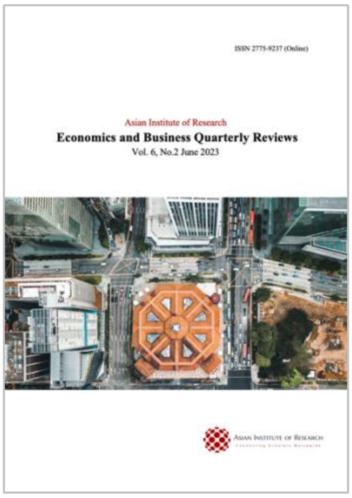

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Social Capital Resource Attributes Affecting Performance in Deposit-taking Savings and Credit Co-operatives in Kenya

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Abstract
The paper reports the findings of research on the role of social capital resource attributes on the performance of deposit-taking savings and credit co-operative societies in a developing country context. The research was premised on the logic of the resource-based view that postulates that resources are the basis of performance variances across firms in the same industry. In addition, the study constructs are supported by the institutional theory and the social capital theory. Three attributes of social capital resources, specifically networking, reputation, and culture, were used to operationalize the construct. Data was obtained from representatives of functional areas involved in strategic decision-making in 38 deposit-taking SACCOs in Nairobi, Kenya. Data was collected using a 5-point Likert scale questionnaire whose computed Cronbach's alpha score showed that the instrument was reliable and internally consistent at above α=0.9. The study recorded a response rate of 71%. The study found that the three attributes of social capital are embedded in the deposit-taking SACCOs to a high extent and contribute towards improved performance of the deposit-taking SACCOs by explaining 51.3% of the variation of performance. The findings contribute towards explaining the strategic management process through which the components of social capital contribute towards the performance of the sampled organizations and raise several implications on relevant strategic management practices suitable to create and sustain social capital resources for enhanced organizational performance.

Keywords: Performance, Social Capital, Networking, Reputation, Culture, Deposit-taking Savings and Credit Co-operatives, Heterogeneous Resources, Firm Specific, VRIN

1. Introduction

The pursuit, attainment, and sustainability of good firm performance are essential themes in strategic management (Ma, 2015). A firm's success is pegged on its ability to perform well compared to other players in the same industry. A well-performing firm can realise long-term profits that will generate opportunities to ensure well-remunerated employees, higher returns on investments, and access to the most recent technology assuring their customers of unbeatable quality and high-value products (Taouab & Issor, 2019).

Barney et al. (2011) posited that firms operate in the same industry, but their performance varies due to differences in their resource complement. The resource-based view suggests that variability in a firm's performance is attributable to heterogeneity in distinctive bundles of organizational resources (Barney, 1991; Peteraf, 1993). A firm is a unit operating towards achieving a targeted goal with the help of a collection of resources and laid-out processes and structures that drive the firm's growth and performance (Urbano, Alvarez & Turro, 2013). Firms possess different types of resources, some of which are strongly associated with the performance of the firm (Lee & Whitford, 2012). A firm's success is thought to come from the uniqueness of resources developed by firms over time (Rifat, 2017). Such unique resources are not purchased in the factor market but are developed over time in the firm through interaction of people and combination of other resources.

The resource-based view postulates that a firm's competitiveness and exemplary performance in an industry are a product of heterogeneous resources that can neither be imitated nor substituted by rivals (Barney et al., 2011). Heterogeneity is thought to contribute to resources rich in desirable characteristics whose origin is so ingrained in the firm networks, structures and culture that it cannot be attributable to any single resource but rather to a web-like complexity that is difficult to decipher (Barney, 2014). Processes, structures, reputation, networks and cultures developed over the years by the people working from time to time for the firm form heterogeneous resources which constitute the firm’s social capital. Such resources have the characteristics of causal ambiguity, social complexity and historical complexity making them valuable, rare, inimitable and non-substitutable (VRIN). Capabilities built through the process of causal ambiguity are not transferrable to other firms because the process of gaining such capabilities is not documented (Rifat, 2017).

The study focused on the social capital aspect of resources to attempt to explain its contribution to variation in performance in a context of a financial service provider. The financial service sector was a deposit-taking SACCO subsector that mobilises savings from members and offers financial and bank-related services to the members in the same manner as licensed commercial banks do, and their performance is considered critical in contributing to the achievement of Kenyan national goals. The context selected was Kenya, and the researchers selected those deposit-taking SACCOs operating in the capital city, Nairobi and its environs as this region hosted the largest percentage of the registered deposit-taking SACCOs as well as the highest volume of transactions undertaken in the sector.

Most deposit-taking SACCOs compete with technologically advanced financial organizations. To better their performance, the deposit-taking SACCOs are venturing into new markets and improving their product offering coupled with competitive pricing, enabling them to achieve a cost leadership position (Sossion, 2015). The deposit-taking SACCOs also offer many products and therefore increase the product ratio per customer to satisfy customer needs (Kipkosgey & Njeru, 2014). The integral role played by deposit-taking SACCOS in the provision of financial services is apparent (Kiragu, 2012).

The performance of deposit-taking SACCOs slackened in the year 2020 with a drop of 3.2% in growth rate from 13.4% in 2019 to 10.2% in 2020 and a drop in the dividend payment rate on savings from 8.7% in 2019 to 7.3% in 2020 (SASRA, 2022). Besides this, deposit-taking SACCOs must compete with financial institutions such as banks that employ better economies of scale. Due to these challenges, deposit-taking SACCOs experience performance challenges as evidenced by dwindling market share, reduced share volumes, low levels of productivity, and reduced profitability (Sagwa & Kembu, 2016). There has been a decline in the total cumulative number of deposit-taking SACCOs licensed by SASRA to carry out business from 181 in 2015 to 167 in 2020 due to reasons touching on the inability to meet the strict guidelines set out (SASRA, 2020). SASRA (2018) linked the poor performance of deposit-taking SACCOs to inefficient processes and a weak product development mechanism. Therefore, the deposit-taking SACCOs’ sector's poor performance calls for an empirical explanation to demonstrate how their social capital resources, including networking, reputation, and culture, account for their level of competitiveness and subsequent performance.

Although there have been significant efforts towards relating the diverse types of resources with the construct of performance, few studies have been done in the deposit-taking SACCOs sector (Ma, 2015; Taouab & Issor, 2019; Rifat, 2017). In view of the state of findings from previous studies indicating that researchers vary in their views concerning which resources are responsible for positive firm performance as well as lack of research in the deposit-taking SACCO sector, this study sought to investigate the effect of social capital resources on firm performance of deposit-taking SACCOs in Nairobi City County, Kenya.

The objective of the study is to establish the effect of social capital resources on the performance of deposit-taking SACCOs. The study had three specific objectives which were to establish the effect of networking, reputation and culture on the performance of deposit-taking SACCOs in Kenya. The study has contributed to the growth of the body of knowledge in strategic management theory. Specifically the study links firm specific actions such as broadening networks, growing trust and developing innovative cultures to the development of valuable, rare, inimitable and non-substitutable resources that form part of the firms social capital.

2. Literature Review

The literature review section covers the theoretical review, the conceptual and empirical review sections.

2.1 *Theoretical Review*

The study is anchored on the resource-based view, the institutional theory and the social capital theory. The resource-based view explains a strong linkage between a firm’s performance and its resource base. The institutional theory on the other hand links firm specific processes and culture to development of heterogeneous resources that provide a competitive advantage and improved performance for firms. The social capital theory is relevant to the study as it explains how firms create social capital through linkages, culture and lasting relationships with stakeholders.

The resource-based view links resources to competitive advantage and performance, and the earlier conceptual work was done by Penrose (1959), Wenerfelt (1984), and Barney (1991). The development of a firm allows for an evolutionary accumulation of knowledge through learning and experience through the interaction of resources, increasing the firm's absorptive capacity (Penrose, 1959). Barney (1991) developed the VRIN framework, which fronts the view that resources need to possess specific characteristics, which are value, rareness, and inimitability and must also be characterised by the absence of other resources in the industry that can be used as substitutes. In a further development of the theory, Barney (1997) reorganised the VRIN framework by combining resource inimitability and non-substitutability and adding resource organisation to form the VRIO framework. The RBV explains how a firm brings together its resources and combines and deploys them strategically to create a source of competitive advantage and effectively improve firm performance (Yang & Conrad, 2011). Leiblein (2011) asserts that historical developments in the firm influence various ways in which varying firms gain access to resources and how the resources are interacted, explaining the variation in performances between competing firms.

Firms may develop competitive advantage from resource heterogeneity and resource immobility which may lead to superior performance for the firms if valuable resources remain immobile and are not replicated by competing firms (Barney *et al*., 2011). Resource heterogeneity may be achieved through causal ambiguity and historical happenings in the organisation. A positive culture in an organisation often contributes to excellent performance in top-performing organisations. Culture is not easily transferable to other firms, and valuable culture-based resources are difficult to imitate. Interconnected resources that are complementary to each other offer links too complicated for competing firms to replicate and offer a source of sustainable competitiveness that leads to improved firm performance (Locket, Thomson & Morgenstem, 2009). The complexity with which the resources are connected is a factor of people and processes in the firm. Individuals with valuable skills in the firm can continuously establish and perfect links within firm processes. These links and processes contribute to the inimitability of the resources and the resultant good performance of the firm. Effectively these resources are intangible and are referred to as social capital for the firm and they include the firm's reputation, structures and culture built over time in the firm and cannot be sold (Robinson, 2008).

The origin of the institutional theory can be traced back to March and Simon (1958); Cohen, March and Olsen (1972); Tolbert and Zucker (1996); DiMaggio and Powell (1983). According to DiMaggio and Powell (1991), the term institution refers to formal rules, agreements and non-written assumptions that organisations often conform to and which are derived from structures as recommended by regulators, requirements by government agents, guidance from professional bodies that exert pressure on members seeking to be identified with them. There exist values and norms which define what is preferred or what proper and acceptable behaviour is, and these values and norms are what often set firms in the same industry apart and often form part of a firm's competitive advantage (Kabue & Kilika, 2016).

Baumol, Litan and Schramm (2008) recognise that while the importance of resources in a firm's success cannot be overemphasised, other issues such as cultural beliefs and practices, traditions and historical events also affect the firm's growth. Campbell (2007) observes that institutional theory shapes workers' beliefs in an organisation, which moulds them to behave socially responsibly. Every industry and culture is governed by rules and belief systems that organisations must conform to. Firms that do not conform to set norms are setting themselves up for failure (Dobbin et al., 2007).

Over time, organisations adapt to institutionalised activities which are enduring, socially acceptable, and resistant to change, and these activities do not rely on rewards or monitoring for their persistence (Thoenig, 2011). Activities such as firm processes and management approaches are endorsed by the firm's prevailing culture (Baumol *et al.,* 2008). Successful processes and structures are created when people interact, creating idiosyncratic, complex, and valuable resources. These processes and structures are slow in decay as they are passed on to successive generations of team members, thus forming a competitive advantage for the firm (Fahy, 2000). Institutions encourage good performance through innovative products and processes by rewarding an innovative culture (Miller, 2007). Institutional theory explains the process through which organizations form valuable and rare intangible firm specific social capital resources making the resources inimitable by competing firms

Social capital theory holds that social relationships lead to accumulation of human capital. Social networks are valuable networks based on respect and good will that are formed when people interact. According to Claridge (2018) social capital are resources embedded, available and derived through networks available to individuals or social groups. Individuals build social capital by investing their time and other resources in attending networking events, joining community groups, volunteering their time in the community among many other things. Through such actions, individuals are able to build networks, trust and reciprocity. Social capital is intangible and is dependent on other people or social units to be drawn upon. Strong connections and high level of trust result into a higher level of interconnectedness between individuals or social units (Akram et al., 2016). High levels of trust results in a good reputation for the firm while high levels of interconnectedness mean the firm is able to acquire needed resources with ease.

Cultural aspects of social capital change more slowly as the social unit evolves. Cultural social capital benefits are collective and benefit members of the groups involved. By building cultural social capital, organizations enable their employees to call upon the social capital in times of need (Alguezaui & Filieri, 2010). Social capital built with suppliers enables smooth operations between the firms involved. Issues such as trust which result in the reputation of the firm are based on past relations of the firm with its customers or suppliers. Relational social capital is built through a history of interactions between individuals or social groups (Lefebvre et al., 2016). Trust and reputation are built gradually over events that are rooted in history and influence other people's perception of the firm. Social capital theory explains how firms form intangible resources such as networking, reputation and culture through relations and historical events in the lifetime of the organization.

2.2 Conceptual Review

The researchers reviewed conceptual and empirical literature on the variables of performance, social capital resources, networking, reputation and culture.

2.2.1 Performance

The pursuit, attainment and sustainability of good firm performance is an essential theme in strategic management (Ma, 2015). A firm's success is pegged on its ability to perform well compared to other players in the same industry. Firm performance is judged by shareholder returns and customer satisfaction (Santos & Brito, 2012). A well-performing firm can realise long-term profits that will generate opportunities to ensure well-remunerated employees, higher dividend payments to their shareholders, and access to the most recent technology assuring their customers of unbeatable quality and high-value products (Taouab & Issor, 2019). According to Alkaf, Yusliza, Saputra and Muhammad (2021), in order to achieve good performance, a firm needs to be both efficient and effective. The market-based view of strategy views firm performance as a determinant of industry factors and external market dynamics such as competition and industry structure (Wang & Ghose, 2011).

Barney et al. (2011) posited that although firms operate in the same industry, their performance differences may be explained by their resource complement. Firms possess different types of resources, some of which are strongly associated with the performance of the firm (Lee & Whitford, 2012). A firm's success is thought to come from the uniqueness of resources developed by firms over time and the development process may include causal ambiguity (Rifat, 2017). When resources improve performance through causal ambiguity, no employee can explain how this was achieved which explains why moving a skilled employee from one firm to another does not always result in improved performance for the new employer.

The researchers adopted both financial and non-financial measures for the study. Return on capital employed was used as a financial measure for the study. According to Kaplan and Norton (2008), ROCE measures how much each unit invested by the shareholders generates. For deposit-taking SACCOs, ROCE is the equivalent of dividends. A stakeholder-based approach was adopted by the researchers for non-financial measures and included market share and customer satisfaction.

2.2.2 Social Capital Resources

Social capital resources are the focus of the firm's unique way of processing customer's requests, the policies that govern these processes, the tools the firm chooses to do so and the actual relations of people enabling these services both within the firm and also with other players that influence the firm's performance in the firm's environment (Ainuddin, Beamish, Hulland & Rouse, 2007). Soko (2014) found that the use of social complexity, organisational culture and social network made it difficult for organisations to imitate a firm's source of competitive advantage and performance. Menike and Benihuloya (2020 found that social capital resources were positively linked to the performance of small and medium enterprises. A good and rich social capital base cuts across networking contacts that help develop winning ideas, provide cutting-edge information in a timely manner, and pursue openings and new business opportunities before competitors figure them out (Ismail *et al.*, 2012). Social capital influences the availability of resources from suppliers leading to better performance than competitors who do not have the same advantage (Wang & Wang, 2012). Clulow, Gerstman and Barry (2007) observed that firms that have developed a culture of honest customer dealings develop a pool of trusting clients who view the firm as reputable.

Interconnected resources that are complementary to each other offer links too complicated for competing firms to replicate and offer a source of sustainable competitiveness that leads to improved firm performance (Locket et al., 2009). The complexity with which the resources are connected is a factor of people and processes in the firm. Individuals with valuable skills in the firm can continuously establish and perfect networks that result in more valuable resources. Firms that establish a positive culture are able to form the right networks. As a result such firms develop efficient processes that offer value to customers. When customers consistently get value from a firm, the firm’s reputation grows. The study identified three attributes of social capital resources for investigation: networking, reputation and culture (Clulow et al., 2007; Locket et al., 2009; Barney et al., 2011).

2.2.2.1 Networking

Networking has been conceptualised as the effort to establish links among employees in the organization and between employees and key partners and stakeholders outside the organization. Networking through direct and indirect relationships results in embeddedness of business relationships (Ratajczak-Mrozek, 2015). Both internal and external networks developed within and outside the firm are important (Ciabuschi et sl., 2014; Fonfara et al., 2018). In forming business networks, the actors, resources and activities are connected across each business relationship (Ford et al., 2011). Aujirpongpan & Hareebin, (2020), noted that by employing networks, firms improve their innovation, competitive advantage and performance. Networking enables firms to access external resources (Gibson et al., 2014).

According to Mu et al. (2017), networking allows enterprises to not only create networks but also utilise network resources for product creation. A good and rich social capital base cut across networking contacts that help develop winning ideas, provide cutting-edge information in a timely manner, and pursue openings and new business opportunities before competitors figure them out (Ismail *et al.*, 2012). Such a social capital base enables firms to access resources such as affordable financial capital and favourable support and cooperation from those who have power and influence in making decisions that affect the industry. Networked firms can explore alternatives to resources that enable them to cut costs, improve efficiencies, and achieve better firm performance. Networking capability is a firm's ability to establish and exploit an inter-organizational network to access resources owned by other entities (Parida et al., 2017). Strong relations between a firm and its stakeholders, including suppliers and policy makers, give the firm a strong position that is likely to influence decisions in its favour.

Firms form heterogeneous resources with VRION characteristics through the interaction of people. Even though two firms own the same resources at inception, each can build a different complement of capabilities and increase its competitive advantage through the interaction of people inside and outside the organization (Barney, Ketchen & Wright, 2021). For instance, one firm could use network relationships between its employees and stakeholders outside the firm to shorten a product or service turnaround time. Social capital resources are embedded in relationships between people working for the firm and influential persons outside the organisation who have substantial control of either resources or decisions affecting how firms in that particular industry are run. Social capital influences the availability of resources from suppliers leading to better performance than competitors who do not have the same advantage (Wang & Wang, 2012). Relationships, even of a personal nature, involving employees and officials of organisations in the same ecosystem or supply chain, are valuable to businesses. Such relationships provide a channel that enables firms to receive valuable information not available to competitors (Ha, 2021). Such information enables firms to be more prepared for emerging trends ahead of other players in the industry. Consequently, firms that have established such relations can be the first movers in new technologies, products or services. The attributes of networking integrated included pursuing strategic networks, establishing synergies among employees in pursuit of efficient processes and establishing working links with key partners. The research proposes that based on these operational indicators of networking, the construct of networking will have an effect on performance of the sampled deposit-taking SACCOs which leads to hypothesis one which is stated as:

> *Hypothesis 1: Networking as a component of social capital resource will have a significant positive effect on performance of the sampled deposit-taking SACCOs.*

2.2.2.2 Reputation

The concept of firm reputation is viewed as the firm's ability to offer value to customers through efficient processes and valuable products and services. Firms do not make good names overnight, but consistently good service results in repeat customers and a reputable brand. Customers want to do business with firms that can resolve their problems promptly, especially for sensitive sectors such as the financial sector. Ultimately such organisations have a high customer responsive rate enabling them to create strong brands. Clulow, Gerstman and Barry (2007) observed that firms that have developed a culture of honest customer dealings develop a pool of trusting clients who view the firm as reputable. Reputation creates value for the firm by decreasing customer uncertainty and improving customer satisfaction, and as a result, a broad customer base is formed, and market effectiveness is achieved (Lee & Roh, 2012).

Good corporate reputation increases the value of the firm's intellectual property and leads to improved firm performance. Firms with a good reputations are able to cut costs (Lee & Roh, 2012). This can be attributed to lower employee recruitment and retention costs and lower marketing costs. Lee and Roh (2012) examined the concept of corporate reputation in relation to the performance of firms in the United States of America and established a positive performance outcome for firms with an excellent corporate reputation. Ritthaisong, Johri and Speece (2012) interrogated a number of resources which were considered to be valuable to rice milling firms in Thailand and the firms' reputation and networks were found to have a positive influence on the performance of the firm. The attributes of reputation included in the study were integration of the behaviours that build a reputable brand in everyday tasks and a clear mission statement. The study therefore proposes that these attributes of reputation will positively contribute to performance of the sampled deposit-taking SACCOs. This leads to hypothesis two of the study which is stated as:

Hypothesis 2: Reputation as a component of social capital will have a significant positive effect on performance of the sampled deposit-taking SACCOS.

2.2.2.3 Culture

An organization's underlying philosophy or values which sets the firm apart from others is a product of its culture (Robbins & Judge, 2012). If an organization's culture adds value, is rare and cannot be mimicked perfectly (VRIO), it can be a source of competitive advantage and improved performance for the firm (DeLuca et al., 2018). Solid corporate cultures contribute to the performance of the firm due to their behavioural reliability (Singh et al., 2018). Corporate culture is the product of the firm's internal aspects (Wong et al., 2012). Organizational culture is not very flexible it is hard to accumulate and is not easily imitable by the competitors and is therefore not easily transferred (Chaudhuri, 2016).

Culture as an attribute of social capital has been viewed from the lens of its contribution towards innovation. It takes a culture of innovation in an organisation to develop rare resources. It is worth noting that a culture of innovation takes the lifetime of the organisation to create. Cultures are the product of many factors such as causal ambiguity, historical happenings and social complexity, which are firm specific (Apsalom, 2018). Therefore, an innovative culture could form the basis of a competitive advantage for the firm and contribute to the improved performance of the firm (Ali, Sirkova & Ferencova, 2016). Rival firms can easily imitate a valuable single resource. However, firms often form a sustainable advantage by combining several valuable resources (Cardeal & Antonio, 2012). The different resources may not be unique on their own; however, when used together, they form a unique resource that contributes to the firm's competitive advantage. Such resources are embedded in other resources and are difficult for competitors to copy (Baridula & Mekuri-Ndimele, 2021). When a firm's advantage comes from a whole that is formed from different valuable parts, it is difficult for competitors to copy.

Clulow et al. (2007) observed that organisational culture and history create tacitness and causal ambiguity and went ahead to explain what tacitness and causal ambiguity mean for a firm. The authors explained that tacitness exists where critical resources are so embedded in the organisation's culture that they cannot be isolated. This embeddedness results in causal ambiguity, a situation in which it is not known which resources are responsible for positive outcomes. Therefore, a firm with a strong history and culture is likely to possess resources which are both tacit and have causal ambiguity, making it difficult for rivals to imitate, thus resulting in good performance. The attributes of culture integrated in the study included employee understanding and implementation of the firm's mission and mirroring the firm's mission in employee behaviour. The Study suggests that these attributes of culture when executed to build social capital among the deposit-taking SACCOs will contribute positively to attainment of their desired goals. Therefore, hypothesis three of the study is stated as:

Hypothesis 3: The attributes of culture deployed to build social capital resources among the deposit-taking SACCOs will have significant positive effect on their performance.

3. Research Methodology

3.1 Research Design

The study employed the positivist philosophy which allowed the researchers to combine logical deduction with precise empirical observations (Sekaran & Bougie, 2016). The explanatory and descriptive research designs were adopted. Quantitative data was analysed objectively, and study hypotheses were tested empirically in line with Maxwell and Mitapalli's (2010) description of how explanatory studies should be conducted. Saunders *et al*.

(2007) posit that an explanatory research design seeks to establish if what is being observed can be explained by an existing theory, and the current study investigated the effect of networking, reputation and culture on firm performance as explained in the resource-based view, institutional theory and social capital theory. Using the descriptive research design, the researchers could capture the study populations' characteristics and test hypotheses, as posited by Mugenda and Mugenda (2012).

3.2 Population and Sampling Procedure

The target population for this study was the list of all 34 Deposit-taking SACCOs in Nairobi City County licensed to do business by SASRA in the year 2020. Since the whole population of Deposit-taking SACCOs in Nairobi City County was 38, a census was carried out for the study. Four of the Deposit-taking SACCOs participated in the pilot study and the other 34 participated in the study. Purposive sampling was used to select four respondents from each organization. In research, particular persons or certain units can be selected deliberately for a specific purpose for the critical information that only they can provide for the study, which any other choice may not provide (Teddlie & Yu, 2007). The front office service activity managers, information and communication technology managers, human resources managers and finance managers were selected as respondents in this study since they are experts on the subject matter and were believed to possess sufficient knowledge to provide the required information.

3.3 Research Data

Primary data was collected using structured questionnaires. The questionnaire was a 5 point likert scale. The drop-and-pick method was used to distribute and pick the questionnaires from the respondents. The validity and reliability of the research instrument were assessed before administering it in the main survey. The questionnaire explored the respondent's views on the variables of the study. Social capital resources were operationalized as networking, reputation and culture. Networking was operationalized as pursuing strategic networks, establishing synergies among employees to form valuable resources and establishing links with key partners in the research instrument. Reputation was operationalized as integration of the behaviours that build a reputable brand in everyday tasks and a clear mission statement in the research instrument. Culture was operationalized as employee understanding and implementation of organization's mission and mirroring the mission in staff behaviour in the research instrument.

Data was analysed using the Statistical Package for the Social Sciences (SPSS Version 26). Data were represented in the form of tables and charts. Descriptive statistics such as frequencies, percentages, mean and standard deviation were used to describe the characteristics of study variables. Inferential statistics were carried out using multiple linear regression to establish the relationship between the variables under study and test the hypotheses. The tests for the significance of the hypotheses were done by comparing the p-value of F statistics with a significance value of 0.05, and if the p-value was less or equal to 0.05, it was concluded that the model was statistically significant. Adjusted R^2 was computed to measure the amount of variation in the dependent variable (firm performance) that the independent variables could explain.

The study ensured internal, external, content, construct and face validity through literature review and consultation with subject experts. Cronbach's alpha ($\alpha \geq 0.7$) was used to check on reliability. The study conducted diagnostic tests on the data collected before conducting regression analysis. The diagnostic tests conducted were normality, linearity, multicollinearity, homoscedasticity, and factor analysis. The results of the diagnostic test results are indicated on Table 1. Before conducting regression analysis, the basic assumptions of linear regression must be adhered to (Teddlie & Yu, 2007). The results on table 1 indicate that all the results for the diagnostic tests fell within the threshold required for data to be analysed using regression analysis. The normality test demonstrated that data was normally distributed. The correlation test indicated that the dependent variables and the independent variable were strongly associated.

Table 1: Diagnostic Test Results

Assumption	**Test**	**Result**	**Comments**
Factor Analysis	Factor loading	All scores were above 0.40	Retained
Normality	P-P Plot Shapiro-Wilki Test	The scatter dots fell within the line of best fit p-values greater than 0.05 for all variables	Data was normally distributed Data was normally distributed
Linearity	Pearson Correlation	For all the independent variables r ≠0 and were significant at p-values < 0.05	Independent variables were related to the dependent variable
Multicollinearity	VIF and Tolerance	All the independent variables had a VIF < 10 and a tolerance ≥ 0.01	No multiocollinearity
Heteroscedasticity	Levene Test	All the independent variables had a p-value > 0.05	No heteroscedasticity

The linearity test indicated that there was a linear relationship between the independent variables and the dependent variable. The multicollinearity and heteroscedasticity tests were negative. Since all the test results fell within the required thresholds, multiple linear regression was conducted for the study.

4. Results

A census of 34 deposit-taking SACCOs in Nairobi Kenya was carried out. Purposive sampling was used to select senior management employees as respondents in each of the deposit-taking SACCOs. The response rate for the study was 71%. Data was analysed using multiple linear regression analysis.

4.1 Demographic Information of the deposit-taking SACCOs

The study carried out an analysis of the demographic characteristics of the Deposit-taking SACCOs under study. The demographics included age of the deposit-taking SACCOs, registration period and the number of employees for each deposit-taking SACCO. This information was relevant because organizational age and number of employees are related to performance. In addition, the ability to renew annual trading licenses for many years is linked to sustained performance. The study sought to find out the age of each DT-SACCO and the duration each SACCO had been licensed to do deposit-taking business. The study findings are presented in figure 1.

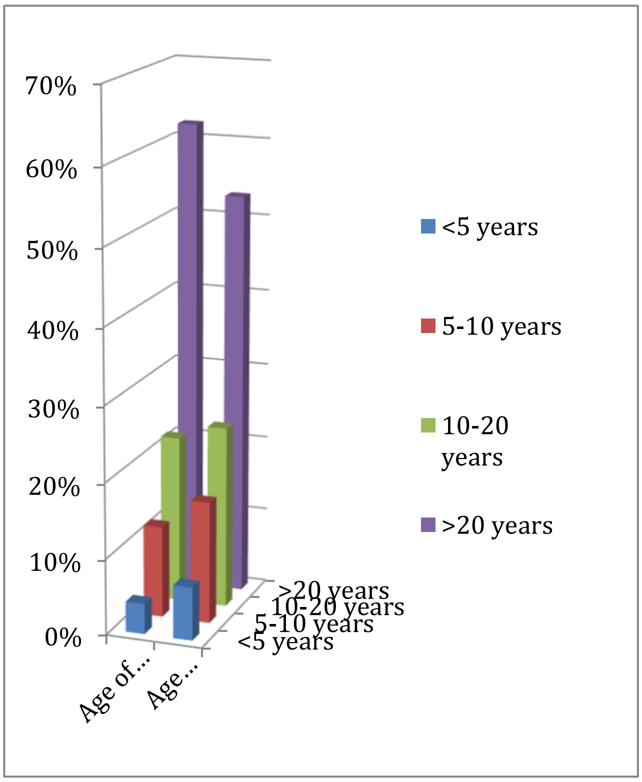
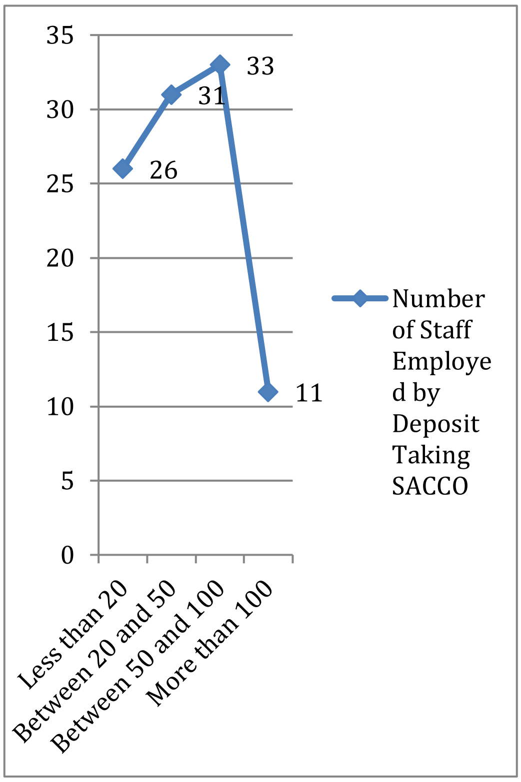
Age of Deposit-taking Sacco and Duration a Deposit-taking Trading License has been Held	**Number of Staff Employed by the Deposit-taking SACCO**
	

Figure 1: Age of Deposit-taking SACCO, the duration each had held a deposit-taking license and the number of employees in each deposit-taking SACCO

The results in figure 1 indicate that 4% of the SACCOs were under 5 years of age, 12% were between 5 and 10 years, 21.7% were between 10 and 20 years, and 62.3 % were above 20 years. The composition of the SACCOs in this study indicates a diverse age of Deposit-taking SACCOs and therefore ranges of different capacities and resources that affect performance.

The results also indicate that 7.1% of the SACCOs had been licensed to do deposit-taking business between 0-5 years ago, 15.8% had been licensed to do deposit-taking business between 5-10 years ago, 23.7% had been licensed to do deposit taking business between 10 and 20 years ago, and 53.4% had been licensed to do deposit taking business more than 20 years ago. The data indicates that the deposit-taking SACCOs were licensed at different times, and there was, therefore, diversity in the data collected. It is also an indication that the deposit-taking SACCOs had sustained good performance which was a requirement for them to obtain annual trading licences from the regulator SACCO Society Regulatory Authority.
The results indicate that 25.7% of the SACCOs had less than 20 employees, 30.7% had between 20 and 50 employees, a majority (32.7%) had between 50 and 100 employees, and 10.9% had more than 100 employees. These findings indicate that most deposit-taking SACCOs have more than 20 employees. This is a demonstration that deposit-taking SACCOs have invested in the human resource to enable them build other resources and make decisions on resource acquisition.

4.2 Variable Descriptive Characteristics

The study focused on deposit-taking SACCO's ability to form networks, build a good reputation and create an innovative culture. The descriptive analysis of the data is displayed in Table 2. The data analysis as shown in Table 1 indicate that the score for networking was (mean = 3.66, SD = 1.085). This is an indication that the respondents viewed networking as a critical factor in performance of their firms. The score for reputation was (mean = 3.75, SD = 1.096), a demonstration that reputation was viewed as critical in contributing towards the positive performance of the firm. The score for culture was (mean = 3.78, SD = 1.059), an indication that culture was thought to contribute towards the positive performance of the firm.

Table 2: Descriptive Analysis of Social Capital Resources

	Variable	Mean	Std. Dev.	Correlations			
				1	2	3	4
1	Networking	3.66	1.085	1.00			
2	Reputation	3.75	1.096	.865**	1.00		
3	Culture	3.78	1.059	.782**	.679**	1.00	
4	Performance	3.41	0.941	.851**	.826**	.714**	1.00

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

The variables were positively correlated and all the independent variables had a positive linear relationship with the dependent variable. A high Pearson Correlation Coefficient (r) value denotes a strong association between the two variables and a positive value is an indication of a positive linear relationship.

4.3 Research Hypotheses

Multiple linear regressions was carried out to establish the effect of networking, reputation and culture on the performance of deposit-taking SACCOs. The results are shown on Table 2.

Table 2: Social Capital Resources and Firm Performance

Parameter	Value	Observation	Conclusion
Adjusted R^2	**.513**	Social capital resources explain 51.3% of variation in performance	A moderately strong relationship is noted
F	**192.743**		The model is a good fit
p	**.004**	Model is statistically significant	
B Constant	**.298****	Significant positive effect of social capital resources on performance	
β Networking	**.346****	Significant positive effect of networking on performance	H_1 supported
β Reputation	**.379****	Significant positive effect of reputation on performance	H_2 supported
β Culture	**.222****	Significant positive effect of culture on performance	H_3 supported

** p<0.05

All the beta coefficients were statistically significant, with a p-value of less than 0.05. The results were; networking β = 0.346, p = 0.000; reputation β = 0.379, p = 0.000; culture β = 0.222, p = 0.000. The results indicate that the three hypotheses are supported. Thus the study concluded that the dimensions of social capital have a significant positive statistical effect on performance of deposit-taking SACCOs in Kenya. These findings were consistent with previous research findings by Ismail et al. (2012) and Wang & Wang (2012) who found that a good social capital base that cuts across networks provides opportunities that improve performance for the firm.

5. Discussion and Implications for Theory and Practice

The first objective of the study was to establish the effect of networking on the performance of deposit-taking SACCOs. The study findings indicate that (β = 0.346, p = 0.000). This means that a unit change in networking would lead to a 0.346 change in performance. The findings on H_1 are explained using a number of bases. First is the manner that the deposit-taking SACCOs have integrated the measures of networking in their practices. The deposit taking SACCOs had invested in networks between people in different departments and also with people outside the organizations. Networking activities with persons of influence outside the organizations enabled the deposit-taking SACCOs to acquire much needed resources such as financing and technology outside the organization. The descriptive mean for networking was (mean 3.66, SD=1.085) an indication that deposit-taking SACCOs invested in networking activities to a high extent. In addition, the firms learned about emerging trends and strategically positioned themselves ahead of competition. Through networking, firms are able to firm alliances that create essential synergies.

Second, the study relied on the postulates of the resource-based view proposition that states that successful processes and structures are created when people interact and, in the process, create idiosyncratic, complex and valuable resources (Barney, 2014). Processes created thus are socially complex because they are formed through resource embeddedness. This complexity could involve networking with employees from different departments within the organisation, or employees could use their networks outside the organisation to resolve an emerging challenge. Ha (2021) noted that such networks open channels that enable firms to receive valuable information that is not available to competitors. If, for instance, an employee establishes a contact outside the organisation that could help a customer verify their loan application documents faster, it might reduce loan processing turnaround time. The process might further be simplified by automating the document verification processes between the deposit-taking SACCO and the external source. In the case of deposit-taking SACCOs, the external source could be the customer's employer. Such social complexities involve different individuals who are brought together by the need to resolve emerging customer challenges.

Thirdly, the study drew from the logic of the institutional theory that states that firms perfect their processes over time through interactions with persons inside or outside the firm. The processes become part of the firm's way of doing business and a source of their competitive advantage (Thoenig, 2011). Competitors' attempts to imitate such a process may fail because they will not be able to socially replicate all the factors at play when such processes were formed. Social capital theory on the other hand, observes that firms intentionally invest in relations that are deemed necessary for the firm's survival. Such relationships can be built by individual members of the firm or by the firm as a social unit (Claridge, 2018). The relationships become part of the firm's social capital and can be called upon by the firm when in need. The firms build social capital by investing in membership in essential groups, supporting partner firms, and attending events held by key partners among other activities.

Based on the explanation provided on the findings on $H_{1,}$ the study raises two implications, namely, the process by which networking affects performance of the strategic actions firms need to initiate. With regard to the process, it is observed that the positive effect brought about by networking arises from partnerships that create efficient processes therefore generating capability type of conditions setting the stage for sustained performance. This then suggests that the management of organizations needs to focus on strategic actions that support employee and managers to network at micro and macro levels of organizational analysis and seek to emphasize the need to make us of the networks to develop resources internally and acquired VRIN enabled resource externally.

The second objective of the study was to establish the effect of reputation on the performance of deposit-taking SACCOs. The study findings indicate that ($\beta = 0.379$, $p = 0.000$). This means that a unit change in reputation would lead to a 0.379 change in performance. The findings on H_2 are explained using a number of bases. To begin with are the activities in which the deposit-taking SACCOs undertook in order to build their reputation. The deposit-taking SACCOs built their reputation by offering a consistent brand to their customers. Organizations create trust by meeting their obligations to customers, suppliers and other partners in time. The descriptive mean for reputation was (mean 3.75, SD=1.096) an indication that deposit-taking SACCOs invested in activities that aided in building their reputation to a high extent. Some have set service level agreements and other covenants that govern their service offering. The service offering agreement is set in the firm's mission statement and is achieved by integrating the mission statement in daily employee tasks.

The study results are also explained by the social capital theory premise which states that a firm's relationship with its partners is based on trust levels (Akram, et al. 2016). The relationship with partner's such as suppliers are governed by the supplier's trust that the firm will meet their payment obligations within the stipulated time. Firms that are consistent in meeting customer needs and keeping their work are respected and trusted. Consistency in meeting social obligations leads to reciprocity from partner firms. Trust and reciprocity result to high levels of reputation for the firm. Reputable firms have more new customers and their customer retention levels are also high. In addition, the results are explained by the institutional theory premise which states that there are norms that are set in every industry that govern the firm's in the industry (Baumol et al., 2008). Financial institutions are controlled by regulators and their licensing is based on such firm's conforming to regulatory guidelines. The firms therefore have to operate within institutionalized frameworks that make it possible for them to access resources available in the industry.

These findings on H_2 raise two implications for strategic management knowledge development and the practice of strategic management in organizations. Regarding the knowledge development, the findings offer insights on the manner that the reputation component of social capital affects performance through the integration of the organizational mission in to management practices that end up creating trust achieved through stakeholder satisfaction and compliance to regulatory requirements. On the part of the practice of strategic management, the study offers a justification for organizations to consider investments in relevant strategic management practices that help firms to earn and sustain reputation in the context of its operation.

The third objective of the study was to establish the effect of culture on the performance of deposit-taking SACCOs. The study findings indicate that ($\beta = 0.222$, $p = 0.000$). This means that a unit change in culture would lead to a 0.222 change in performance. The descriptive mean for culture was (mean 3.78, SD=1.059) an indication that deposit-taking SACCOs invested in activities that aided in growing an innovative culture to a high extent. The findings on H_3 are explained using a number of bases. First the deposit-taking SACCOs empowered their employees to develop a culture of innovation. Employees came up with new more efficient processes as solutions to customer problems.

The results are also explained by the institutional theory which states that, organizations are governed by unwritten rules that are formed over a long period of time. The unwritten rules of engagement determine firm processes and structures (Thoenig, 2011). These processes and structures are slow in decay as they are passed on to successive generations of team members, thus forming a culture of innovation. Effectively, the unique cultures give birth to heterogeneous processes that contribute to the inimitability of resources responsible for a firm's competitive advantage and improved performance.

The processes have causal ambiguity because their development is driven by an urgent need to generate positive stakeholder outcomes such as resolving emerging problems. Such processes are rarely documented in their formative stages (Fahy, 2000). If such processes succeed in the resolution of emerging problems, they are gradually institutionalised and become the norm in handling similar subsequent problems. Firms who actively form new processes that are more responsive to customer needs build a positive reputation retaining more customers in the process and ultimately improving their performance (Akram et al., 2016). On the other hand, since such processes are undocumented, they are inimitable. In addition, such processes are valuable and rare. They are valuable because they fulfil a customer need and rare because of their specificity in problem resolution. The new resources thus formed embody the characteristics of value, rarity and inimitability, which, according to the resource-based view, are necessary for a firm's improved performance (Barney, 2014). In consideration of these implications, deposit-taking SACCOs should invest in activities that promote a firm specific innovative culture that will aid them in developing more customer oriented solutions.

The current study contributes to knowledge by demonstrating how the resource-based view, the institutional theory and social capital theory explain how firms build heterogeneous resources through different actions. The research considered how specific critical factors, such as integrating employee behaviours in building reputable brands, contributed to the firm's performance. In addition, the study examined the effect of aligning everyday tasks to stakeholder expectations. It is through such processes that firms gradually build innate heterogeneous resources. By having employees mirror the firm's vision in their behaviours instead of memorising the firm's vision, the firm can build socially complex resources that cannot easily be explained and therefore become inimitable by other firms. Further, by aligning structures to achieve organisational vision, the firm can build valuable structures that improve the performance of the firm.

The study further addresses one of the fundamental critiques of the resource-based view, which states that the theory has limited prescriptive implications, as presented by Priem and Butler (2001). The current study addresses this by linking specific firm actions, such as mirroring the firm's vision in staff behaviour, linking specific actions to stakeholder outcomes, aligning structures to organisational vision, aligning mission to services and products and integrating behaviours that build reputable brands in everyday tasks. The study, therefore, provides managers with specific actions that they can take towards building heterogeneous resources for their firms in a bid to improve firm performance.

6. Conclusions of the Study

The first objective of the study sought to establish the effect of networking on performance of deposit-taking SACCOs. The study found a significant positive effect of networking resources on performance of deposit-taking SACCOs in Nairobi City County, Kenya. This effect emanated from ease of acquisition of resources that resulted from networks with partner organisations, regulatory bodies and suppliers. The study points that networking resources aided in development of new capabilities. Because of their social complexity and causal ambiguity, such capabilities result in resources that have VRIN qualities (valuable, rare, inimitable and non-substitutable). The study concludes that VRIN attributes of resources developed through networking contribute to the process by which organizations sustain desired performance.

The second objective of the study sought to establish the effect of reputation on the performance of deposit-taking SACCOs in Nairobi City County, Kenya. The study found a positive and significant effect of reputational resources on performance of deposit-taking SACCOs in Nairobi City County, Kenya. The positive effect was attributed to trust that emanates from honest dealings between the deposit-taking SACCOs, and its stakeholders over time. The study concludes that various initiatives by firms to build and sustain reputation contribute positively to performance of the organizations.

The third objective of the study sought to establish the effect of culture on the performance of deposit-taking SACCOs in Nairobi City County, Kenya. The study found a positive and significant effect of culture on performance of deposit-taking SACCOs in Nairobi City County, Kenya. The positive effect emanates from resources that are formed through institutionalisation of innovative problem solving behaviours aimed at getting solutions to customer needs. The study concludes that an organization’s attempts to build social capital through relevant cultural attributes contribute positively to its performance.

The conclusions of the study are not without limitations. The authors cite three limitations based on context, conceptualisation and methodology. In terms of context, the study was done in Nairobi region and excluded the deposit-taking SACCOs in the regions with different economic and demographic characteristics. The conceptualisation considered only three attributes of social capital while in terms of population; the study relied on managers within the deposit-taking SACCOs. Future research can mitigate on these limitations to achieve generalisability of the findings. Such efforts could consider more dimensions of social capital to be investigated in the entire deposit-taking SACCO family as well as the entire financial sector. In addition, the population could be expanded to include external stakeholders such as the external stakeholders and membership of the deposit-taking SACCOs who also constitute the clientele.

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