Please state your gender

Male

Female

2. Please indicate your age bracket

30 years and below

31-39 years

40-49 years

50 years and above

3. State the number of years you have worked in the SACCO

Less than one year

1-2 years

3-5 years

Above 5 years

## 4. Please indicate the level of your education

- PhD [ ]
- Masters [ ]
- Bachelor's degree [ ]
- Diploma [ ]
- Certificate [ ]

## 5. Please indicate your position in the organization

- Chief Executive Officer/General Manager [ ]
- Finance/accounting manager [ ]
- Internal Auditor [ ]
- Credit Manager [ ]
- Marketing Managers [ ]
- Human Resource Manager [ ]



**Section B: Part I: Talent Management Initiatives**

In this section please tick (✓) the most appropriate response for each of the statements in the table below with the following scores in mind: Strongly Agree (SA=5), Agree (A=4), Not Sure (NS=3), Disagree (D=2), and Strongly Disagree (SD=1).

	<b>Statements</b>	<b>(5)</b>	<b>(4)</b>	<b>(3)</b>	<b>(2)</b>	<b>(1)</b>
6	The management identifies top performing and talented employees to develop, nurture and retain					
7.	The organization strives to attract the right talent					
8	The organization designs and maintains employee scorecards and employee surveys for ensuring talent is nurtured and grown perpetually					
9	The organization provides an enabling and development of abilities, skills and requirements of the organization to improve retention					
10	The organization charts employee retention programs and strategies to recruit, develop, retain and engage quality people					
11	Talent management programs, trainings and hiring assessments are an integral aspect of HR processes					
12	The organization has innovative initiatives to					

invest in employees' talents for professional development towards growth, succession planning and performance management					
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13. What other talent management initiatives would you like your organization to initiate?

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### Section B: Part ii: Core Value Initiatives

In this section please tick (✓) the most appropriate response for each of the statements in the table below with the following scores in mind; Strongly Agree (SA=5), Agree (A=4), Not Sure (NS=3), Disagree (D=2), and Strongly Disagree (SD=1).

	Statements	(5)	(4)	(3)	(2)	(1)
14.	There is a clear consistent set of values that governs the running of the organization					
15.	The staff and members are periodically trained on core values					
16.	There is a statement on the organization's core values that clearly communicate its goals					
17.	There is a clear path for customer feedback					
18.	The organization behaves ethically, is admirable, is worthy of respect,					

	is trustworthy					
19	Core values are displayed strategically					

20. When was the last time that the organization’s core values were reviewed?

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21. Are core values monitored and evaluated? If yes, how often?

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**Section B: Part iii: Customer relationship Initiatives**

In this section please tick (✓) the most appropriate response for each of the statements in the table below with the following scores in mind; Strongly Agree (SA=5), Agree (A=4),Not Sure (NS=3),Disagree (D=2),and Strongly Disagree (SD=1).

	Statements	(5)	(4)	(3)	(2)	(1)
23	There are enough customer care officers to promptly address customer needs					
24	The SACCO has established strategies to predict constant changes in customer needs/wants					
25	The SACCO offers customer service attributes which are different from those of competitors					
26	There is a real-time feedback for new					

	customers and members					
27	Customer complaints are addressed in time					
28	The SACCO has effective customer attraction practices					
29	The SACCO has good financial and social bonding practices					
30	The SACCO has effective customer retention programs					

31. What other customer relationship initiatives would you recommend for the SACCO?

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#### Section B: Part iv: Networking Initiatives

In this section please tick (✓) the most appropriate response for each of the statements in the table below with the following scores in mind; Strongly Agree (SA=5), Agree (A=4), Not Sure (NS=3), Disagree (D=2), and Strongly Disagree (SD=1).

	Statements	(5)	(4)	(3)	(2)	(1)
32.	There is a liaison officer for partnerships and networking					
33.	There exists a policy on networking					
34.	The organization enters long term strategic networking with other					

	enterprises in order to improve its own competitive position					
35.	The organization has existing networking contracts that are geared towards achieving a sustained competitive advantage.					
36.	The existing networking initiatives are in line with the organization's mission, vision and goals					

37. List the current networking collaborations in your SACCO

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38. What are the challenges experienced by the SACCO due to networking?

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**Section C: Competitive Advantage**

In this section please tick (✓) the most appropriate response for each of the statements in the table below with the following scores in mind; Strongly Agree (SA=5), Agree (A=4), Not Sure (NS=3), Disagree (D=2), and Strongly Disagree (SD=1).

Statements	(5)	(4)	(3)	(2)	(1)
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39.	There is consistent dividend payout					
40.	There is progress in member's savings to loans disbursed					
41.	The SACCO has sustained growth in profit after tax					
42.	The SACCO has sustained dividend growth					
43.	The SACCO has high number of customer base compared to competitors					
44	The SACCO has reputable corporate image					

**END**

**THANK YOU**

**APPENDIX VI: NACOSTI RESEARCH PERMIT**

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 299555	Date of Issue: 25/September/2019
<b>RESEARCH LICENSE</b>	
	
<p>This is to Certify that Ms. LYDIAH MURIUKI of Newcastle University, has been licensed to conduct research in Nairobi on the topic: INFLUENCE OF STRATEGIC RELATIONAL CAPITAL INITIATIVES ON COMPETITIVE ADVANTAGE OF DEPOSIT TAKING SAVINGS AND CREDIT COOPERATIVES IN NAIROBI, COUNTY, KENYA for the period ending : 25/September/2020.</p>	
License No: NACOSTI/P/19/1791	
299555 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
<p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	

**APPENDIX IV : ANU RESEARCH AUTHORIZATION LETTER**



**AFRICA NAZARENE**  
UNIVERSITY

20<sup>th</sup>, September 2019

E-mail: [researchwriting.mba.anu@gmail.com](mailto:researchwriting.mba.anu@gmail.com)

Tel. 0202711213

Our Ref: 18S03DMBA011

The Director,  
National Commission for Science,  
Technology and Innovation (NACOSTI),  
P. O. Box 30623, 00100  
Nairobi, Kenya

Dear Sir/Madam:

**RE: RESEARCH AUTHORIZATION FOR: MRS. LYDIA MURIUKI**

Mrs. Muriuki is a postgraduate student of Africa Nazarene University in the Master of Business Administration (MBA) program.

In order to complete her program, Mrs. Muriuki is conducting a research entitled: **“Influence of Strategic Relational Capital Initiatives on Competitive Advantage of Deposit Taking Savings and Credit Cooperatives in Nairobi County, Kenya”**

Any assistance offered to her will be highly appreciated.

Yours Faithfully,

  
**PROF. ORPHA ONG'ATI,**  
**PRINCIPAL, NAIROBI CBD CAMPUS.**



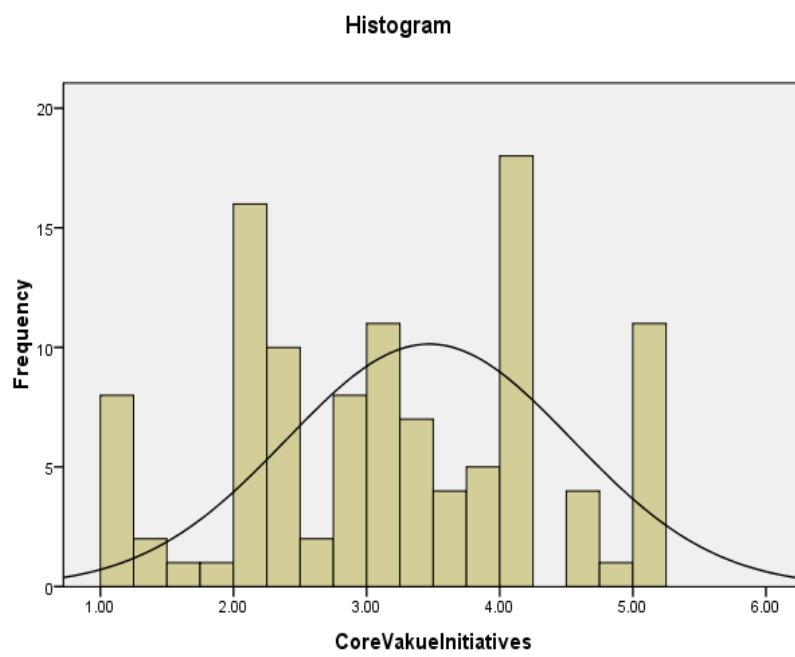
**APPENDIX III : LIST OF SACCOSs IN NAIROBI COUNTY**

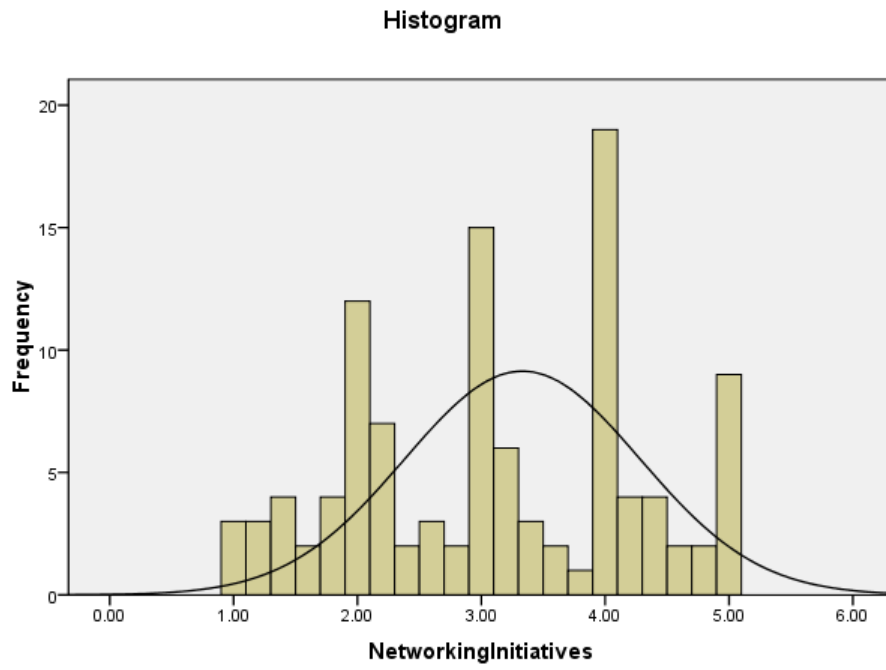
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1	Afya SACCO Society Ltd
2	Airports SACCO Society Ltd
3	Ardhi SACCO Society Ltd
4	Asili SACCO Society Ltd
5	Chai SACCO Society Ltd
6	Chuna SACCO Society Ltd
7	Comoco SACCO Society Ltd
8	Elimu SACCO Society Ltd
9	Fundilima SACCO Society Ltd
10	Harambee SACCO Society Ltd
11	Hazina SACCO Society Ltd
12	Jamii SACCO Society Ltd
13	Kenpipe SACCO Society Ltd
14	Kenversity SACCO Society Ltd
15	Kenya Bankers SACCO Society Ltd
16	Kenya Police SACCO Society Ltd
17	Kingdom SACCO Society Ltd
18	Magereza SACCO Society Ltd
19	Maisha Bora SACCO Society Ltd
20	Metropolitan National SACCO Society Ltd
21	Mwalimu National SACCO Society Ltd
22	Mwito SACCO Society Ltd
23	Nacico SACCO Society Ltd
24	Nafaka SACCO Society Ltd

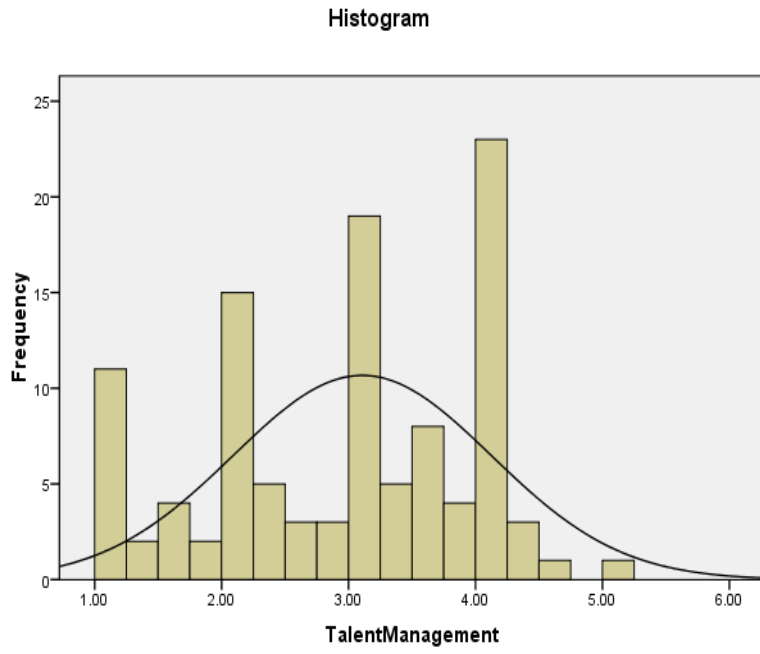
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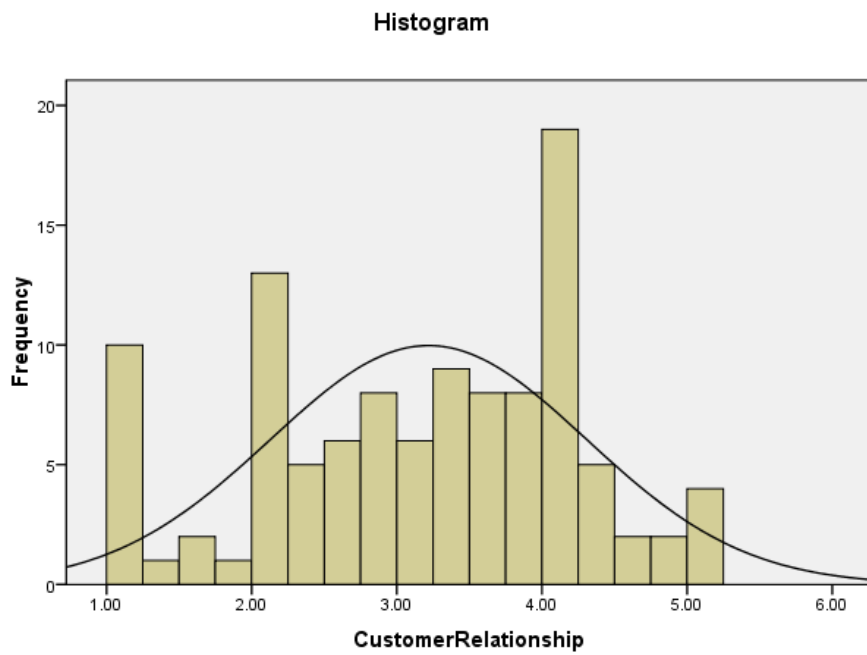
- 
- 25 Nation SACCO Society Ltd
  - 26 Nssf SACCO Society Ltd
  - 27 Nyati SACCO Society Ltd
  - 28 Safaricom SACCO Society Ltd
  - 29 Sheria SACCO Society Ltd
  - 30 Shirika SACCO Society Ltd
  - 31 Shoppers SACCO Society Ltd
  - 32 Stima SACCO Society Ltd
  - 33 Taqwa SACCO Society Ltd
  - 34 Tembo SACCO Society Ltd
  - 35 Ufanisi SACCO Society Ltd
  - 36 Ukristo Na Ufanisi Wa Anglicana SACCO  
Society Ltd
  - 37 Ukulima Saco Society Ltd
  - 38 Unaitas SACCO Society Ltd
  - 39 United Nations SACCO Society Ltd
  - 40 Wana – Anga SACCO Society Ltd
  - 41 Wanandege SACCO Society Ltd
  - 42 Waumini SACCO Society Ltd

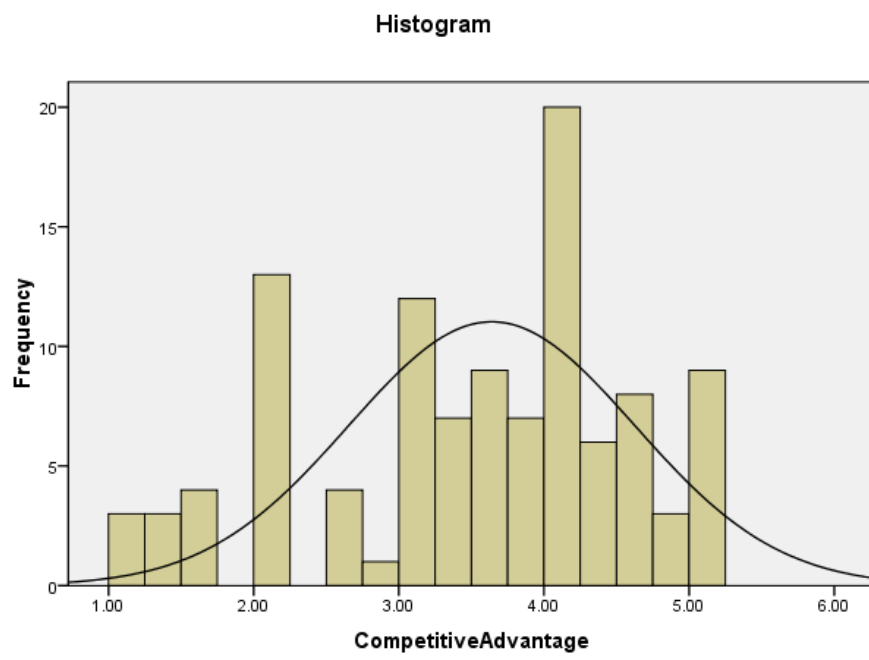
**APPENDIX V : NORMALITY TESTS****Core value initiatives****Networking initiatives**



**Talent Management initiatives**



**Customer relationship initiatives**

**Competitive advantage**

APPENDIX VI: MAP OF STUDY AREA

