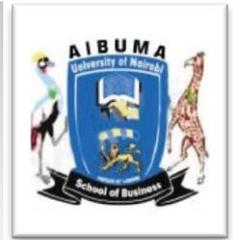




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## ORGANIZATIONAL CAPABILITIES AND STRATEGY EXECUTION: A PERSPECTIVE FROM CEOS IN KENYA'S SACCO SECTOR.

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### ABSTRACT

*The main purpose of this study was to discover the CEO's perspective on the organizational capabilities and strategy execution linkage in Deposit Taking SACCOs in Kenya. This is on the backdrop that building organizational capabilities can help deal with the strategy execution challenge that many organizations face. The study evaluated how organizational capabilities relate to strategy execution. The study was qualitative and involved individual in-depth interviews with 15 CEOs selected from the 164 licensed SACCOs. The study found out that organizational capabilities influenced strategy execution. The study concludes that building capabilities in leadership, innovation, collaboration and organizational restructuring supports strategy execution. This study offers significant insights and presents scholars and practitioners in strategic management, policy makers, and the leadership in SACCOs with valuable recommendations. The main recommendation revolves around the need for SACCOs to be more intentional about building organizational capabilities that drive strategy execution.*

**Key Words:** *Strategy, Execution, Organizational Capabilities, SACCOs*

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## 1. Introduction

The gap between strategy and execution bewilders those of us in practice as well as in academia. Very few organizations have successfully closed this gap. The few that have closed it, seem to have one thing in common, they are consistently building organizational capabilities that support strategy execution (Leinwand, Mainardi & Kleiner, 2016). Organizational capabilities are stipulated to be paramount in explaining why firms differ (Nelson, 2008). Specifically, organizational capabilities underpin a firm's ability to effectively respond and renew itself in the face of changes in both its internal and external environment (Inan & Bititci, 2015; Teece, Pisano & Shuen, 1997). Most organizations that experience challenges in strategy execution are hypothesized to have inadequate capabilities to support execution.

As a source of distinctiveness, organizational capabilities enable organizations compete from the inside out (Ulrich & Lake, 1991). Ulrich (1998) advances this argument by asserting that building capabilities helps organizations think through the missing link between strategy and execution. Likewise, Dosi, Nelson and Winter (2000) argue that capabilities fill the gap between intention and outcome making it possible to translate strategies from abstract concepts to practical actions. Developing strong organizational capabilities should be considered a top priority across all industries (Thompson, Peteraf, Gamble & Strickland, 2016). By recognizing this reality, some organizations have built the essential organizational capabilities (Argote & Todorova, 2008). Regrettably, many others have failed to build internal capabilities (Teece, 2010). It is on this rationale that Chandler (1992), and Leinwand et al. (2016), propose the need for firms to develop strong internal capabilities as they grow arguing that,

organizational capabilities make a firm more than the sum of its parts.

The interface between organizational capabilities and strategy execution is not widely explored. In explaining this interface, Smallwood and Ulrich (2004) give an example of organizations such as Microsoft and Toyota that have gained respect because of building organizational capabilities that support strategy. The same cannot be said of all other organizations. Local firms in Kenya are most at risk of inadequate capabilities because they lag behind in the practice of strategic management (Aosa, 2011). With limited appreciation of the important role that organizational capabilities play in strategy execution, it is unlikely that local firms have given the interface the attention it requires. The problem of poor strategy execution in local firms such as Savings and Credit Cooperative Organizations (SACCOs) is demonstrated in literature (Moturi & Mbiwa, 2015; Obunga, Marangu, & Masungu, 2015; Thatia & Muturi, 2014). Further, SACCOs have been postulated to be lacking realistic and effective approaches to organizational development (McKillop & Wilson, 2010; Novkovic, 2008). In Africa, many SACCOs have died while others have been limping along between life and death (Pollet, 2009).

SACCOs are defined "self-help cooperative financial organizations geared to attaining the economic and social goals of members and wider local communities" (McKillop & Wilson, 2010, p. 79). Referred to also as Credit Unions, SACCOs are unique because they are managed, owned and democratically controlled by members who are also customers. Their uniqueness extends to the fact that they do not abide by the classical economic theory of profit maximization (McKillop, Ward & Wilson, 2011). Instead, SACCOs focus on service to members as a priority and their

performance is measured through aspects such as asset base, deposits, loans, membership and capital reserve and not merely by profits (SASRA, 2014). Large credit unions and those located in more affluent areas are said to be more successful than their counterparts because they are more exposed to best business practices from other industries (McKillop & Ward, 2005).

In Kenya, SACCOs have played a major role in social-economic development. They have been recognized as a vehicle for poverty eradication and part of the government's strategy to drive economic development (Gatuguta, Kimotho & Kiptoo, 2014; Mathuva, 2016). In its vision 2030, Kenya recognizes SACCOs as an important player in support of the economic pillar (Kenya, 2007). These SACCOs are categorized into the Non-Deposit Taking SACCOs and the Deposit Taking SACCOs (DT-SACCOs). The DT-SACCOs are licensed and supervised by SACCO Societies Regulatory Authority (SASRA) (Republic of Kenya, 2008). Despite representing only 5% of the SACCOs, the DT-SACCOs control more than 75% of the sector's assets and deposits and 82% of the membership (SASRA, 2014). The DT-SACCOs offer a wide variety of financial services similar to those offered by mainstream banks. Unfortunately, the number of DT-SACCOs that meet regulatory requirements has been dropping with 215 licensed in 2014, 181 in 2015, 164 in 2016 and 2017 and 162 in 2018 (SASRA, 2014, 2015a, 2016a, 2017, 2018).

Despite their major contribution to social-economic development, scholars have not paid sufficient attention to SACCOs. This argument is advanced by McKillop and Wilson, (2010) who propose SACCOs as a "subject area for contemporary academic inquiry" (p. 112). Further, a major declaration at the first and second International Summit of Cooperatives held

in 2012 and 2014 respectively was to interest researchers to study the cooperative movement (ICA, 2012; 2014). From an African perspective, Develtere, Pollet, and Wanyama (2008) point out that there is scanty literature on the cooperative movement in Africa despite its major role in alleviating poverty. Kenya is of interest to the global map of credit unions because of its leadership position in members, savings, loans, and assets in Africa (WOCCU, 2014; 2015; 2016). It is from this backdrop that DT-SACCOs were identified as an ideal sector of study.

This study particularly interrogates the capabilities postulated to drive strategy execution. There are glaring gaps in the leadership abilities of board members and management teams within the cooperative movement (Cornforth, 2004). Therefore, leadership capability is one of the capabilities investigated. Another capability of interest is innovation. This is because by 2025, SACCOs are predicted to operate on a financial landscape that bears little resemblance to the system of today mainly because of technological disruption resulting from innovation (Rogers & Nat, 2015). Additionally, Moturi and Mbiwa (2015) link implementation challenges in DT-SACCOs to inadequate collaboration both internally and externally making collaboration a capability of interest. Furthermore, internal organizational redesign, outsourcing, acquisitions and joint ventures all by products of organizational restructuring are commonplace in the SACCO sector making restructuring another capability of interest (Ralston, Wright & Garden, 2001).

The role that organizational capabilities play in strategy execution in Kenya's DT-SACCOs remains unresolved and cannot be ignored. Past studies on SACCOs do not make substantive conclusions on the organizational capabilities and strategy execution linkage in the sector. Therefore,

the organizational capabilities and strategy execution linkage compels further scholarly investigation. This study's main objective is to evaluate how organizational capabilities namely leadership, innovation, collaboration and organizational restructuring influence strategy execution.

## 2. Literature Review

### 2.1 Organizational Capabilities

The concept of organizational capabilities continues to generate noteworthy attention in the world of business because of its significance in business success (Ouakouak, Ouedraogo & Mbengue, 2014). Nevertheless, according to Pisano (2015), this broad concept remains open to a variety of interpretations. Indeed, Dosi, Nelson and Winter (2000), deem the terminology as mysterious, complex and devoid of a universal definition. Ulrich and Lake (1991), consider a narrow definition of an organizational capability arguing that it is the ability to manage people to gain competitive advantage. On the contrary, Gryger, Saar and Schaar (2010), consider a broader view and define a capability as anything that an organization does well consequently driving business success. Teece, Pisano and Shuen (1997) consider capabilities as the firm's ability to "integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments" (p. 516). Overall, organizational capabilities are multidimensional and are present within the internal environment of an organization (Smallwood & Ulrich, 2004).

The capabilities view of the firm considers organizational capabilities as being intangible and integrated into organizational routines while others reside within the top management team (Teece, 2012). Organizational capabilities are either ordinary or dynamic; ordinary capabilities are about being efficient and while dynamic capabilities are about being entrepreneurial (Teece, 2015, 2017a). This

study takes into consideration both ordinary and dynamic organizational capabilities.

There are diverse views on the multiplicities of organizational capabilities as many different organizational capabilities exist. According to Zook (2007), up to 80 to 200 important capabilities make up organizations but only five to ten are truly core. On the other hand, Eisenhardt and Martin (2000), identify five organizational capabilities namely; alliancing, product development, technology transfer, performance measurement systems and strategic decision-making. In contrast, Smallwood and Ulrich (2004) identify eleven organizational capabilities that well-managed companies tend to have namely; talent, speed, shared mindset and coherent brand identity, accountability, collaboration, learning, leadership, customer connectivity, strategic unity, innovation and efficiency. Further, Giniuniene and Jurksiene (2015), recognize innovation, change and organizational learning as the main organizational capabilities.

As collective, distinguishable competences, routines, abilities, strengths and expertise that an organization builds over time, capabilities help organizations achieve desired results (Helfat & Peteraf, 2003; Smallwood & Ulrich, 2004; Teece, Pisano, & Shuen, 1997). To achieve good results consistently, Rasche (2008), proposes the need for organizations to build and exploit capabilities steadily. Despite the increased interest in organizational capabilities, there is no single capability or a list of widely accepted of capabilities that organizations need to build. Pisano (2015) states that organizational capabilities are open to multiple interpretations. In operationalizing organizational capabilities, this study focused on capabilities considered core to strategic

success. Four capabilities were identified namely; leadership, innovation, collaboration and organizational restructuring.

Leadership capability emanates from the integration of leadership capabilities of individual leaders (Ulrich & Lake, 1991). The capability is widely recognized as an important factor in the success and failure of organizations (Bass & Bass, 2008). Allio (2006) denotes leadership as the starting point of strategy. Organizational capabilities are built through the intentional effort of the leadership (Feiler & Teece, 2014). Teece (2015) reiterates this by pointing out that managers contribute significantly to the dynamism of organizational capabilities. The leadership capability in this study considered board and Chief Executive Officer (CEO) leadership as critical to the sector under study with recognition that leadership also happens at other levels.

Innovation capability considered as the ability to develop creative, new, and useful ideas that are successfully converted to business inventions is the other capability investigated (Baer, 2012). Dyer, Greogersen and Christensen (2009) denote the ability to innovate as the “secret sauce” of business success. According to Pearce and Robinson (2011), innovation is vital to a firm’s success because it results to the commercialization of new ideas. Additionally, Jones and Hill (2013) contend that innovativeness which aids in putting new strategies into action is a major source of competitive advantage.

Collaboration is considered as an organizational capability and a strategic weapon that drives businesses (Allred, Fawcett, Wallin & Magnan 2011; Roghé, Toma, Kilmann, Dicke, & Strack 2012). Like leadership, collaboration is a behaviour factor and depicts a higher level of interdependence. Collaboration is defined as any situation in which people work across organizational boundaries

towards some positive end (Vangen & Huxham, 2012). Further, the capability cuts across functions and is critical for successful completion of major initiatives (Ashkenas, 2015).

The need for organizations to restructure on an ongoing basis is an additional common theme in strategy literature. The essence of organizational restructuring is change (Kłosowski, 2012). The environment is constantly changing and organizations need to align their structure with strategy. Both poor performing and successful firms often restructure (Hyderabad, 2014). Organizational restructuring capability is considered as the ability of a firm to formally rearrange the interactions between people, tasks and resources (Pearce & Robinson, 2011). A main guiding principle to organizational restructuring is in Chandler (1962) well-known notion that structure should follow strategy. This notion postulates the need for structuring and restructuring efforts to be in line with the desired strategic direction. Soni (2016) ascertains organizational restructuring capability as a requirement when the existing structure is no longer effective and a new structure is inevitable for the organization to counter challenges in its internal and external environments.

## **2.2 Strategy Execution**

Through strategy execution, strategic intent is turned into tangible action and organizational structures, resources and support systems are deployed as necessary bringing strategy to fruition (Amason, 2011). Without a strategy and without proper execution, businesses wander without a sense of direction. Common terms used to explain strategy such as commitments, sets of decisions and actions, achievement of set objectives and desired results are also used in describing strategy execution (Ireland, Hoskisson & Hitt, 2013; Pearce & Robinson, 2011). However, strategy execution undeniably

goes beyond strategic decisions characteristic of strategy to everyday actions. Hough, Thompson, Strickland III, and Gamble (2011) describe execution as the hands-on exercise by managers that turns strategy into action and in turn leads to achievement of set objectives. In this study, strategy execution is considered as putting strategy into action. In this study, the terms execution and implementation are perceived as synonyms and used interchangeably.

Strategy execution is considered as the crux of the strategic management process (Amason, 2011). There is a vast amount of literature on the strategic management process with most focusing on the formulation side of the strategy. Alexander (1991) explains this by saying that implementation is less glamorous than formulation and has not gained as much attention as formulation. Strategy execution is a complex and difficult task involving an organization in its entirety (Jones & Hill, 2013). Thompson et al. (2016) argue that the test of successful strategy execution is whether it matches or exceeds what was spelled out in the strategic plan.

In this study, strategy execution is envisaged to encompass action planning, resourcing, and strategic fit. Action planning represents the how, the who, and the when of strategy. It involves 'identifying specific actions to be undertaken within the planning period, establishing clear time frame for completion of each action, creating accountability by identifying who is responsible for what action and each action has one or more specific, immediate objectives that the actions should achieve'(Pearce & Robinson, 2011, p. 14). Action planning can be summed up as the presence of a formal execution process that enables track strategies being put into action to ensure that the organization is moving along its chartered strategic course

(Hough et al., 2011). Resourcing during strategy execution is considered vital and resources should be allocated as per the priorities identified in the action plan. Finally, strategic fit was identified as the alignment of strategy with its environment both internal and external. To achieve strategic fit, organizations need strategy supportive policies, culture and structure as well as a match with the external environment (David, 2011; Jones & Hill, 2013; Noble, 1999).

### ***2.3 Organizational Capabilities and Strategy Execution***

This study, takes a capabilities-based approach to strategy execution. According to Teece, Pisano, and Shuen (1997) capabilities are crucial in explaining how some firms get to be good, why others stagnate and others decline. The study sought to examine the influence of organizational capabilities on strategy execution. This is on the premise that the foundation of successful strategy execution is in building and strengthening a company's competencies and capabilities (Thompson et al., 2016). Capabilities are at the center of explaining firm heterogeneity and firms that build capabilities have an advantage over those that do not (Teece, 2017a 2017b).

Capabilities-based approach to strategy execution is a novel area of study. However, the notion that organizational capabilities are at the center of strategy execution has been in existence in the last three decades. By managing their internal capabilities, organizations are better placed to execute strategy and compete for the future (Hamel & Prahalad, 1994). Building capabilities has widely been postulated to help organizations think and act differently. Firms that have a capabilities approach to strategy execution have an advantage over others because capabilities are not easy to copy.

The dynamics capabilities and the competence-based view theoretical frameworks underpinned the linkage between organizational capabilities and strategy execution. These two theories look at organizations from the inside out. The dynamic capabilities theory looks at amalgamation of diverse capabilities embedded within a firm's internal environment (Teece, Pisano & Shuen, 1997). According to Teece (2012) dynamic capabilities framework looks at the sensing, seizing, and transforming or shifting activities that sustain firms. This theory sets forth an intellectual structure for those in business to think systematically about business success and failure from the capability's perspective (Teece, 2013). The theory expounds on the need for organizations to maintain a dynamic fit with the environment by building capabilities. On the other hand, the core competence-based view stresses the need to develop the right competences for long-term success (Hafeez, Zhang & Malak, 2002). Prahalad and Hamel (1990) view core competencies as "the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies" (p. 81). The study assessed the competences characteristic of each of the four organizational capabilities and investigated strategy execution as a core competence. Both ordinary and dynamic are vital to strategic success; ordinary capabilities are essential in the execution of current plans while dynamic capabilities enable an organization to be in tandem with the changing business environment (Teece, 2015).

Though capabilities are widely linked to competitive advantage, their link to strategy execution remains hazy (Pisano, 2015). The four organizational capabilities namely leadership, innovation, collaboration and organizational restructuring distinguished in the literature are perceived to be at the center of strategy

execution success. This study therefore investigates in-depth the four organizational capabilities and their link to strategy execution. This discussion leads to the study's hypothesis.

H<sub>1</sub>: Leadership, innovation, collaboration and organizational restructuring capabilities influence strategy execution.

While the linkage between the four organizational capabilities and strategy execution is generally known to be true, it is important to evaluate it in the context of SACCOs.

### 3. Research Methodology

To evaluate how organizational capabilities, influence strategy execution, qualitative research was carried out. Qualitative research helps gain deep insights into a study using non-numerical data (Creswell, 2014). In particular, CEO's in-depth insights were sought through interviews. Such interviews are rich and rely on meanings expressed through assessment of attitudes, opinions and behaviors (Saunders, Lewis & Thornhill 2016).

#### 3.1 Study Participants

All the CEOs in the 164 DT-SACCOs in Kenya formed the study population. These CEOs were identified as playing the leading role in strategy execution thus forming an information rich source for the qualitative study. DT-SACCOs are categorized into three tiers based on asset base. Those having an asset base of more than five billion Kenyan Shillings are considered large, five billion to one billion Kenyan Shillings are medium and less than one billion Kenyan Shillings are small (SASRA, 2015b). According to SASRA (2016b, 2017) at the start of 2017, there were 15 large, 56 medium and 93 small DT-SACCOs.

Sample size was determined through non-probability purposive sampling. Saunders et al. (2016) argue that there are no rules

for non-probability sample size determination and recommends a sample size of five to 25 for semi-structured in-depth interviews. On the other hand, Creswell (2014) recommends five to 30 interviews. The sampling involved using the researcher's judgment to select five CEOs from each tier to participate in the study and meet the research objective. The list of all CEOs in the 164 DT-SACCOs was obtained from SASRA and the 15 CEOs identified.

### **3.2 Data Collection**

An individual in-depth interview guide was developed. The interview guide had eight semi structured open-ended questions. The first question which was an ice breaker investigated the length of time the interviewee had held the CEO position. The second and third questions looked at leadership capability with question two focusing on board influence and question three focusing on CEO influence on strategy execution. Question four focused on innovation capability while question five focused on collaboration capability and question six focused on the ability to restructure. Question seven allowed the CEOs to share extra information on other variables influencing strategy execution while question eight was a general question to investigate what else can be done to improve strategy execution in DT-SACCOs. The interview guide helped the researcher examine the four organizational capabilities in depth from the CEOs' perspective.

Pilot interviews targeting two CEOs from a tier one and a tier two SACCO were carried out. The CEOs were selected through purposive sampling. The researcher contacted the interviewees via telephone to schedule the interview appointment. The researcher took detailed notes during the interviews with the two CEOs and sought clarification where needed. The interviews were well received and the interview guide was slightly

amended by rephrasing the questions based on the interview experience. The main study followed the same procedure.

Ethical considerations were made when collecting, analyzing and reporting the data. These included obtaining authority from the university and a permit from the National Commission for Science and Technology and Innovation (NACOSTI) to carry out the research. In addition, a disclosure on who was conducting the study, the purpose and importance of study and the beneficiaries of the study was made to all the participants. The participants were also made aware that their participation in the study was voluntary, that anonymity would be observed, and no individualized findings would be reported.

### **3.3 Data Analysis**

Analysis of qualitative data involves "sense making or understanding a phenomenon, rather than predicting or explaining" (Bhattacharjee, 2012, p. 113). In this study, both inductive and deductive approaches were used in the data analysis. An inductive-approach helps draw conclusions based on the patterns observed while a deductive approach starts with pre-set themes (Saunders et al., 2016). The pre-set themes were in line with the four organizational capabilities under investigation. The interview transcripts were manually coded according to frequency of key words and common themes that emerged.

## **4. Results**

All the 15 targeted interviews were conducted giving a 100% response rate. The 100% response rate was possible because purposive sampling was used and the first five CEOs per tier to accept participation in the study were interviewed. Broadly, the main thematic areas identified from the qualitative data

related to the four pre-set themes namely leadership, collaboration, innovation, and the need to restructure. Two other minor themes were deduced namely communication and involvement.

The common themes that related the leadership capability to strategy execution included the significant role of the board and the CEO's competence. The board was said to be the one that gives overall strategic direction while the CEO's main role is to lead strategy execution. The importance of a capable and visionary board, the political nature of the board, the board's role in giving policy guidelines and in approving resources were highlighted. On their leadership capability, the CEOs regarded themselves as holding the most important leadership role in SACCOs. In addition to being the link between staff and board, the CEOs saw themselves as the board's technical advisors. The main role of the board and the CEO can be summarized as giving their SACCOs a sense of direction. The CEOs felt that leadership capability influences strategy execution.

On innovation capability, the CEOs mostly felt that SACCOs have been lagging behind other sectors such as mainstream banks in innovation. A common theme identified was the notion that innovation was wholly dependent on the quality of both board members and staff. The CEOs linked the slow pace of adoption of innovation in SACCOs to the poor quality of board members and staff. Further, the poor quality of staff was linked to the board's vested interest in recruitment. Most CEOs highlighted that board members employ relatives and friends to work in the SACCOs negatively affecting performance. Only one CEO indicated that they recruit on merit and have a policy against recruitment of relatives. Risk aversion and lack of resources were highlighted as other reasons why SACCOs lag behind in innovation. The CEOs felt

that innovation capability influences strategy execution.

SACCOs focus extensively on external collaboration. The CEOs had mixed feelings on the importance of such collaboration. Whilst some felt that external collaboration with other SACCOs is helpful, others felt that it is a waste of time slows decision-making, results to a lot of copy and paste and is dysfunctional especially for the smaller SACCOs. A common thread was that collaboration with other SACCOs helps in looking for solutions together, in consulting on regulation and exchanging ideas. In addition, external collaboration was seen as giving confidence to the board on the direction that their SACCO should take. Collaboration with commercial banks was also highlighted as a key theme. Overall, most of the CEOs felt that collaboration a term they mainly used to describe working relations with other SACCOs and with other partners influences strategy execution.

When prodded on internal collaboration, most CEOs highlighted that trying to get board members consensus often leads to delays and so does the democratic nature of the SACCOs which requires ratification of decisions before implementation. Because of the political nature of the board, the CEOs felt that consultations outside the boardroom and use of independent professionals during the strategy process would support strategy execution.

The ability to restructure in support of the chosen strategic direction was identified as a capability critical during the strategy execution process. The CEOs indicated that new structures help implement strategy. Unfortunately, the CEOs felt that restructuring is largely hampered by resistance to change both at the board and at the staff level. Sabotage of restructuring efforts by staff and interference by members and the board were also said to

be a common impediment to restructuring efforts in SACCOs. The need for board involvement in restructuring efforts was underscored as the best way to boost the restructuring capability. In addition, the need to seek external help to support restructuring efforts was proposed. The CEOs felt that organizational restructuring capability influences strategy execution.

The thematic areas identified revealed that overall, the CEOs identified board capability as the weakest link in strategy execution mainly because most boards are not highly competent, do not fully trust and empower the management to make strategic decisions. The need for management to have a free hand to perform their duties without the board interference was stressed. Corrupt practices and boards vested interests were other impediments of strategy execution highlighted by the CEOs.

## 5. Discussion And Conclusions

The main purpose of this study was to examine the influence of organizational capabilities on strategy execution in the DT-SACCOs in Kenya. This is on the premise that organizations can pursue strategy execution excellence through building both ordinary and dynamic organizational capabilities. The results point to a linkage between the organizational capabilities and strategy execution and expound on the relationships in depth. Capabilities embedded in the internal environment work together to ensure successful execution. In particular, the board and the CEO lead the team and work in unison with all staff and other partners towards achieving desired objectives. As they do so, they seek innovative solutions to their problems and restructure in line with the chosen strategic direction.

### 5.1 Leadership Capability and Strategy Execution

Leadership capability was found to positively influence strategy execution in DT-SACCOs in Kenya. A broad deduction that can be made from this study is that leadership capability at the board and CEO level sustains strategy execution by supporting the chosen strategic direction. The findings compare well with findings on the role of the board's leadership capability in strategy execution. Siciliano (2008) presents a strong case for board involvement in execution in the SACCO sector. Additionally, Cater and Pucko (2010) and Mapetere, Mavhiki, Tonderai, Sikomwe, and Mhonde (2012) relate poor leadership to poor strategy execution and concur on the important role of leadership in strategy execution.

The study presents insights on how to improve practice. There are glaring leadership gaps in the SACCO movement. Therefore, SACCOs hoping to execute strategy effectively need to focus more on building the leadership capabilities both at the board and firm level. These gaps are especially in the leadership capabilities of board members. Improvement of the leadership capability in SACCOs requires developing the boards' and CEOs' ability to steer their SACCOs in the right direction.

### 5.2 Innovation Capability and Strategy Execution

Innovation capability was found to influence strategy execution in the DT-SACCOs in Kenya. In conclusion; the innovation capability is dependent on quality of board members and staff. It is innovation capability that supports creation of new ideas, products, and services. The findings in this study compare well with other study findings. Rosenbusch, Brinckmann and Bausch (2011) in a meta-analysis of 42 empirical studies accentuate the strong link between

innovation and strategy execution and the resulting improvement in organizational performance. Similarly, Kini and Basaviah (2013) link user involvement to successful implementation of Enterprise Resource Planning systems.

This study proposes that SACCOs need to foster innovation capability in order to support strategy execution. Despite innovation being identified as a core value in many SACCOs, they seem not to be living it and are lagging behind other financial services providers. Therefore, SACCOs need to be more intentional in cultivating an innovation spirit organizational wide, in generating new and useful ideas and in putting the ideas into action.

### ***5.3 Collaboration Capability and Strategy Execution***

Collaboration capability was found to influence strategy execution both positively and negatively in the DT-SACCOs in Kenya. The study deduces that collaboration capability both internal and external boosts strategy execution to a larger extent. Similarly, Parker and Brey (2015) highlight the need to develop a good relationship with all partners involved in new product development. However, external collaboration is deemed to hamper execution if not well managed. Internally, the CEOs observed that getting board consensus and the democratic nature of SACCOs often delays strategy execution. A finding by Dooley, Fryxell and Judge (2000) that pushing for decision commitment slows down the implementation speed agrees with this finding.

Though SACCOs are well known for their cooperative spirit, this study suggests that there are still opportunities to improve both their internal and external collaboration. To support execution of strategy, SACCOs need to collaborate better. To improve internal collaboration,

the study recommends that working together as one team; from the board members, the management team, to the staff is instrumental to strategy execution. Externally, collaboration needs to go beyond benchmarking tours, to finding solutions to the problems facing the SACCOs. One CEO remarked, "SACCOs need to stop thinking independently".

### ***5.4 Organizational Restructuring Capability and Strategy Execution***

Ability to restructure was found to influence strategy execution in the DT-SACCOs in Kenya. The study concludes that SACCOs must renew themselves by developing well-defined structures in support of their strategic direction. In addition, SACCOs need to build trust internally in support of restructuring efforts. While some studies show a positive link between organizational restructuring and strategy execution, others offer a differing opinion. A study by Oloyede and Sulaiman (2013) showed that banks in Nigeria had a significant decline in performance after restructuring points to the need for building the ability to restructure. Additionally, Chaddha (2016) underscores that restructuring could affect employees adversely if not well implemented. Restructuring capability can be improved by paying closer attention to both the efforts that go in before restructuring and clearly communicating and evaluating the results of the restructuring efforts.

### ***5.5 Recommendations for Future Research***

Though this research provides original insights into the organizational capabilities strategy execution linkage, it also opens avenues for further research. The suggestions for further research arise from the findings as well as from the study limitations. First, there are glaring gaps in literature on what can be termed as an organizational capability. Therefore, it is

recommended that further research can expand the conceptual framework used in this study by going beyond the four capabilities namely; leadership, innovation, collaboration and organizational restructuring.

A further recommendation for future research is to investigate the pertinent issues highlighted during the interviews. These include; the board as the weakest link in strategy execution and the relationship between quality of the board and the quality of staff. In particular, the role of the boards in SACCOS in staff recruitment presents an opportunity for deeper exploration.

The final recommendation for further research relates to expounding on data collection methods and the study population. This study was limited to collecting qualitative cross-sectional data from CEOs. Therefore, future research can expand to the board members and other staff in the SACCOS. Future research should also consider case studies and delve deeper into specific SACCOS or carry out longitudinal studies to track strategy execution over time. In terms of the study context, this study only focused on DT-SACCOS in Kenya. It is recommended that future research investigates the organizational capabilities and strategy execution linkage in other sectors as well as in other countries. These further studies on organizational capabilities and strategy execution will expound on the findings from this study, add to the existing pool of knowledge and help in circumnavigating the strategy execution challenge.

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