

## **Performance of Firms in the Service Industry in Kenya: Does Core Competencies Matter in Micro Cap Holding?**

Sarah Kaly-Esah Moga, Stephen M.A. Muathe

School of Business, Kenyatta University

Email: teccymoga@gmail.com, muathesm@yahoo.com

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### **Abstract**

The service industry plays a key role in economic development through employment opportunities and contribution to revenue stream for governments. But the sector registers poor performance due to lack of financial resources to fund its operations, and even after having service charters and using technology there has been no change. It is thought that using competencies might change the trend of poor performance; therefore this study sought to investigate the effect of core competencies on performance of organizations in the service industry by concentrating on Micro Cap Holding. A cross-sectional design was adopted and 63 respondents picked using simple random sampling technique from the target of 645 employees. The data was collected using semi-structured questionnaires were analyzed through descriptive, correlation and regression analysis. The study results revealed a strong positive and significant effect between core competence and performance. The study recommended that service industry players adopt core competencies so as to increase their performance.

**Keywords:** Firm Performance, Core Competence, Service Industry

### **Introduction**

The current environment that businesses operate in is dynamic, as it has characterized stiff competition by firms for market share, customers and profitability (Dirisu, Ilioya & Ibiduni, 2014). The increasing state of globalization has resulted in decrease of product life cycle and increased stress being placed on competencies of firms and achieving competitive advantage in the business environment. The modern business atmosphere brings about a more demanding situation for the reason that there exist multiple factors that companies have to grapple with within a multifaceted and changeable environment in terms of globalization, technological growth and the speedy diffusion of new technologies (Marcusson & Lundqvist, 2015).

Yang (2015) explained that the rationale behind strategic management is to build up and preserve the assets and skills while choosing the strategies for transforming them into competitive advantages. As explained by Porter (1980) a company has the ability of achieving its feasible gain through the value production to its clients while engaging in strategically activities at a lower cost relative to its competitors. Thriving organizations plausibly have certain competencies that give them capability to execute key activities remarkably well (Lin & Wu, 2014). These abilities have been described as “core competencies” and they represent activities initiated by the firm to gain competitive advantage (Marcusson & Lundqvist, 2015). These principal competencies are charged with success of the firm (Maniscalco, Gage, Teferi & Fisher, 2020), and to provide guidance to the firms through both bad and good economic conditions and are regarded as the most valuable organizational assets for those firms, which possess them, which conversely serve as the frustrating challenges for competing firms who lack these competencies (Hou, 2014).

On marketing competence, Ng, Kee and Ramayah (2019) opine that marketing is important to lead the firm to have efficient pricing strategies, distribution channels and efficient sales promotion. At the same time, Zaim, Yasar and Unal (2013) share that organizations that adopt marketing competence are able to deliver superior quality service to customers and acquire and retain customers. The marketing competence is concerned with the production and distribution chain.

Human resource competence, according to Murgor (2014) is hinged on the role performed by individuals in an organizational setting. It entails team work, information and skills acquisition, sharing and utilization to develop innovative products in response to changing customer needs. An organization seeking success must have employees with diverse skills and experience like marketing so as to increase brand awareness and visibility for a firm (Mwithi, 2016).

Research and development competence entails conducting of investigations geared toward towards innovation and aligning products with the goals and objectives of the organization (Ng, *et al.*, 2019). Research and development competence leads to expansion of product lines and the fact that product differentiation directly contributes the market value of firms (Kabue & Kilika, 2016).

On financial resources competence, Grant (1991) opined that that consistent advantage entails the efficient coordination of the various resources of firms. It is also needed for financing the firms and business expansion activities in line with the strategic objectives of firms. Ultimately, firm performance is influenced by effective utilization of the core competencies. The performance Akgün (2020) is akin to a position of competitiveness of an organization often attained by achieving a high efficiency rank, which serves to make the presence in the market maintained. Juma and Okibo (2016) noted that performance measurement is important as it exhibits the connection between goals, measures of performance and organization outcome and the significance of the performance metrics.

In many modern-day organizations, performance is carried out using three types of techniques. The first technique is the balanced score, by transforming the corporate strategy into action (Mokhtari, 2016), the second is using the Deming model which places emphasis on recognition of differences in the process of production and addressing those differences (Dao & Nguyen, 2020) and the third technique is through the BALDRIGE model and adopted business strategy as its guiding principle. In this study performance was guided by the Balance Score Card Model.

Micro Cap Holdings started as a microfinance consultancy and later included financial intermediation, but its performance has been poor majorly due to lack of sufficient funds to run its operations. The service-based firm has not been able to contribute to vision 2030 and economic growth of the country hence it is prudent to explore if adoption of core competencies will improve its performance and thus contribute to attaining of Kenya's vision 2030 and economy of the nation. This study thus investigated on core competencies and impact on the performance of Micro Cap Holdings.

### **Study Objectives**

The main objective was on core competencies and impact on performance of Micro Cap Holdings.

These are the specific objectives:

- Effect of marketing competence on performance of Micro Cap Holdings
- Impact human resource competence on performance of Micro Cap Holdings
- Impact of research and development competence on performance of Micro Cap Holdings
- Influence of financial resource competence on performance of Micro Cap Holdings

### **Review of Literature**

This section presents the theoretical and empirical review as related to the study and identifies the research gaps that the study seeks to address.

#### **Theoretical Review**

The balanced scorecard model offers a good platform to executives in a company to assess performance in a more effective and efficient way. More importantly, this model supposes that measure of performance covers a continuum of variables, which vary from financial to non-financial measures. The standpoints of this model includes four viewpoints namely, financial, customer, internal business method and learning and growth (Dror, 2008). While the BSC emphasizes on the need to integrate extra measures to settle on success, the significance of financial measures remains an enormously strong component to settle on success (Hult & Olson, 2011). Although the other viewpoints of internal business process and client perceptive are considered important for service-based firms and industry where performance covers client feelings and perception on the quality of service received. The learning and growth is equally essential in improving the quality of service given to clients of a facility (Tapinos, Dyson & Meadows, 2011). Thus the performance of a business is thus reinforced by the suggestions of the Balance Score Card Model.

The resource based view theory operates on the basis that organizational resources are a core part of the superior firm performance. The resources must be of value, rare and not easily copied or imitated so as to make it possible for the firm to gain competitive advantages. The theory enables the leadership to focus on business aspects while at the same time looking for resources that promote realization of corporate objectives (Kozlenkova, Samaha & Palmatier, 2014). According to Lin and Wu (2014) it is advisable for organization to recognize new chances using existing resources as opposed to acquiring more resources to identify new opportunities. Resource Based Theory therefore provides prepositions, which support core competencies and their influence of firm performance.

**Empirical Review****Marketing Competence and Performance**

Marketing competence is able to increase the brand visibility of a firm, product awareness and market appeal for the organization. Dzisi and Ofosu (2014) on marketing competence and performance of SMEs in Ghana and analysis from the 363 SMEs revealed that adopting marketing strategies like the 4Ps of marketing led to high performance of the SMEs as measured using market share level, profitability rates and brand awareness. According to Kyengo, Muathe and Kinyua (2019) in the study on marketing capability and its effect on performance of food processing firms within Nairobi City County, Kenya; where the study results showed that marketing capabilities including information sharing in products, developing new products and customer satisfaction aspects led to improved performance. Njoroge (2015) stated that marketing strategies including excellent customer relationship and use of technologies influenced the performance of firms while Sultan and Srivastava (2018) agree that marketing competence improves the competitiveness of firms through the managerial policies adopted and development of the marketing teams and Mugo, Namusonge and Sakwa (2016) noted that a company needs to enforce policies that encourage marketing employees, offer open communication, liberty to provide feedback and instill a sense of belonging which will result in improved performance.

*H<sub>01</sub>: Marketing competence has no effect on the performance of Micro Cap Holdings*

**Human Resource Competence and Performance**

The human resource competence looks at how the recruitment of employees is done in organizations, career development of the team and motivation to increase employee commitments for higher productivity and performance. Awad (2018) noted that recognition, improvement of marketing skills and developing of marketing managers competencies led to which will lead to improved performance of the firm. At the same time, human resource competence through on organizational culture, the communication channels and systems in training and learning for the staff are linked to firm performance. While the study by Njoroge, Muathe and Bula (2015) revealed a positive and significant relationship between human capital and performance. Ogaji (2019) shares that poor performance in terms of bad service offered to hotel guests will likely make the customers not to come back to the same hotel or refer friends, and to change the trend, the study advocates for on-the-job training and job rotation for the staff to gain more skills and experiences that result in improved performance. Kaleli (2016) indicated that management competencies covering aspects like professional skills, abilities and technical knowledge of the leaders and vocational and technical skills that leaders and managers use to increase organizational performance. Similarly, Mwithi (2016) noted that leadership competencies including social awareness, social skills, self-awareness and self-management led to financial performance. While Coff and Kryseyanski (2011) found that better educated employees are more productive in the workplace proving that education is strongly and positively correlated to performance.

*H<sub>02</sub>: Human resource competence has no effect on the performance of Micro Cap Holdings*

**Research and Development Competence and Firm Performance**

Research and development as noted by Ren, Eisingerich and Tsai (2015) leads to development of innovative products as per the market needs and preferences. While Ko and Chen (2017) posit that research and development focuses on product knowledge or product-related skills, positive attitude of the R&D personnel, management ability, change and innovation that lead

to improved production. In the current modern world, it is nearly impossible for any company or industry or sector of the economy to thrive in the long run without establishing new innovative methods through adoption of technology, this was revealed by Ahuja (2011). Research shows that the use of technology allows organizations to gain economic development, industrial growth and flexibility of its operations.

A significant association is reported to exist between research and development and performance, since the firm get accurate information on market needs and deliver the same to the customers, as revealed by Jabouri and Zahari (2014). The banks in Iraq have improved their performance by conducting market research and analysis of market situation in which the banks operate in. The study by Arasa and Gathinj (2014) concludes that research and development led to high business performance in the Kenyan telecommunication industry.

*H<sub>03</sub>: Research and development competence has no effect on the performance of Micro Cap Holdings*

### **Financial Resource Competence and Firm Performance**

Finances are important to any organization such that it will be able to cover its expenditures, pay salaries to employees, conducted researches on products and be able to market its products. In the study by Brinckmann, Salomo and Gemuenden (2011) on financial management competence and growth of new technological –based firms, it revealed that firms gain by acquisition of external financial resources, sound planning for the finances and control of cash flows that lead to growth of this tech firms. Godwin-Opara (2016) shared that for most of the small businesses that start their operations each year, 90% of them fail within the first 2 years of operation, with then main reason cited as lack of sufficient finances. Funds are needed for conducting proper research on the products, cater for salaries and expand its operations.

Gakenia, Muathe and Bula (2015); Darwish & Abdeldayem (2019) on organizational resources, noted that human capital, technology competencies, environmental factors and financial resources led to improved performance. Jabouri and Zahari (2014) posited that financial resource competence had a positive and noteworthy influence on firm performance and further argued for measuring performance using the BSC model through the both financial and non-financial indicators.

*H<sub>01</sub>: Finance resource competence has no effect on the performance of Micro Cap Holdings*

### **Research Methodology**

The study employed a cross sectional design, according to Lewis (2015) the design was chosen because of its suitability in describing the characteristics of a particular individual, or a group of individuals since the researcher did not have control over the variables. The designs gave the researcher an opportunity to capture a population's characteristics Muathe (2010), Makau, Wawire and Ofafa (2013) also adopted the same design.

The descriptive research design was chosen because of its suitability in describing the characteristics of a particular individual, or a group of individuals since the researcher did not have control over the variables. The descriptive design afford

The study target population was the 645 employees of Micro Cap Holdings; the sample size was 63 respondents which represents 10% of the target population. Simple random sampling technique was applied which ensured that all the employees had an equal chance of being selected and there was no bias. Primary data was collected using questionnaires and the instrument was tested to ensure reliability using the Cronbach's alpha reliability coefficient

and pilot testing. When the Cronbach Alpha test results are above 0.7 it is an indication that instrument is reliable (Cooper & Schindler, 2010).

Quantitative techniques for data analysis on the collected data were done using descriptive analysis with means and standard deviations and inferential statistics with correlation and regression analysis. The findings were presented in tables, figures and discussions.

The adopted regression model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha$$

Whereby Y= Firm Performance

X<sub>1</sub>=Marketing Competence

X<sub>2</sub>=Human Resource Competence

X<sub>3</sub>=Research and Development Competence

X<sub>4</sub>=Financial Resource Competence

β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, β<sub>4</sub>= coefficients of determination

α= the error term

### Findings and Discussion

The section presented the findings of the analysis including the bio-data of the responses, descriptive and inferential analysis. From the total of 63 administered questionnaires to employees of Micro Cap Holdings, 57 of them were correctly filled and returned to the researcher depicting a 90% response rate. The study respondents included both genders, and the respondents were skilled, experienced and knowledgeable as they had worked at Micro Cap Holdings for more than two years. On level of education, majority had degrees meaning that they could read, understand and interpret the research questions.

### Reliability Test

Reliability test was conducted to ensure that the instrument used would deliver the same outcomes every single time the results are done. It also measure the uniformity of the instrument in the research such that it exhibits the same outcome, each time the instrument is used under the same circumstances and following the same process. Cronbach Alpha results of 0.7 and above are an indication that the instrument is reliable. The results are as shown in Table 1.

Table 1

#### Reliability Analysis

Variable	Number of Items	Cronbach Alpha
Marketing Competence	6	0.802
Human Resource Competence	7	0.832
Research and Development Competence	5	0.890
Financial Resource Competence	5	0.779
Overall questionnaire reliability	23	0.8258

Source: Pilot test data (2020).

Results from reliability test shows that marketing competence had a Cronbach Alpha result of 0.802, human resource competence had results of 0.832, research and development competence had Cronbach Alpha results of 0.890 and the results of financial resource competence were 0.779. All the Cronbach Alpha results were greater than 0.7 which is an

indication that questionnaire was reliable in conducting the study. This is agreement with Cooper and Schindler (2010) who noted that Cronbach Alpha values that is equal or greater than 0.7 is an indication of reliability of the instrument.

### Descriptive Analysis

The study conducted descriptive statistics on each of the four study variables and where means and standard deviations of each statement were obtained. The means tell us the extent of agreement that the respondents had on each statement and the overall means is an aggregate of each variable. The standard deviation showed the dispersion and spread of the data from the mean. The researcher did the descriptive analysis to show extent of agreement on the variables and spread of the data. The findings are as shown in the subsequent sections.

Table 2

#### Marketing Competence

Statement	Mean	Std. Dev.
Customers view us as a reputable firm	3.91	.906
The firm comes up with products and services that have broad market appeal	3.49	.726
From time to time the proper positioning of products is done	3.53	.685
There is efficient and effective product line	4.08	.780
The firm focus on consumer needs and integrating all activities of the organization to satisfy those needs	3.76	.641
The company possesses highly skilled and dynamic sale team	3.84	.854
<b>Overall Score</b>	<b>3.77</b>	<b>0.781</b>

Source: Survey Data (2020).

Table 2 reports that the overall mean score was 3.77 and standard deviation of 0.781 meaning that marketing competencies adopted at Micro Cap Holdings led to improved performance of the organization. These findings are similar to Dzisi and Ofosu (2015) who revealed that many of the SMEs in Ghana had improved their performance after adopting marketing competence and Sultan and Srivastava (2018) noted that growth of firms is dependent on marketing competencies and quality of the marketing team members to push the product in the market. Marketing activities led to increased awareness of the firm and its products and makes the brand visible at the market which was shared by Kyengo, *et al.* (2019). When information is shared on the product and services of an organization, it leads to enhanced sales volume.

The respondents were also asked; what effect does marketing competence have on performance of firms in the service industry? They shared that marketing competence increases the performance of the organization through enhanced market share, high sales volume and huge returns. The service industry relies on marketing since it has products that are intangible and often rated based on customer experience and tastes. Similarly to what Dzisi and Ofosu (2015) revealed that use of marketing strategies like the 4Ps of marketing increased the competencies of the marketing team which led to high performance exhibited as huge market share, high profit margins and increased brand awareness. At the same time, Njoroge (2015) revealed that making innovative products using advanced technologies increases market performance of a firm.

Table 3

*Human Resource Competence*

Statement	Mean	Std. Dev.
The firm has effective recruitment program.	3.79	.724
Terms and conditions of employment are clear and precise	3.66	.747
There is efficient management of human resource functions	3.62	.759
Incentives are provided towards innovations and creativity	3.68	.464
Employees are committed to quality	3.70	.902
The company has attractive career development programs	3.66	.747
Human resource competence affects firm performance	3.79	.724
<b>Overall Score</b>	<b>3.70</b>	<b>0.724</b>

Source: Survey Data (2020).

Table 3 establishes that Micro Cap Holdings had improved its performance through using human resource competence as shown by the overall mean score of 3.70 and standard deviation of 0.724. Jiang, *et al.* (2012) echoes this statement by revealing that the unique skills exhibited by employees will positively affect the performance of the organization; Coff and Kryseynski (2011) reveal that the better educated employees are more productive at the workplace, which proves that education is strongly correlated to cognitive capabilities and organizational performance and Ogaji (2019) noted that employees are the drivers of performance especially in service-based companies. The managers as part of the human resource are able to increase the performance of the firm through using their professional skills, technical knowledge and capabilities in handling their tasks and responsibilities. The managers must have sufficient skills and experiences to lead the staff team towards delivering the objective of the firm, as shared by Kaleli (2016).

On the question of human resource competence influence and performance of firms; 89.4% of the respondents agreed on the fact that human resource is paramount in the service-based industry. The human resources are viewed in terms of the quality of service they offer, skills, knowledge and experiences, while their personality also plays a big role in increasing the performance of an organization. Like what Awad (2018) stated organizations must be able to identify staff skills that will improve the quality of service delivery and improve firm performance during the recruitment, selection and placement phase. While Njoroge *et al.* (2015) share that HR managers must be able to motivate their staff through trainings and empowerment so as to realize high organizational performance. The trainings increase the skill level and competencies of the employees which result in high productivity and enhanced organizational performance.



Table 4

*Research and Development Competence*

Statement	Mean	Std. Dev.
The firm engages in the research and development of new products	4.35	1.035
Analysis of market situation is done from time to time so as to improve products	3.93	.941
Multidisciplinary task force is used for the coordination of research and development	3.72	.890
Economic value analysis is carried out from time to time	3.69	1.119
Research and development is key in achieving improved firm	3.69	1.007
<b>Overall Score</b>	<b>3.87</b>	<b>0.998</b>

Source: Survey Data (2020)

On average, research and development competence impacted the performance of Micro Cap Holdings at an aggregate mean of 3.87 and standard deviation of 0.998. The results are aligned to the statement by Arasa and Gathinj (2014) noting that there exists a link between research and development and performance of businesses. Ahuja (2011) exalts the value of research and development by sharing that no company or industry can thrive for a long period without establishing new innovative methods through adoption of technology. At the same time, Jabouri and Zahari (2014) shared that conducting research and development, the banks increased their performance by understanding which activities have a higher economic value thus concentrating on them.

It is also important to conduct research to analyze the market situation and find linkages between the market needs and what the company is producing. This aligns to the findings of Ko and Chen (2017) who noted that product knowledge, attitude of the R&D personnel leads to innovation of products and services in response to the market demands, needs and preferences. Similarly, Ren, *et al.* (2015) revealed that research and development capabilities improve the performance of SMEs, and these SMEs play a critical in the growth of economies across the globe. In conducting research on the economic value analysis of the firm, this will guide the activities of the firm to engage in activities that increase the value of the firm.

Table 5

*Financial Resource Competence*

Statement	Mean	Std. Dev.
The firm has a yearly budget on all expected revenues and expenses	4.13	.342
There is sufficient financial resources for research and development	3.98	.791
There is sufficient financial resources for marketing activities	4.76	.426
There is adequate finances to cater for the salaries and allowances of employees	3.43	1.201
Financial resource competence is vital in realizing improved firm performance	4.60	.497
<b>Overall Score</b>	<b>4.18</b>	<b>0.651</b>

Source: Survey Data (2020)

Table 5 indicates that the aggregate mean score is 4.18 with a standard deviation of 0.651 on the findings of the effect of financial resource competence and performance. This is similar to the sentiments shared by Godwin-Opara (2016) who revealed that growth of small businesses is based on availability of funds that will be used to conduct marketing activities, conduct proper research on the products, market needs and consumer tastes and preferences and the funds also cater for salaries for people that can help the organization improve their performance and grow. At the same time, Brinckmann, *et al.* (2011) noted that the value of acquisition of external financial resources, sound planning for the finances, its control and competence in using cash flows to finance activities of the firm like marketing, advertising and inventing new products and services. At the same time, financial resources must be available in an organization to pay for salaries and wages which is in line with Gakenia, *et al.* (2015) who noted that organizations need finances to acquire valuable and rare skills in employees and that is made possible by having the ability to pay their salaries and wages.

The researcher asked the respondents if they believed that financial resource competence can affect firm performance; majority of the respondents at 83.45% stated that they believed that financial resource competence affected the performance of the firm. This is based on the fact that profit making organizations make a lot of emphasis on financial performance. This is in line with findings of Brinckmann, *et al.* (2011) who shared that when an organization acquires external financial resources it can be used for research and development activities that leads to new innovative products that increase revenue income for the firm. While Godwin-Opara (2016) shared that availability of funds to do research, market firm products and develop products as per market needs will lead to growth of the business and improve its performance.

Table 6

*Organizational Performance*

Statement	Mean	Std. Dev.
Increased Profitability	4.00	.000
Increased Market share	3.63	1.341
Increased Customer satisfaction	3.86	.623
<b>Overall Score</b>	<b>3.83</b>	<b>0.655</b>

Source: Survey Data (2020)

The aggregate score of 3.83 for means and standard deviation of 0.655 is an indication that adoption of core competencies had improved performance of Micro Cap Holdings. These findings are in line with sentiments of Juma and Okibo (2016) sharing that organizational performance is akin to a position of competitiveness of an organization often attained by achieving a high efficiency rank, which serves to make the presence in the market maintained.

**Correlation Analysis**

The study conducted correlation analysis to show the link between the variables and the strength of the relationship between the variables. The correlation analysis show how each individual component of core competency influenced firm performance by covering Micro Cap Holdings. The results of the analysis are as indicated in table 7.

Table 7

*Correlation Analysis*

		Organizational performance	Marketing Competence	HR Competence	R&D Competence	Financial resource Competence
Organizational performance	Pearson Correlation	1				
	Sig. (2- tailed)					
	N	57				
Marketing Competence	Pearson Correlation	.736**	1			
	Sig. (2- tailed)	.000				
	N	57	57			
HR Competence	Pearson Correlation	.631**	.670**	1		
	Sig. (2- tailed)	.000	.000			
	N	57	57	57		
R&D Competence	Pearson Correlation	.709**	.699**	.843**	1	
	Sig. (2- tailed)	.000	.000	.000		
	N	57	57	57	57	
Financial Competence	Pearson Correlation	.812**	.676**	.741**	.534**	1
	Sig. (2- tailed)	.000	.000	.000	.000	
	N	57	57	57	57	57

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

Table 7 on correlation analysis shows that the relationship between marketing competence and organizational is positive and significant where  $r=0.736$  and the  $p$ -value is 0.000; the relationship between human resource competence and organizational performance is a strongly positive and significant at  $r=0.631$  and  $p$ -value of 0.000; research and development competence has a positive significant relationship with organizational performance with  $r=0.709$  and  $p$ -values of 0.000 and financial resource competence has a significant can positive relationship to organizational performance where  $r=0.812$  and  $p$ -values of 0.000. These findings show that financial resource competence has the strongest and highest relationship with organizational performance; this is followed marketing competence, research and development competence and lastly human resource competence.

**Regression Analysis**

The researcher conducted the regression analysis so as to be able to describe the relationship between the independent variables and the dependent variable. The model summary, ANOVA and regression coefficient results are shown in Tables 8-10.

## Model Summary

Table 8

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 <sup>a</sup>	.742	0.727	1.23866

- a. Predictors: (Constant), Marketing Competence, Human Resource Competence, Research and Development Competence Financial Resource Competence

The findings show the coefficient of correlation was 0.863, which is an indication of a strong positive correlation of the study variables. The adjusted coefficient of determination was 0.727 meaning that 72.7% of variations in the dependent study variables can be traced by the independent variables of marketing competence, human resource competence, research and development competence and financial resource competence. The residual effect of 27.3 would be explained by other competencies and factors that are outside the scope and limits of this present study.

The findings mean that value of R which was 0.863 showed that core competencies were positively and strongly related to performance of Micro Cap Holdings. . The R square value was 0.727, inferred to mean that 72.7% changes in performance at Micro Cap Holdings can be explained by the core competencies adopted by the firm. This finding is supported by the study by Jabouri, and Zahari, (2014) who shares that marketing competence, R&D competence and financial resource competence as part of core competencies influence firm performance in a positive and significant manner.

## ANOVA

The study performed ANOVA at 5% significant level so as to compare F values between F<sub>Calculated</sub> and F<sub>Critical</sub>. The findings are as indicated in Table 9

Table 9

### ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	794.550	4	198.638	53.422	.000 <sup>b</sup>
Residual	278.150	52	5.349		
<b>Total</b>	<b>1072.70</b>	<b>56</b>			

- a. Dependent Variable: Performance of firms  
 b. Predictors: (Constant), Marketing Competence, Human Resource Competence, Research and Development Competence Financial Resource Competence

Table 9 show the ANOVA results are such that the F<sub>Calculated</sub> was 53.422 and F<sub>Critical</sub> was 2.537(at a degree of freedom of 4, 52) an indication that F<sub>Calculated</sub> > F<sub>Critical</sub>, this indicates that the overall regression model was fit in estimating the interaction between core competencies and firm performance. The results also show that the p-value was 0.00 which is less the standard level of 0.05 showing that at least one of the independent variable significantly influences performance of Micro Cap Holdings.

Table 10

*Regression Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	14.840	3.791		3.941	.000
Marketing Competence	4.124	1.130	.149	3.655	.005
Human Resource Competence	.212	.122	.324	2.155	.036
Research and Development Competence	.259	.047	.207	3.835	.000
Financial Resource Competence	.364	.139	.380	2.062	.004

a. Dependent Variable: Firm Performance

The resultant equation becomes;

$$Y = 14.940 + 4.132X_1 + 0.262X_2 + 0.259X_3 + 0.364X_4$$

Where: Y= Performance of Micro Cap Holdings,  $X_1$  = Marketing Competence,  $X_2$ =Human Resource Competence,  $X_3$ =Research and Development Competence and  $X_4$ =Financial Resource Competence

The table 10 shows that when all the independent variables are held constant, the performance of Micro Cap Holdings would be held at 14.840. When there is a unit increased in marketing competence when the other variables are held constant would mean that Micro Cap Holdings performance will be at 4.12. A single unit increase in human resource competence when all the other variables are held constant shows that the performance will be at 0.212. When research and development competence increases by a single unit and the other variables are constant, the performance of the firm will be at 0.259 and when financial resource competence increases by a single unit and the other variables are constant, the performance of Micro Cap Holdings will be 0.364.

The p-value of marketing competence was  $0.005 < 0.05$  which is an indication that this variable significantly impacted the performance of Micro Cap Holdings. This is in agreement with Dzisi and Ofosu (2014) who revealed that marketing competence positively impacted on the SMEs' performance and the marketing competencies are used within the enterprises to improve its performance. Similarly, Njoroge (2015) noted that making innovative products increases market performance of the firm through answering the needs and preferences of the customers, consumers and the market.

The p-value of human resource competence was  $0.036 < 0.05$  which is an indication that this variable positively impacted on the Micro Cap Holdings' performance. The same findings were revealed by Awad (2018) who shares that the organizational culture, the communication channels and systems in training and learning for the staff lead to improved organizational performance. Coff and Kryseynski (2011) mention that educated employees are more productive and Ogaji (2019) noted that employees are paramount and a key element in service-based companies.

The p-value of research and development competence was  $0.000 < 0.05$  which is shows that the variable significantly impacts on the performance of Micro Cap Holdings. This is in agreement with Arasa and Gathinj (2014) noting that research and development had led to growth of businesses and an increase in their performance. The organizations that engage in

research and development activities are able to develop innovative products, as further shared Ahuja (2011) and that is the only way for a firm to make and maintain a competitive edge through increased performance. This is similar to what Ko and Chen (2017) shared that the research and development staff must have knowledge and exhibit positive attitudes and also develop new products that respond to market demands and increase gains to the organization.

The p-value of financial resource competence was  $0.004 < 0.05$  which is an indication that this variable significantly impacted the performance of Micro Cap Holdings. This finding is similar to Brinckmann, *et al.*, (2011) who shared that financial competence through acquisition of external financial resources, proper financial resource planning, its control and competence in using cash flows to finance activities of the firm like marketing, advertising and inventing new products and services, led to improved firm performance. Godwin-Opara (2016) also noted that entrepreneurs with little financial resources suffer in terms of their performance since they lack funds to market their business ventures, conduct proper research on the products, market needs and consumer tastes and preferences and the funds is insufficient for catering for salaries for people that can help the organization. Gakenia, *et al.* (2015) revealed that organizations needed financial resources to acquire valuable and unique skills in their employees and be able to pay their salaries and wages. Experienced employees will only stay in an organization if they can receive regular salaries as per their employment contract, which makes emphasis on the need for organizations to have sufficient financial resources.

### **Conclusion and Policy Recommendation**

The main objective of the study was to investigate the effect that core competence on firm performance for service industry and the case of Micro Cap Holdings

### **Conclusion**

To improve its performance, Micro Cap Holdings has adopted core competencies including marketing competence, human resource competence, research and development competence and financial resource competence. These competencies have led to improved performance of the company through researching and coming up with innovative products, the marketing team increasing awareness of the products and using qualified and experienced staff to improve organizational effectiveness. Micro Cap Holdings also has sufficient financial resources to cater for all expenses of the firm that aim at delivering high quality services that have improved their organizational performance. The study noticed that these core competencies led to improved performance of the firm as their profit margins increased and there was improvement in the market share and satisfaction among the customers. In conclusion, the core competencies led to improved performance of Micro Cap Holdings.

This study adds literature on performance of organizations as influenced by core competencies. It enriches the concept of performance in organizations by considering four key aspects of core competencies, adding value to the academia world. The study is also anchored on balanced score card model as it measures the different aspects of performance in firms, thus pushing for the reinforcement and inclusion of the model to other studies on organizational performance measures. It also considered resource-based view theory on the basis that performance cannot be achieved unless resources are effectively and efficiently used. In general, this study pushes for improvement of organizational performance by

endorsing core competencies after proper utilization of organizational resources and where the performance measurement is based on balanced score card model.

### **Policy Implications**

Based on the findings of the study such that core competencies led to improved performance of the firm, it is recommended that the management of Micro Cap Holdings and managers to adopted core competencies as part of their strategic plans so as to improve their firm performance. Since financial resource competence had the highest influence on performance; then the managers should source for funds to cover the organizational expenditures like marketing, research and development programs and payment of salaries and wages. Finally, the managers should develop policies that govern their recruitment process, training and development, and career advancement programs so as to enhance performance at the firm level.

### **Limitation and Future Research**

This study used primary data hence limited by truthfulness of the respondents' responses on core competence and performance; future scholars can incorporate secondary data or a combination of primary and secondary data. This study was a case study of only one firm Micro Cap Holdings and therefore, future researchers can carry out similar studies in other companies and industries. The variations in performance of Micro Cap Holdings can be explained by 72% and future researchers should focus on the residual effect of 23% of these other factors that impact on the organizational performance

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