INTANGIBLE ASSETS, FIRM CHARACTERISTICS, COMPETITIVE STRATEGY AND PERFORMANCE OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE

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A THESIS SUBMITTED IN FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

DECEMBER, 2013
DECLARATION

I, the undersigned, declare that this PhD thesis is my original work and that to the best of my knowledge and belief, it contains no material previously accepted for award of a degree of any other institution of higher learning. Where the works by other scholars has been used due acknowledgement has been made in the text.

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TABLE OF CONTENTS

DECLARATION............................................................................................................... ii
COPY RIGHT .................................................................................................................. iii
ACKNOWLEDGEMENTS ............................................................................................ iv
DEDICATION.................................................................................................................. vi
TABLE OF CONTENTS ............................................................................................... vii
LIST OF TABLES .............................................................................................................x
LIST OF FIGURES ........................................................................................................ xii
ABBREVIATIONS AND ACRONYMS....................................................................... xiii
ABSTRACT ...................................................................................................................... xv
CHAPTER ONE ................................................................................................................1
  1.1 Background of the Study ....................................................................................... 1
    1.1.1 Competitive Strategy ...................................................................................... 3
    1.1.2 Intangible Assets ......................................................................................... 6
    1.1.3 Firm Characteristics ..................................................................................... 7
    1.1.4 Firm Performance ....................................................................................... 8
    1.1.5 Companies Listed at the Nairobi Securities Exchange ......................... 11
  1.2 Research Problem ............................................................................................... 13
  1.3 Research Objectives ........................................................................................... 16
  1.4 Value of the Study .............................................................................................. 16
  1.5 Outline of the Thesis .......................................................................................... 18
CHAPTER TWO .............................................................................................................21
  2.1 Introduction ......................................................................................................... 21
  2.2 Theoretical Foundations .................................................................................... 21
  2.3 The Concept of Strategy .................................................................................. 25
  2.4 Competitive Strategy ....................................................................................... 27
  2.5 Intangible Assets ............................................................................................. 34
  2.6 Firm Characteristics ......................................................................................... 50
  2.7 Firm Performance ............................................................................................. 54
  2.8 Competitive Strategy and Firm Performance ............................................... 57
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.9 Intangible Assets and Firm Performance</td>
<td>60</td>
</tr>
<tr>
<td>2.10 Firm Characteristics and Firm Performance</td>
<td>63</td>
</tr>
<tr>
<td>2.11 Competitive Strategy, Intangible Assets, and Firm Performance</td>
<td>64</td>
</tr>
<tr>
<td>2.12 Competitive Strategy, Firm Characteristics, and Firm Performance</td>
<td>66</td>
</tr>
<tr>
<td>2.13 Summary of Empirical Studies and Knowledge Gaps</td>
<td>67</td>
</tr>
<tr>
<td>2.14 Conceptual Framework</td>
<td>79</td>
</tr>
<tr>
<td>2.16 Chapter Summary</td>
<td>83</td>
</tr>
<tr>
<td><strong>CHAPTER THREE</strong></td>
<td>85</td>
</tr>
<tr>
<td>3.1 Introduction</td>
<td>85</td>
</tr>
<tr>
<td>3.2 Research Philosophy</td>
<td>85</td>
</tr>
<tr>
<td>3.3 Research Design</td>
<td>86</td>
</tr>
<tr>
<td>3.4 Population of the Study</td>
<td>87</td>
</tr>
<tr>
<td>3.5 Data Collection</td>
<td>88</td>
</tr>
<tr>
<td>3.6 Questionnaire Design and Pre-test</td>
<td>90</td>
</tr>
<tr>
<td>3.7 Operationalization of Study Variables</td>
<td>93</td>
</tr>
<tr>
<td>3.8 Reliability and Validity Tests</td>
<td>95</td>
</tr>
<tr>
<td>3.9 Multicollinearity, Autocorrelation, and Heteroscedasticity Tests</td>
<td>98</td>
</tr>
<tr>
<td>3.10 Data Analysis</td>
<td>99</td>
</tr>
<tr>
<td>3.12 Chapter Summary</td>
<td>114</td>
</tr>
<tr>
<td><strong>CHAPTER FOUR</strong></td>
<td>115</td>
</tr>
<tr>
<td>4.1 Introduction</td>
<td>115</td>
</tr>
<tr>
<td>4.2 Response Rate</td>
<td>115</td>
</tr>
<tr>
<td>4.3 Tests of Reliability and Validity</td>
<td>116</td>
</tr>
<tr>
<td>4.4 Company Profiles</td>
<td>119</td>
</tr>
<tr>
<td>4.5 Descriptive Statistics</td>
<td>123</td>
</tr>
<tr>
<td>4.6 Correlation Matrix between Independent and Dependent Variables</td>
<td>126</td>
</tr>
<tr>
<td>4.7 Tests of Hypotheses</td>
<td>127</td>
</tr>
<tr>
<td>4.8 Competitive Strategy and Firm Performance</td>
<td>128</td>
</tr>
<tr>
<td>4.9 Intangible Assets and Firm Performance</td>
<td>133</td>
</tr>
<tr>
<td>4.10 Firm Characteristics and Firm Performance</td>
<td>140</td>
</tr>
<tr>
<td>4.11 Analysis Involving Moderating Variables</td>
<td>143</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 2.1: Summary of Previous Studies and Knowledge Gaps .................................. 69

Table 2.2: Summary of Objectives and Corresponding Hypotheses ....................... 82

Table 3.1: Operationalization of Key Variables of the Study .................................. 102

Table 3.2: Summary of Objectives, Hypotheses, and Analytical models ............... 107

Table 4.1: Summary of Response Rate per Sector ............................................... 116

Table 4.2: Results of Reliability Tests ...................................................................... 117

Table 4.3: Distribution of Companies by Investment Market Segments .................. 120

Table 4.4: Summary of Size of Companies by Number of Employees .................... 121

Table 4.5: Summary of Age of Company since Incorporation and Listing .............. 122

Table 4.6: Summary of Descriptive Statistics of Variables Studied ....................... 124

Table 4.7: Regression Results for the Effect of Low Cost leadership on Measures of Firm Performance .................................................. 129

Table 4.8: Regression Results for the Effect of Differentiation Strategy on Measures of Firm Performance ................................................................. 131

Table 4.9: Regression Results for the Effect of Focus Strategy on Measures of Firm Performance ................................................................. 132

Table 4.10: Regression Results for the Effects of Managerial Capabilities on Measures of Firm Performance .................................................. 135

Table 4.11: Regression Results for the Effect of Human Capital on Measures of Firm Performance .................................................. 136

Table 4.12: Regression Results for the Effect of Corporate Reputation on Measures of Firm Performance .................................................. 138

Table 4.13: Regression Results for the Effect of Organizational Culture on Measures of Firm Performance .................................................. 140
List of Tables Cont…

Table 4.14: Regression Results for the Effects of Firm Size on Measures of Firm Performance

Table 4.15: Regression Results for the Effect of Firm Age on Measures of Firm Performance

Table 4.16: Hierarchical Regression Results of the Effect of Intangible Assets on the Relationship between Competitive Strategy and Measures of Performance

Table 4.17: Hierarchical Regression Results of the Effect of Firm Characteristics on the Relationship between Competitive Strategies and Measures of Performance

Table 4.18a: Regression Results for the Joint Effect of Predictor Variables and Separate Effect of Competitive Strategy on Measures of Firm Performance

Table 4.18b: Regression Results for the Joint Effect of Predictor Variables and Separate Effect of Intangible Assets on Measures of Firm Performance

Table 4.18c: Regression Results for the Joint Effect of Predictor Variables and Separate Effect of Firm Characteristics on Measures of Firm Performance

Table 4.19: Summary of the Findings from Tests of Hypotheses

Table 6.1: Summary of Objectives, Hypotheses, Analytical Tool, and Findings
LIST OF FIGURES

Figure 2.1: A Model of Competitive Strategy, Intangible Assets, Firm Characteristics and Firm Performance .......................................................... 79
ABBREVIATIONS AND ACRONYMS

AIMS  - Alternate Investment Market Segment
CEOs  - Chief Executive Officers
CMA   - Capital Market Authority (K)
CR    - Corporate Reputation
CS    - Customer Satisfaction
DY    - Dividend Yield
EPS   - Earning Per share
FC    - Firm Characteristics
FISMS - Fixed Income Securities Markets Segment
FOMS  - Future and Option Market Segment
HC    - Human Capital
HR    - Human Resource
ICT   - Information, Communication and Technology
KMO   - Kaiser-Meyer-Olkin
MC    - Managerial Capabilities
MIMS  - Main Investment Market segment
MS    - Market Share
NGO   - Non-Governmental Organizations
NSE   - Nairobi Securities Exchange
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>OC</td>
<td>Organizational Culture</td>
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<tr>
<td>PCM</td>
<td>Price-Cost-Margin</td>
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<td>PIMS</td>
<td>Product Impact of Market Strategy</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RBV</td>
<td>Resource-Based View of the Firm</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<tr>
<td>ROE</td>
<td>Return on Equity</td>
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<td>ROI</td>
<td>Return on Investment</td>
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<tr>
<td>ROS</td>
<td>Return on Sales</td>
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<td>SG</td>
<td>Sales Growth</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>ST</td>
<td>Strategy</td>
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<tr>
<td>TMT</td>
<td>Top Management Team</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<td>VIF</td>
<td>Variance Inflation Factor</td>
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</tbody>
</table>
ABSTRACT

This study sought to establish the influence of intangible assets and firm characteristics on the relationship between competitive strategy and performance of companies listed at the NSE. The study was anchored on the resource-based theory which holds that intangible assets are the primary source and key driver of a firm’s competitiveness. Six specific objectives guided the study namely; to determine the extent to which competitive strategy influence performance of companies listed at the NSE; to assess the influence of intangible assets on performance of companies listed at the NSE; to assess the influence of firm characteristics on performance of companies listed at the NSE; to establish the moderating effect of intangible assets on the relationship between competitive strategy and performance of companies listed at the NSE; to establish the moderating effect of firm characteristics on the relationship between competitive strategy and performance of companies listed at the NSE; to establish the combined effect of competitive strategy, intangible assets, and firm characteristics on performance of companies listed at the NSE.

To achieve these objectives, several hypotheses were formulated and tested empirically. A census study using cross-sectional survey design was adopted on a study population of 48 companies listed at the NSE. A total of 42 companies returned duly completed questionnaires which represented 87.5% response rate. Both primary and secondary data were collected. A five point Likert-type scale questionnaire solicited primary data while secondary data was extracted from published records. Prior to data analysis, the questionnaire was tested for reliability and validity and was found to be acceptable. Data was analyzed using descriptive statistics, correlation, simple, multiple, and hierarchical multiple statistical techniques using SPSS analytical tool version 17. Eleven hypotheses were partially supported while one was accepted. The study established that low cost, differentiation strategy, focus strategy, managerial capability, human capital, corporate reputation, organizational culture, firm size and organizational age had a statistically significant positive effect on customer satisfaction, but insignificant effect on ROA, ROE, DY, sales growth, and market share. Intangible assets had no moderating effect on the relationship between competitive strategy and performance in terms of ROA, ROE, DY, sales growth and marker share. The study established that intangible assets moderated the relationship between competitive strategy and customer satisfaction. Similarly, firm characteristics did not moderate the relationship between competitive strategy and ROA, ROE, DY, sales growth, and customer satisfaction but had a moderating effect on competitive strategy and market share. The combined effect of all variables of the study acting on each performance measure was greater than the effect on each separate variable on each measure of performance. The study proposes that future studies should focus on longitudinal studies, market-based measures of performance, other sectors such as health, education, SMEs, NGO’s and software, inclusion of other intangible assets and tangible assets.