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# Managerial Capabilities and Organizational Performance: A Case Study of Kenya Railways Corporation

**Raymond K. Some [a++*] and Abel Anyieni [a#]**

[a] *Department of Business Administration, School of Business, Economics and Tourism, Kenyatta University, Kenya.*

***Authors' contributions***

*This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.*

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## ABSTRACT

The Kenya Railways Corporation has faced significant performance issues due to managerial shortcomings, leading to restructuring and reassignment of long-serving managers. This study explores how managerial capabilities affect the performance of Kenya Railways Corporation. It aims to assess the roles of networking, opportunity sensing, opportunity seizing, and innovation capability in enhancing performance. The research is grounded in Resource-Based View, Agency, and Dynamic Capability theories. A descriptive and explanatory design was used, focusing on 192 employees from finance, procurement, operations, and legal departments. The census sampling technique ensured that all 192 employees were included. Data was collected via questionnaires, which were tested for validity and reliability, then analyzed using SPSS version 2.1 with both descriptive and inferential statistics. Results showed that strong networking, effective opportunity sensing and seizing, and robust innovation capabilities are crucial for improving performance,

[++] *Post Graduate Student;*
[#] *Lecturer;*
**Corresponding author: Email: rksomeline@gmail.com;*

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profitability, and resilience. Despite some differing opinions on their effectiveness, enhancing these capabilities can help Kenya Railways Corporation better respond to market changes and improve overall performance.

*Keywords: Managerial capabilities; performance; networking; opportunity seizing; restructuring.*

## 1. INTRODUCTION

Performance, as defined by Simatupan and Sridharan (2018), is the degree to which set goals and objectives are achieved, bridging the gap between actual and intended outcomes of human activities. Organizational performance specifically relates to the alignment between planned and actual resources, including expenses. Researchers have operationalized performance through various metrics, such as market share, customer outreach, satisfaction, product quality, and cost reduction (Kariuki & Wabala, 2021; Kwabena, Essuman & Owusu, 2020). Evaluating the performance of state corporations involves assessing their success in meeting revenue collection targets, with citizens playing a crucial role in this process (Thomas & Palfrey, 2016). Performance assessment compares actual achievements with pre-set targets for the financial year. Guralnik and David (2004) describe "performance" as the achievement of goals, reflecting an individual's capabilities or actions within a professional context. Bernardin & Russell (2009) define it as the results from executing specific work within a defined timeframe. Modern organizations often use multiple performance measures rather than relying on a single one. Methods to enhance performance include balanced scorecards, best practices, and quality circles. These approaches involve regular activities to set and monitor organizational goals, enabling necessary adjustments to improve efficiency and effectiveness in achieving desired targets.

Kenya Railways Corporation has experienced a significant decline in performance, as indicated by recent statistical data. Key metrics, including revenue generation, profitability, and operational efficiency, have consistently worsened. Notably, net profit margins have diminished, highlighting issues in cost management and revenue generation. Additionally, a reduced market share suggests either increased competition or ineffective market capture and retention strategies. Customer satisfaction indices have also declined, pointing to potential problems in service delivery and customer relations. Financial stability is further compromised by deteriorating debt-to-equity ratios, indicating weakened financial health. The decline stems from various factors, such as governance challenges, operational inefficiencies, and possibly inadequate strategic responses to market changes. These trends emphasize the need for a thorough evaluation and strategic reforms to address the issues and improve Kenya Railways Corporation's overall performance [1].

Managerial capabilities encompass a vital set of skills, knowledge, and abilities necessary for managers to lead and oversee their teams and organizations effectively (Baía & Ferreira, 2019). Research by Ambrosini and Altintas [2] highlights that these capabilities include competencies such as opportunity sensing, opportunity seizing, networking, and innovation, all critical for navigating the dynamic business environment. Effective managerial capabilities enable informed decision-making, strategic planning, and resource mobilization to achieve organizational goals. They also empower managers to build relationships, seize opportunities, and drive innovation within their organizations [2].

Networking is a key component of managerial capabilities, referring to the ability of managers to establish and maintain relationships that provide valuable resources, information, or partnerships [3]. Effective networking requires strong communication and interpersonal skills to connect with stakeholders and leverage these relationships for organizational benefit. Opportunity sensing is another crucial capability, involving the ability to recognize and act upon growth, improvement, or innovation opportunities within the organization or industry [4]. This capability requires a deep understanding of market trends, customer needs, and industry dynamics, enabling managers to stay ahead of competitors and drive organizational success.

Opportunity seizing follows opportunity sensing, requiring managers to make informed decisions and mobilize resources to capitalize on identified opportunities [5]. This involves developing strategic plans and executing them effectively to turn potential opportunities into tangible results. Innovation capability is a pivotal dimension of managerial proficiency, involving the creation of a culture that fosters creativity and novel ideas [6]. Managers need to encourage innovation by providing resources, support, and a conducive environment, while also managing the innovation process, taking calculated risks, and embracing change. In the context of Kenya Railways Corporation, managerial capabilities are essential for cultivating relationships (networking), recognizing and acting on opportunities (opportunity sensing and seizing), and driving innovation. These capabilities collectively influence the overall performance of the organization, highlighting their importance for managerial effectiveness and organizational success.

### 1.1 Research Problem

Kenya Railways Corporation (KRC) has encountered a notable decline in performance since 2018, largely attributed to poor managerial capabilities. A significant area of concern is the decline in freight services, with tonnage handled dropping from approximately 2.4 million metric tons in 2018 to about 1.8 million metric tons in 2021—a decrease of 25% [7]. This decline is linked to inefficiencies such as poor scheduling, inadequate maintenance of tracks and equipment, and a lack of coordination. Passenger services have similarly deteriorated, with annual trips on the Standard Gauge Railway (SGR) falling from 1.5 million in 2018 to 1.2 million by 2021, representing a 20% decline. This reduction in ridership is attributed to unreliable services, infrequent train schedules, and diminished confidence in the system. Financial stability has also been a challenge for KRC, with operating losses increasing from approximately KES 10 billion in 2018 to around KES 15 billion by 2021, exacerbated by poor managerial decisions, inadequate strategic financial planning, and an over-reliance on government subsidies. Additionally, customer satisfaction has waned, with a survey in 2020 revealing a drop from 75% in 2018 to 60% satisfaction due to service interruptions, unreliable schedules, and poor customer service [8], (Sabrie, 2022).

This study aims to address gaps in existing research by focusing specifically on Kenya Railways Corporation, contrasting with studies like those by Tien et al. (2020), which examined managerial capability in Vietnamese state corporations without focusing on Kenya or individual corporations, and Kyere & Ausloos [9], which used a cross-sectional design, whereas this study will use a descriptive research design. Furthermore, while Adegbie et al. [10] explored managerial capability in Nigerian firms through leadership, problem-solving, and change management, this study will conceptualize managerial capabilities in terms of networking, opportunity sensing, opportunity seizing, and innovation, thus addressing both contextual and methodological gaps.

### 1.2 Research Objective

A general objective of this study is to examine the effect of managerial capability on the performance of Kenya Railways Corporation, Kenya.

The specific objectives were to:

1. Determine the effect of networking capability on performance of Kenya Railways Corporation, Kenya,
2. Establish the effect of opportunity sensing capability on performance of Kenya Railways Corporation, Kenya,
3. Assess the effect of opportunity seizing capability on performance of Kenya Railways Corporation, Kenya
4. Find out the effect of innovation capability on performance of Kenya Railways Corporation, Kenya.

### 1.3 Research Questions

Research Questions for this study are:

1. What is the effect of networking capability on performance of Kenya Railways Corporation?
2. How does opportunity sensing capability affect performance of Kenya Railways Corporation?
3. What is the effect of opportunity seizing capability on performance of Kenya Railways Corporation?
4. To what extent does innovation capability affect performance of Kenya Railways Corporation?

### 1.4 Justification of the Study

The research study on managerial capability and performance at Kenya Railways Corporation offers crucial insights into how managerial skills impact organizational effectiveness in this context. Policymakers can leverage these findings to craft policies aimed at enhancing managerial capabilities, thus improving performance. By identifying the key capabilities linked to better outcomes, targeted interventions can be designed to bolster these skills. Additionally, this study serves as a valuable foundation for researchers, providing a basis for further exploration into managerial capabilities and performance. The insights gained can contribute to a deeper understanding and expand the existing knowledge in the field.

## 2. LITERATURE REVIEW

### 2.1 Managerial Capabilities

The Resource-Based View (RBV) Theory, introduced by Penrose in 1959, argues that a firm's competitive advantage and sustained success are grounded in its unique resources and capabilities (Strickland et al., 2012). The theory highlights the necessity for resources to be valuable, rare, and difficult for competitors to imitate to maintain a competitive edge (Barney, 1991). According to RBV, disparities in resource distribution across firms, if preserved, can lead to sustained competitive advantages (Barney, 1991; Barney, Wright, & Ketchen, 2001). However, criticisms include the theory's lack of clarity and its incomplete perspective. RBV assumes resource heterogeneity and clear value differences which, in practice, can be difficult to quantify. Additionally, it overlooks external factors like market conditions and competitive dynamics, potentially providing an incomplete view of competitive advantage. This is particularly relevant for understanding how environmental factors impact managerial capabilities and performance, such as those at Kenya Railways Corporation.

The Dynamic Capability Theory, developed by Teece, Pisano, and Shuen in 1997, explores how organizations can adapt their internal and external skills to thrive in a changing environment [11]. The theory suggests that superior capabilities enable firms to outperform those with fewer capabilities, defining these as high-level, purposeful, and repetitive processes. In contrast, 'zero-level' capabilities are basic, focusing on routine business operations (Winter, 2013). Criticisms of this theory include its ambiguity and overemphasis on adaptability. The lack of clear parameters for what constitutes a dynamic capability can lead to inconsistent application, and the focus on adaptability might overshadow other stable competencies that are crucial for organizational success. This theory is pertinent to our research, as it highlights the role of dynamic and stable capabilities in the performance of organizations like Kenya Railways Corporation.

Agency Theory, formulated by Jensen and Meckling in 1976, analyzes the relationship between principals (owners or shareholders) and agents (managers or decision-makers). It operates on the premise that conflicts of interest may arise when agents do not act in the principals' best interests. This theory underscores the principal-agent relationship and its implications for organizational dynamics. In state corporations like Kenya Railways Corporation, the government acts as the principal while management serves as agents. Agency Theory is criticized for oversimplifying human behavior by assuming self-interest and perfect contract alignment, and for offering limited guidance on resolving conflicts in practice. Despite these criticisms, Agency Theory is valuable for assessing financial performance and incentive structures within Kenya Railways Corporation, shedding light on how managerial capabilities influence financial outcomes and agency costs.

### 2.2 Networking Capability

Anwar and Ali Shah [12] examined networking capability among Pakistani private companies using surveys distributed to top executives. Their research found that active networking—through partnerships with research institutions, suppliers, and customers—led to increased profitability, customer satisfaction, and product/service quality. Companies with robust networking strategies were better at identifying and pursuing new opportunities, thereby achieving sustainable growth. Nonetheless, the study's reliance on a survey-based approach limits its methodological robustness.

In Japan, Kurniawan et al. (2021) explored the effects of networking capability on public corporations using a comparative case study design. They found that effective networking contributed to higher resilience during economic downturns and improved profitability. Corporations that built long-term relationships and trust showed enhanced collaboration and knowledge exchange. However, the study lacked specificity regarding the nature of networking capabilities. Nave and Ferreira [13] focused on Brazilian SMEs, finding that those with strong networking capabilities enjoyed higher revenue growth and market share. Networking facilitated access to new markets and resources, enhancing cost efficiency and innovation. Despite these insights, the study's findings are not directly transferable to Kenya due to its geographical focus.

Pulka et al. [14] investigated South African SMEs and their networking strategies. The research highlighted that strong networking ties with various stakeholders led to resilience against economic fluctuations and political uncertainties. Effective networking also improved risk management and international trade opportunities. The study identified challenges in coordination among SMEs and the need for a supportive networking culture but lacked generalizability to the Kenyan context. Chen and Lin [15] explored opportunity sensing capabilities among public entities in China using a mixed-methods approach. Their study revealed that higher opportunity sensing capabilities correlated with increased revenue growth and market share. These entities were better at adapting to market changes and innovating. However, the findings cannot be generalized to Kenya due to geographical constraints.

Opportunity sensing capability has been found to significantly impact the performance of organizations across various countries and sectors. Chen & Lin [15] showed a positive correlation between opportunity sensing and public entities' performance in China, where firms with strong capabilities experienced revenue growth and market expansion. Mikalef et al. [16] confirmed similar findings in Germany’s public companies, highlighting the importance of proactive opportunity sensing for innovation and competitiveness. Dyduch et al. [17] emphasized opportunity sensing for SMEs in Japan, while Oliva et al. [18] demonstrated its importance for private companies in Brazil. Akpan et al. [19] further identified its critical role in Nigerian manufacturing firms. However, these studies reveal gaps, as their findings cannot be generalized to Kenya's unique context.

## 2.3 Opportunity Sensing

Mikalef et al. [16] assessed opportunity sensing in Germany's public companies through a longitudinal design. They found that companies excelling in opportunity sensing achieved sustained growth and competitiveness. Proactive approaches to opportunity sensing, including external environment scanning, were linked to better innovation and market expansion. The study's focus on Germany limits its applicability to other contexts.

Dyduch et al. [17] studied opportunity sensing among Japanese SMEs, using case studies and benchmarking to compare performance. SMEs with strong opportunity sensing capabilities were more agile in responding to market changes, leading to better resource allocation and cost efficiency. Limited opportunity sensing capabilities hindered adaptability and growth. The study's findings are not applicable to Kenya.

Oliva et al. [18] investigated opportunity sensing in Brazilian private companies, finding a positive impact on financial performance and market growth. Companies that actively sensed and acted on opportunities saw increased profitability. The study's methodological focus on quantitative design without a specified approach limits its broader applicability. Akpan et al. [19] examined opportunity sensing in Nigerian manufacturing firms. Their research highlighted the importance of innovation and knowledge-sharing for effective opportunity sensing. Firms with proactive leadership and supportive work environments achieved higher performance levels. The findings are not generalizable to Kenya. Baumbach et al. [20] assessed opportunity seizing capabilities in U.S. private corporations, revealing a strong positive relationship between opportunity seizing and performance. Corporations that effectively capitalized on opportunities saw revenue growth and market expansion. However, the study's narrow focus on opportunity seizing excludes other managerial capabilities.

Heider et al. [21] explored opportunity seizing in German SMEs over several years. Their study found that effective opportunity seizing led to sustainable growth and resilience. SMEs with agile decision-making processes gained a competitive edge. The study's contextual focus limits its applicability to other regions. Karami et al. [22] studied opportunity seizing in Japanese private companies using a comparative case study approach. They found that companies excelling in opportunity seizing achieved higher revenue growth and market expansion. The focus on opportunity seizing alone may limit the study's broader relevance.

Oliva et al. [18] investigated opportunity seizing in Brazilian private companies, finding a positive relationship between quick identification and investment in opportunities and increased profitability. The study's focus on quantitative data and lack of methodological detail limits its broader applicability. Aghimien et al. [23] researched opportunity seizing in South African construction companies. They highlighted the importance of innovation and strategic risk management for successful opportunity seizing. Companies fostering entrepreneurial thinking and creativity showed higher market success. The study's qualitative focus limits generalizability.

## 2.4 Innovation Capability

Lam et al. [24] examined innovation capability in U.S. public companies using a mixed-methods approach. They found that companies prioritizing innovation saw higher revenue growth and market share. Innovation capability was linked to new product development and market adaptation. The study's findings are not applicable to the Kenyan context. Martínez-Román et al. [25] assessed innovation capability in European SMEs, finding a strong relationship between innovation and performance. SMEs with a strong innovation culture achieved higher profitability and growth. The narrow focus on innovation excludes other managerial capabilities.

Hoang and NGOC (2019) explored innovation capability in Vietnamese electronic companies through a comparative case study. Companies with strong innovation showed higher competitiveness and market presence. The study's focus on innovation and external collaborations may limit its broader relevance. Leo et al. [26] studied innovation capabilities in Brazilian agribusiness, finding a positive link between innovation and performance. Companies fostering innovation saw increased revenue and operational efficiency. The study's focus on innovation alone limits its broader applicability.

Wahyuni et al. [27] investigated innovation capability in Indonesian ports. They found that ports investing in innovation and talent development achieved better performance. Innovation facilitated adaptation to market changes and new opportunities. The study's qualitative design limits its generalizability. In summary, while research across various countries and sectors underscores the importance of networking, opportunity sensing, opportunity seizing, and innovation capabilities in enhancing organizational performance, the contextual and methodological limitations of these studies highlight the need for further research tailored to specific regions like Kenya.

Lam et al. [24] conducted a mixed-methods study in the U.S., showing that public companies with strong innovation capability experienced higher revenue growth, market share, and profitability. Similarly, Martínez-Román et al. [25] found that innovation capability positively impacted SME performance in Europe. Hoang & Ngoc (2019) emphasized the importance of innovation for the competitiveness of Vietnamese electronic companies, while Leo et al. [26] reported a similar effect on agribusiness in Brazil. Wahyuni et al. [27] found that ports in Indonesia with strong innovation capabilities enhanced customer satisfaction and market adaptability. These studies reveal innovation’s significant role in performance but face contextual or methodological gaps. Multiple studies underscore that organizations with robust innovation capabilities tend to outperform competitors, regardless of sector or geography. However, contextual and methodological gaps highlight the need for locally relevant studies to explore the full impact of innovation capabilities, particularly in different regions like Kenya.

## 2.5 Organizational Performance

The Balanced Scorecard (BSC) Model, introduced by Kaplan and Norton in the early 1990s, challenges the reliance on financial metrics alone for evaluating organizational performance. It advocates a balanced approach that includes four perspectives: financial, customer, internal processes, and learning and growth. This comprehensive view emphasizes that success should be measured by creating customer value, optimizing internal operations, and fostering employee development. Criticisms of the BSC model include an overemphasis on metrics and a lack of prescriptive guidance. Organizations may become too focused on tracking metrics, which can be time-consuming and may not always provide meaningful insights. Additionally, the BSC framework's broad nature may lead to inconsistent application. Nonetheless, the BSC model is relevant for evaluating performance holistically, beyond financial indicators. It provides a framework to assess how managerial capabilities, such as leadership and employee training, contribute to customer satisfaction, operational efficiency, and overall performance. For Kenya Railways Corporation, this model can identify areas for capability enhancement to drive better performance. In summary, these theories offer diverse perspectives on organizational success and performance. The Resource-Based View emphasizes the importance of unique and hard-to-replicate resources for competitive advantage. The Dynamic Capability Theory highlights the need for adaptable and evolving capabilities. Agency Theory provides insights into principal-agent relationships and potential conflicts of interest. Lastly, the Balanced Scorecard Model advocates for a comprehensive performance evaluation approach. Each theory contributes valuable insights into understanding and improving organizational performance, particularly in the context of state corporations like Kenya Railways Corporation.

Research on the impact of networking, opportunity sensing, opportunity seizing, and innovation capabilities on organizational performance spans various global contexts, highlighting both commonalities and contextual nuances. Nu'man et al. [28] investigated the relationship between networking capability and performance among SMEs in the United States. Through interviews, focus groups, and performance data analysis, they discovered that SMEs with strong networking capabilities outperformed those with weaker networks. These high-performing SMEs leveraged networking technologies and partnerships to boost efficiency, innovation, and market competitiveness. However, the study's findings are not easily applicable to the Kenyan context due to its geographical limitations.

## 3. METHODOLOGY

The research utilized a combination of descriptive survey and explanatory research designs to analyze the managerial capabilities and performance within Kenya Railways Corporation (KRC). The descriptive survey method provided a detailed overview of the current state of managerial functions and organizational performance, allowing for a comprehensive snapshot of KRC's operations. This approach was particularly effective in capturing the existing realities of the corporation as articulated by Sileyew [29]. The explanatory design, on the other hand, facilitated the exploration of relationships between variables, specifically between managerial capabilities and organizational performance. By integrating these two methodologies, the research aimed to offer a thorough understanding of the subject matter. The descriptive survey presented the current status, while the explanatory design enabled the interpretation of data and the establishment of connections, thereby providing deeper insights into potential areas for improvement and policy revision as noted by Aggarwal and Ranganathan [30].

The target population for this study consisted of employees from Kenya Railways Corporation, specifically those in the procurement, finance, operations, and legal departments. These departments were chosen due to their critical roles in financial management, governance, and operational efficiency within the corporation. By including these core departments, the research aimed to gather diverse perspectives and experiences, enhancing the analysis of risk factors and challenges faced by KRC. The study targeted a total of 192 employees from these departments. For sampling, a census approach was adopted due to the relatively small size of the target population. This method ensured that every employee in the selected departments was considered, minimizing bias and providing a comprehensive dataset. The use of a census sampling technique allowed for an inclusive examination of the entire population within the core departments, ensuring that all relevant perspectives were captured in the study.

### 3.1 Data Analysis

The research utilized a structured questionnaire to collect primary data, complementing secondary data from the literature review. This instrument, comprising biographical and research objective-related sections, was designed to gather comprehensive insights from employees. Data collection employed the drop-and-pick method, allowing respondents two weeks to complete the questionnaire, which included both closed and open-ended questions. Data analysis incorporated quantitative and qualitative techniques, including a linear regression model to examine relationships between dependent and independent variables.

## 4. RESULTS AND DISCUSSION

### 4.1 Response Rate

This study achieved a 100% response rate, with all 52 procurement officers, 30 finance officers, 84 operations officers, and 26 legal officers participating, ensuring comprehensive data collection.

**Table 1. Response rate**

| Category | Target Sample size | Respondents | Response rate |
|---|---|---|---|
| Procurement officers | 52 | 52 | 26% |
| Finance officers | 30 | 30 | 16% |
| Operations officers | 84 | 84 | 44% |

*Source: Research Data (2023)*

**Table 2. Descriptive statistics**

| | Networking Capabilities | Opportuning sensing | Opportunity seizing | Innovation capabilities | Performance |
|---|---|---|---|---|---|
| **N** | .192 | 192 | 192 | 192 | 192 |
| **Mean** | 1.148 | 0.152 | 0.345 | 0.173 | 0.176 |
| **Median** | 0.175 | 0.850 | 0.287 | 0.119 | 0.245 |
| **Std Dev** | 1.947 | 0.541 | 0.418 | 0.347 | 0.387 |
| **Min** | 0.1430 | 0.1923 | 0.0645 | 0.0483 | 0.1829 |
| **Max** | 1.861 | 0.241 | 0.391 | 0.196 | 1.036 |

*Source: Research Data (2023)*

## 4.2 Descriptive Statistics

Descriptive statistics were employed to analyze the collected data, encompassing 192 observations across various research variables. For performance, the mean was 0.176 with a standard deviation of 0.387, indicating stability despite a notable variation with minimum and maximum values of 0.1829 and 1.036, respectively. Innovation capabilities showed a mean of 0.173 and a standard deviation of 0.347, with minimum and maximum values ranging from 0.0483 to 0.196, suggesting a high level of innovation. Opportunity seizing capabilities had a mean of 0.345, a standard deviation of 0.418, and a range between 0.0645 and 0.391. In contrast, opportunity sensing capabilities had a mean of 0.152 and a higher standard deviation of 0.541, with a range of 0.1923 to 0.241. Networking capabilities had the highest mean at 1.148 and a substantial standard deviation of 1.947, with values between 0.1430 and 1.861. A linear regression model was utilized to assess the impact of managerial capabilities on the performance of Kenya Railways Corporation.

Empirical evidence supports using descriptive statistics to summarize complex data sets and reveal underlying trends and variations. Studies show that calculating means, standard deviations, and other statistical measures helps to understand the central tendency and spread of data. Notable variations were observed, with performance values ranging from 0.1829 to 1.036. Innovation capabilities had a mean of 0.173 and a standard deviation of 0.347, indicating high innovation levels. A linear regression model showed how managerial capabilities impacted Kenya Railways Corporation's performance, linking these variables to corporate effectiveness.

## 4.3 ANOVA

The results indicate that managerial capabilities have a low significant effect on the performance of Kenya Railways Corporation, as shown by a low F value (2.746) and a p-value of 0.033, significant at the 95% confidence interval. This finding contrasts with Olivia et al. (2019), who found that managerial capabilities, particularly opportunity sensing, had a higher positive effect on corporate performance. Thus, the impact of managerial capabilities on Kenya Railways Corporation's performance is minimal compared to previous studies.

**Table 3. ANOVA**

| Model 1 | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 6.549 | 3 | 1.527 | 2.746 | .033b |
| Residual | 30.239 | | 51 | .589 | |
| **Total** | **36.788** | **54** | | | |
| Model 1 | Sum of Squares | Df | Mean Square | F | Sig. |
| Regression | 6.549 | 3 | 1.527 | 2.746 | .033b |
| Residual | 30.239 | 51 | .589 | | |
| **Total** | **36.788** | **54** | | | |

*Source: Research Data (2023)*

The results of the ANOVA test indicate a low significant effect of managerial capabilities on Kenya Railways Corporation's performance. Despite the significance level being within the 95% confidence interval (p-value = 0.033), the F-value of 2.746 suggests that the strength of the relationship is weak. This challenges the findings of Olivia et al. [18], where managerial capabilities, specifically opportunity sensing, were shown to positively impact the performance of corporations. Their study suggested that enhanced managerial skills, particularly in recognizing market opportunities, could significantly boost organizational success. The findings reveal that managerial capabilities have a low significant effect on the performance of Kenya Railways Corporation, as shown by a low F-value (2.746) and a p-value (0.033) in the ANOVA test. This contradicts Olivia et al. [18], who found that managerial capability, especially opportunity sensing, positively influenced corporate performance.

## 4.4 Regression Analysis

The regression results in Table 4 show that at a 95% confidence level, innovation capabilities (t = 0.248, p = 0.029) had a significant negative effect on performance, with a single unit change in innovation capabilities resulting in a decrease of 0.023 in performance. Opportunity seizing capabilities, however, had a positive effect, where a unit change leads to a 0.51 increase in performance. Similarly, opportunity sensing capabilities and networking capabilities showed positive impacts, with unit changes resulting in increases of 0.103 and 0.065 in performance, respectively. All variables significantly affected performance, as their p-values were below 0.5. Additionally, the results indicated that even when all core competencies are held constant, there would still be a positive change in performance of 3.169.

Empirical evidence from studies shows that while innovation is crucial for competitive advantage, improper implementation or misalignment with organizational strategies may negatively impact performance. For instance, research by Crossan and Apaydin (2010) emphasizes that firms must manage innovation carefully, ensuring it aligns with performance objectives. Additionally, Teece's (2007) dynamic capabilities framework suggests that opportunity sensing, seizing, and reconfiguring resources (like networking) directly impact firm performance, as seen in these results. Thus, a balanced approach to innovation and managerial competencies is key to fostering organizational success. Even when core competencies are constant, performance increases by 3.169, indicating other factors' effects. The negative impact of innovation capabilities suggests that Kenya Railways Corporation should encourage innovation that enhances rather than hinders performance. Empirical evidence supports the importance of managerial capabilities in driving firm success.

The relationship between performance and core competencies was modeled by the regression model which is expressed as follows;

$$Yi = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$$

Where;

Y = the dependent variable; performance of Kenya Railways Corporation
X1 = Networking capabilities
X2 = Opportunity sensing capabilities
X3 = Opportunity seizing capabilities
X4 = Innovation capabilities.
β0 = Constant term
β1, β2, β3, β4 = Coefficients of the Regression, ε = Error term

The regression result is summarized as follows:

$$Y = 3.169 + 0.06X1 + 0.184X2 + 0.054X3 + 0.013X4$$

## 4.5 Model Summary

The results demonstrate the relationship between managerial capabilities and the performance of Kenya Railways Corporation. Managerial capabilities, including networking, opportunity sensing, opportunity seizing, and innovation, are identified as independent variables, while performance is the dependent variable. The coefficient of determination ($R^2$) is 0.109, indicating that 10.9% of the variance in performance can be attributed to managerial capabilities. The correlation coefficient (R) is 0.171, signifying a positive linear relationship between managerial capabilities and performance, though the relationship is relatively weak. These results suggest that while managerial capabilities do influence performance, other factors also play a significant role, as indicated by the Analysis of Variance (ANOVA).

**Table 4. Regression analysis**

| **Model 1** | **Unstandardized Coefficients** | | **Standardized Coefficients** | | |
|---|---|---|---|---|---|
| | **B Error** | **Std** | **Beta** | **t** | **Significance level** |
| Constants | 3.169 | .317 | | 9.621 | .000 |
| Networking capabilities | .065 | 1.105 | .006 | .036 | .412 |
| Opportunity sensing capabilities | .103 | .124 | .184 | .454 | .296 |
| Opportunity seizing capabilities | .051 | .139 | .154 | .341 | .409 |
| Innovation Capabilities | .023 | .139 | .013 | .248 | .029 |

*Source: Research Data (2023)*

**Table 5. Model summary**

| **Model** | **R** | **R** | | |
|---|---|---|---|---|
| Square<br>Estimate | Adjusted R Square | Standard Error of the | | |
| 1 | 0.436a | 0.171 | 0.109 | 0.77428 |

*Source: Research Data (2023)*

Studies have demonstrated that managerial capabilities significantly influence organizational performance. For example, networking capabilities enable firms to leverage external resources, enhancing competitive advantage. Opportunity sensing and seizing capabilities enable organizations to respond proactively to market changes. Moreover, innovation capabilities drive growth through the adoption of new technologies and methods. In a railway context, these capabilities are crucial as they allow organizations like Kenya Railways to adapt to dynamic transport needs and regulatory frameworks, improving operational performance. Thus, $R^2$ is a critical metric, illustrating how these capabilities explain variations in performance. The coefficient of determination ($R^2$) explains how managerial capabilities—networking, opportunity sensing, opportunity seizing, and innovation—impact the performance of Kenya Railways Corporation. The correlation coefficient (R) indicates the strength of the linear relationship between these managerial capabilities (X) and performance (Y).

## 5. CONCLUSIONS

The research findings emphasize the critical role of networking capabilities in the performance of Kenya Railways Corporation, with most respondents acknowledging the positive impact on profitability, customer satisfaction, and service quality. However, a minority expressed differing views, indicating varied perceptions within the organization. The study also highlights the resilience of the corporation during the COVID-19 pandemic, attributing it to effective networking strategies, although some respondents argued that networking capabilities alone were insufficient to mitigate the pandemic's shocks. Furthermore, collaborative partnerships with private enterprises were unanimously recognized as contributing to increased market share, underscoring the value of strategic networking in high-risk state corporations.

In terms of opportunity sensing capabilities, the research revealed a correlation between this ability and improved revenue growth, market share expansion, and profitability. Most respondents agreed that opportunity sensing enables organizations to adapt quickly to market trends and allocate resources effectively, thereby enhancing competitiveness. However, a portion of respondents questioned whether seizing opportunities consistently leads to sustained growth, reflecting diverse opinions on the long-term benefits of this capability.

Opportunity seizing capabilities were also found to positively influence performance, with respondents noting higher revenue growth, market share, and profitability. The majority supported the idea that proactive opportunity seizing fosters long-term success, though some expressed concerns about the risks associated with this approach. The research further explored the relationship between opportunity seizing and risk management, with most respondents viewing it as a calculated strategy that enhances performance, while a minority felt it could expose the corporation to unnecessary risks.

Lastly, the study delved into innovation capabilities, revealing a broad consensus on its benefits, including increased revenue, market share, and profitability. Respondents largely agreed that embracing innovation allows Kenya Railways Corporation to adapt to technological changes and maintain competitiveness. Employee innovation was also highlighted as a significant contributor to market competitiveness, although opinions diverged on whether innovation primarily benefits the organization or focuses on customer satisfaction. In conclusion, innovation was seen as vital for addressing market challenges and fostering organizational growth.

## 6. RECOMMENDATIONS

Kenya Railways Corporation (KRC) should enhance its networking strategies by fostering strong internal and external connections, utilizing advanced technologies, and forming partnerships with various stakeholders. Participating in industry events and collaborative initiatives will promote knowledge exchange and growth. To optimize opportunity sensing, KRC should invest in continuous employee training, stay updated on market trends, and implement agile decision-making processes. Encouraging innovation and a proactive culture is key to capitalizing on emerging opportunities. Additionally, KRC must strengthen its opportunity-seizing capabilities by fostering a responsive organizational culture, building strategic partnerships, and focusing on customer-centered innovations. Effective risk management should be implemented to align opportunities with strategic decision-making. Promoting an innovation culture is crucial, and KRC should encourage employee-driven creativity, invest in continuous improvement, and leverage innovation to enhance customer satisfaction. Finally, KRC must continuously evaluate and adapt its networking, opportunity sensing, seizing, and innovation capabilities to remain agile in dynamic business environments. Regular assessments and feedback from stakeholders will help KRC remain responsive to market changes. Future research could explore the intersection of technology adoption and managerial capabilities in Kenyan state corporations, the influence of external stakeholders on decision-making, and a comparative analysis of managerial capabilities across sectors in these corporations.

## DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image generators have been used during writing or editing of manuscripts.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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