

## **THE MODERATING EFFECT OF LEVEL OF EDUCATION ON CAPITAL RESOURCE FOR INCREASED EMPLOYEE PERFORMANCE: A CASE OF COURIER COMPANIES IN KENYA**

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**ABSTRACT:** *The concept and perspective of level of education from human capital theory stems from the fact that there is no substitute for knowledge and learning, and that, they need to be relentlessly pursued and focused on by employees. This is according to Rastogi, (2000). Sustaining enterprise competitiveness –is human capital the Answer? He emphasizes on the need for a desire of individuals to invest their skills and expertise in the organization and their position. Many organizations however fail to embrace importance of knowledge, skill and learning as portrayed by high employee turnover as a result of incompetence. This paper analyses the moderating impact of the level of education given dynamic capital resource capabilities on employee performance. Its focus is on Courier companies in Kenya. It is rooted to the Resource based theory, which encourages a shift toward the employee skills and their relative contribution to value creation. A target population of 2800 was considered and a sample size of 339 respondents arrived at using Cochran's formula. The study was explanatory and used simple random sampling. Data was analyzed using descriptive and inferential statistics. Correlation and moderated regression analysis were used to test the hypothesis. Level of education was found to moderate the relationship between capital resource capabilities, and employee performance. The study provides new insights into factors influencing employee performance through the moderation of level of education. The paper recommends that courier companies should identify their critical capital resource capabilities putting emphasis on those that enhance employee performance and train employees on computer usage and internet.*

**KEYWORDS:** Training, Level of Education, Employee Performance, Courier Company

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### **INTRODUCTION**

According to studies by Chen *et al.*, (2010) level of education has been used in developed world, its findings were significant and they recommended that this be used in other countries to explore differences in culture. Level of education has also been used successfully as a moderator in other research (Pfeffer, 1994; Komen, 2012). Researchers have long understood that human capital, especially one's education and training, plays an important role in organizations (Becker, 1983).

Courier companies around the world have been seeking methods to support their operational practices in order to keep or increase their relative market share and generate huge profits (Borenstein *et al.*, 2004). Courier service is a provision for special delivery of packages, money, documents or information (Hipp & Grupp, 2005). Courier businesses involve the physical transportation by man and these include physical transportation of items like packages and letter mail delivery (Gru'nert & Sebastian, 2000).

Firms which attract highly educated and/or highly skilled workers provide skill-development and cross-training to develop difficulties to trade and imitation of scarce and appropriable specialized human capital assets (Amit & Shoemaker, 1993). Attracting and retaining high-quality personnel is considered a critical innovative strategy (Branzei & Vertinsky, 2006), which can be achieved by recruiting, and maintaining a well-trained labour force among them managers whose knowledge, skills and abilities serve as a source of innovation (Zahra & Nielsen, 2002). Empirical studies have examined the role of employees as an enabling factor which allows the firm to acquire and apply new knowledge (Celuch *et al.*, 2002) and to allow other resource capabilities to be developed fully (Ranft & Lord, 2002). Therefore, firms should base employment sourcing decisions on the degree to which skills contribute to the core capabilities of the firm. Development of human capital consistently enables superior performance (Gimeno *et al.*, 1997).

This paper is significant because it contributes to an improvement in employee performance in courier companies in Kenya. The need to be facilitated through provision and efficient utilization of the scarce resources is paramount. The moderating effect of level of education extends the theory and knowledge in strategic management.

## UNDERPINING LITERATURE

### Resource Based View theory

The Resource Based View has emerged in recent years as a popular theory of competitive advantage. The term was originally coined by Wernerfelt, (1984), and has become an influential perspective in strategic management (Fahy, 2000). The resource based perspective encourages a shift towards the employee skills and their relative contribution to value creation. This theory suggests that core employee skills should be developed and maintained internally specifically based on value-creating potential and uniqueness of employees (Lepak & Snell, 1999). According to Penrose, (1959), a firm is more than an administrative unit. It is also a collection of productive resources where the choice of different uses of these resources over time is determined by administrative decision.

Understanding sources of sustained competitive advantage has become a major area of study in strategic management (Barney, 2007; Flint & Fleet, 2005; King, 2007). It is these resources that will enable employees work better and thus enable the company achieve a competitive advantage, building on the assumption that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage are value, rareness, inimitability and non-substitutability.

The Resource Based View contends that competitive advantage lies in the possession of certain key resources, that is, resources having the characteristics of value barriers to duplication and appropriateness (Fahy, 2000). This theory places emphasis on strategic choice, charging the firm's management with important tasks of identifying, developing and deploying key resources to maximize returns (Fahy, 2000). The resource based view stipulates that in strategic management the fundamental sources and drivers to a firm's competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and hard to copy.

Discussion by Barney, (2007) argued that firm resources include all assets, capabilities, organizational processes, firm attributes, information, and knowledge controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness. A firm is said to have competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and this is only when these other firms are unable to duplicate the benefits of this strategy (Barney, 2001).

A resource based view theory has indeed provided an avenue for organizations to plan and execute organizational strategy via examining the position of its internal resources and capabilities towards achieving competitive advantage (Sheehan & Foss, 2007). The notion that firms are fundamentally heterogeneous, in terms of their resources and internal capabilities has long been at the heart of the field of strategic management. The classic approach to strategy formulation, for example, begins with an appraisal of organizational competencies and resources (Thompson & Strickland, 1990). Those which are distinctive or superior relative to those of rivals may become the basis for competitive advantage if they are matched appropriately to environmental opportunities (Thompson & Strickland, 1990).

When firms are stable they provide adequate resources to their employees which in turn get motivated to work better building on their human capital capabilities. Description by Prahalad and Hamel, (1990) shows core competencies particularly those which involve collective learning and are knowledge-based, are enhanced as they are applied. Such resources may provide both the basis and the direction for the growth of the firm itself through its hard working employees. Current capabilities may both impel and constrain future learning and investment activity and thereafter lead to collapse of the firm.

An advantage to the organization is that resources are perfectly immobile, employee skills and their intrinsic qualities cannot be traded. An observation by Dierickx and Cool, (1989) gives several examples of intrinsic qualities on resources for property rights are not well defined. Resources which are strongly time-path dependent or which are socially complex fit this category (Barney, 2001) While these resources may be difficult to reproduce or extend, the firm owning the assets is likely to have a strong advantage in extending them over other firms. Flint and Fleet, (2005) draw upon resource-based theory in developing a behavioral view of strategic assets on human capital capabilities and offer some prescriptive advice on how to target, develop and deploy them. Wernerfelt, (1989) proposes some guidelines to help managers identify their critical resources and decide how to apply them.

The values of resources lies in their ability to neutralize threats and enable a company to exploit opportunities that arise in a business environment, which is, resources are valuable if they enable a company to design and implement strategies that improve employee efficiency and effectiveness (Barney & Clark, 2007).

## METHODOLOGY

This study used explanatory research design method to establish the moderating effect of level of education on employee performance, given capital resource capabilities in courier companies (Oso & Onen, 2005).

The target population for this study included all cadres of employees of registered courier companies in Nairobi County, Kenya. The target population for this study was 2800 employees in 109 courier companies in Nairobi County.

This study adopted simple random sampling techniques to select a representative sample from the target population. To get the representative sample Cochran's, (1963) formula of finite population as indicated was used:

$$\text{Cochran, (1963) formula: } n = \frac{\frac{\text{no.}}{\text{no.}-1}}{1 + \frac{\text{no.}-1}{N}}$$

Where: n = new sample size

no. = 385

N = Population of the study

$$\begin{aligned} \text{Therefore the sample size is: } n &= \frac{385}{\frac{385-1}{1+384}} \\ &= \frac{385}{1+0.13714} \end{aligned}$$

*Sample size = 339 Respondents*

The study utilized primary data Primary data which has been found to be robust in empirical studies (Hair *et al*; 1995). The primary data was obtained from employees of courier companies through self-administered questionnaires.

The Principal Components Factor Analysis (PCA) was used to determine the factor structure of the constructs. Construct means and standard deviations were computed to examine the variance in responses. To establish the statistical significance of the respective hypotheses, analysis of variance (ANOVA) as well as moderated linear regression analysis were conducted as appropriate at 95 percent confidence level ( $\alpha = 0.05$ ).

## RESULTS AND DISCUSSIONS

Level of education was found to be a very good moderator. The hypotheses that stated: Level of Education does not affect the relationship between capital resource capabilities and employee performance was tested using correlation and moderated regression analysis.

The study indicated that most of the employees were of diploma level and below as shown in table1. This also is an indicator that the management of courier companies has not emphasized acquisition of more knowledge through further education for employees that will enable them gain more knowledge and skill development and thus improve on work performance.

**Table 1 Descriptive statistics for Study Variables**

Descriptive	Item Statistics		
	Mean	Std. Deviation	N
I achieve and supersede organization set targets yearly	4.2343	.69800	320
My performance has contributed to high profits for courier	4.2375	.58708	320
My performance enabled the firm grow its market share	3.9625	.73333	320
I perform duties according to my area of specialization	4.0000	.73854	320
My effort contribute to high Return on investment to the firm	4.0437	.62694	320
I am efficient in service delivery every year	4.1750	.62897	320
I am motivated and dedicated to work for the firm	2.9125	1.0008	320
I am highly educated and knowledgeable in service provision	4.0218	.80134	320
I have many years' experience in work performance	4.0406	.69587	320
I always have a positive attitude towards work	3.8312	.76541	320
I always have a positive attitude towards work	3.7968	.77943	320
I perform according to the set objectives of the firm	3.8687	.73958	320
I am facilitated to acquire knowledge through further training	3.6312	.88966	320
I adhere to discipline, rules and regulations of the firm	3.7437	.86555	320
I have adequate stocks to service customer requirements.	4.1031	.81058	320
I offer services in firm's own buildings	2.6656	1.2409	320
I am always provided with adequate working tools	3.8781	.87143	320
I am provided with dependable fleet of vehicles all year	3.8875	.86003	320
I am equipped with computers for use in the office	3.2718	.96870	320
I perform my work better because of availability of electricity	3.7500	.84911	320
I am very satisfied with provision of customer care facilities	3.7156	1.0461	320
I embrace organization culture, values in courier company	3.8187	.83325	320
I am honest and trustworthy in service provision	3.6500	.86882	320
I participate in firm's corporate social responsibility activities	3.3187	.87724	320
I have good working relations with colleagues and customers	3.7781	.77832	320
I embrace teamwork in our firm	3.7625	.77974	320
I am counseled by appointed persons whenever I am wrong	3.9718	.55071	320
I am provided with adequate cash for courier service always	3.7187	.83175	320
I receive bonus yearly because of my hard work	4.0187	.76331	320
I believe our company pays its debt obligations as scheduled	3.4531	1.0846	320
I feel secure working in a financially stable firm	3.9187	.69002	320
I believe the firm is financially stable despite competition	4.0562	.75323	320
I receive my salaries/ wages as scheduled	4.0843	.75683	320
I believe firm is able to finance CSR activities every year	3.3187	1.0007	320

*Source: Survey Data 2015*

### Multiple Regression Analysis

To determine the relationships between capital resource capabilities and employee performance and moderating effect of level of education on employee performance in courier companies in Kenya, the study determined the direct effects of independent variables on employee performance, the effects of moderating variable on employee performance and the interactions of the independent variables and level of education on employee performance to test hypotheses.

**Table 2 Results for the Moderated Regression Models**

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<b>Constant:</b>	28,094***	23.486**	14.820***	26.296***	21.447***	18.675***
<b>Employee Performance.</b>		*				
	<b>Controls</b>	<b>Direct effects</b>	<b>Interaction Human capital resource capabilities</b>	<b>Interaction Physical capital resource capabilities</b>	<b>Interaction Social capital resource capabilities</b>	<b>Interaction Financial capital resource capabilities</b>
<b>Controls</b>						
Gender	-.866**	-.159***	-.160***	-.184***	-.178***	-.177***
Experience	.388**	.098*	.088*	.095*	.099*	.095*
<b>Main Effects</b>						
Human capital resource capabilities		.094	.537**	1.016***	.842***	.737***
Physical capital resource capabilities		.157*	.158**	-.972***	-1.167***	-1.234***
Social capital resource Capabilities		.005	-.016	-.013	.517*	.385
Financial capital resource Capabilities		.116*	.116*	.115*	.114*	.547*
Level of Education		-.191***	.470	-.398	-.008	.207
<b>Interactions</b>						
Level of Education*Human resource capabilities			-.761*	-1.569***	-1.294***	-1.107**
Level of education*Physical resource capabilities				1.761***	2.074***	2.179***
Level of education*Soci al resource capabilities					-.958*	-.716
Level of education*Fina ncial resource capabilities						.790
F Statistic	5.305	9.491	8.849	10.235	9.653	9.015



R	.180	.419	.431	.479	.488	.494
R <sup>2</sup>	.032	.176	.185	.229	.238	.244
Adjusted R <sup>2</sup>	.026	.157	.164	.207	.213	.217
R <sup>2</sup> Change	.032	.143	.010	.044	.009	.006
Durbin Watson	1.824	1.845	1.868	1.866	1.876	1.859
N	320	320	320	320	320	320

*Source Survey data 2015*

In table 2, the control variable gender  $\beta$ -.866 ( $P<0.01$ ) is statistically significant though it has negative relationship. This means that male employees are more compared to female employees which affect performance as a result of this disproportion. Some studies provide evidence of female under performance while others do not find gender-based differentials Bardasi *et al.*, (2008). Experience or number of years worked  $\beta$ .388 ( $P<0.01$ ) is positive and statistically significant. This means that as the number of years worked increase, employees gain experience and thereafter improve on their performance. The control variables explain 18% of the variance in employee performance. The model fit is indicated by the coefficient of determination  $R^2$ .032, adjusted  $R^2$ =0.026 and Durbin Watson 1.824

The results of the direct effects of moderated regression analysis between the capital resource capabilities and employee performance are shown in model 2. The independent variable, human capital resource capabilities  $\beta$ .094 had a positive relationship but was statistically insignificant, Physical capital resource capabilities  $\beta$ .157 ( $P<0.1$ ) was statistically significant and positively related. Social capital resource capabilities  $\beta$ .005 had positive relationship but statistically insignificant. Financial capital resource capabilities  $\beta$ .116 ( $P<0.05$ ) was positively related and statistically significant. The overall model of the direct effects explains 41.9% of the variation in employee performance. The model fit is indicated by  $R^2$ .176, adjusted  $R^2$ =.157 and Durbin Watson 1.845. The predictive capacity of the overall model in explaining employee performance is shown by the F statistic 9.49. The moderating variable, level of education  $\beta$ .191 ( $P<0.01$ ) is statistically significant in moderating the relationship between the capital resource capabilities and employee performance.

The interaction effect of level of education and human capital resource capabilities on employee performance is shown on Model 3. Human capital resource capabilities  $\beta$ .761 ( $P<0.1$ ) is positively related and statistically significant. The interaction effect explains 43.1% of the variation in employee performance. The model fit is indicated by  $R^2$ .185, adjusted  $R^2$ =.164 and Durbin Watson 1.868. The predictive capacity of the overall model in explaining employee performance is statistically significant as shown by the F statistic 8.849.

Model 4 is the interaction effect of level of education and physical capital resource capabilities on employee performance. Physical capital resource capabilities  $\beta$  1.761 ( $P<0.01$ ) is positively related and statistically significant. The interaction effect explains 44.9% of the variance in employee performance in courier companies. The model fit is indicated by  $R^2$ =.229, adjusted  $R^2$ =.297 and Durbin Watson 1.866. The predictive capacity of the overall model in explaining the interaction effect is shown by the F statistic 10.235.

Model 5 is the interaction effect of level of education and social capital resource capabilities on employee performance. The social capital resource capabilities  $\beta$ .958 ( $P<0.1$ ) is positively related and statistically significant. The interaction effect explains 48.8% of the variation in employee performance. The model fit is indicated by  $R^2$ =.238, adjusted  $R^2$ =.213 and Durbin

Watson 1.876. The predictive capacity of the overall model in explaining employee performance is statistically significant as shown by the F statistic 9.653.

Model 6 is the interaction effect of level of education and financial capital resource capabilities. Financial capital resource capabilities  $\beta$ .790 is positively related but statistically insignificant. The interaction effect explains 49.4% of the variation in employee performance. The model fit is indicated by  $R^2=.244$ , adjusted  $R^2=.217$  and Durbin Watson 1.859. The predictive capacity of the overall model is shown by the F statistic 9.015.

The above model results portray positive relationship between capital resource capabilities with level of education as a moderating factor, though at different significance levels. The hypothesis was therefore rejecting.

### **The Moderating effect of Level of Education on Capital Resource Capabilities and Employee Performance**

The study findings stress the importance of level of education in strengthening the relationship between capital resource capabilities and employee performance. These study findings is similar to the empirical work of Bresman, (2010), which provided evidence of knowledge transfer both when an organization first begins its operations and on an ongoing basis after the organization has been established. Employees in courier companies should strive to educate themselves by being the initiators and having the determination to learn. Knowledge transfer typically occurs across a boundary. The boundary could be between occupational groups, between organizational units or between geographic areas (Tallman and Phene, 2007). It can be further said that as employees' level of education increases, more knowledge will be acquired hence the importance of facilitating employees to acquire higher levels of education in courier companies.

This study also supports other previous findings such as those of Suzana and Kasim, (2010), which showed that knowledge management infrastructures are the mechanism for the organization to develop its knowledge and also stimulate the creation of knowledge within the organization as well as the sharing and protection of it. Levin and Cross (2004) also demonstrate that between employees, perceptions of both competence-based and benevolence-based trust influence the perceived value of a knowledge exchange in an organization where employee gain the same through acquisition of education both for employee's self-development as well as develop their companies productive outputs.

For the variable of physical capital resource capabilities to the employees, there is need for a courier firm to boost their performance by encouraging employees to acquire higher level of education so as to remain competitive in their work environment. The study findings further support the studies by Caballe and Santos, (1993) and Graca *et al*; (1995) who demonstrated that an increase in the stock of physical capital resource should have a positive effect on the accumulation of human capital, since increased physical capital means human capital will be more productive in the future. These study findings also support studies carried out by Nijstad and Stroebe, (2007) who stated that there is increasing evidence that a large, deep and diverse experience base contributes to creativity because it increases the number of potential paths one can search and the number of potentially new combinations of knowledge. This stresses the importance of employees acquiring higher levels of education to enhance their work performance.



The works of Suzana and Kasim, (2010), which stated that the latent context affects the active context through which learning occurs, has also been supported by this study. For example, a context where members share a super-ordinate identity has been found to lead to greater knowledge transfer. Knowledge can be embedded in the active context of members, tools and tasks and their networks. Since various scholars have given different views on the importance of education, this study is also giving room for further studies on the importance of education in enhancing employee performance and other approaches that lead to the acquisition of the same.

The study findings further support the research work emphasized by George and Fiss, (2007) in which they stated that it may benefit from adopting a combinational approach to examine how different contextual conditions interact with each other and with experience to affect organizational learning. This study has also used a different combination of the various resource capital capabilities constructs that the study findings have proven to enhance employee performance either directly or with the interactions of levels of education in courier companies.

The social network literature on the tie- strength has documented the implications of strong interaction ties for trust and trustworthiness (Krackhardt, 1992; Nelson, 1989). The study findings further stress the importance of level of education that strengthen the relationship between social capital capabilities and employee performance which was missing when direct relationship was effected. Previous studies have shown that, social capital resource capabilities work well in other contexts which have been supported in this study. Moreover, the social network literature on the tie- strength has documented the implications of strong interaction ties for trust and trustworthiness (Krackhardt, 1992; Nelson, 1989).

The employees are the actors in the courier companies that have the potential social capital resource capabilities embedded within them that can be used to enhance their performance. Baker, (1990) further defines social capital resource as a resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationships among actors.

Finally, it was found that level of education do not moderate the relationship between financial capital resource capabilities and employee performance. This means that with the introduction of level of education as the moderating effect, it is not required to enhance employee performance and hence financial capital resource capabilities alone can boost employee performance. This study calls for further research on how level of education can be used to enhance employee performance when the company is endowed with financial capital resource capabilities.

## CONCLUSION

In the final analysis, the benefits of a highly educated workforce extend beyond core task performance to include several facets of counterproductive performance. These facets among them are human, financial, social and physical capital resource capabilities. The relationships between education and these performance dimensions, though, are not uniformly strong, not uniformly consistent across employee groups, and not consistently observed by different groups of organizations. For these reasons, then, a finer-grained, strategic approach is needed

to ensure that the premium paid to hire more educated workers results in the specific outcomes most valued by organizations.

## RECOMMENDATIONS

Employees in courier companies appear dedicated to their work since they achieve and even supersede their performance set targets. The management of courier companies should provide the necessary tools such as computers to assist them perform their tasks faster. Emphasis should be placed on task specialization so that employees are motivated to work in areas where they are quite knowledgeable. On the issue of learning and knowledge acquisition, there is need to have employees facilitated to acquire higher level of education and be updated on latest use of technology.

## FUTURE RESEARCH

This study calls for further studies on social capital resource capabilities in other companies so as to identify which social ties are important in enhancing employee performance. This will enable courier companies encourage employees to network for their individual benefit as well as that of the business both for expansion and sustainability.

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