

# STRATEGIC HUMAN CAPITAL, PRODUCT DIVERSIFICATION, CUSTOMER RELATIONSHIP, AND HUMAN LEARNING AS DRIVERS OF PERFORMANCE IN MANUFACTURING INDUSTRIES IN KENYA



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## ABSTRACT

*Strategic management is an essential element of contemporary businesses. Firms have embraced these drivers to enhance performance and competitive advantage. Constant environmental changes underline the need for strategies to respond and remain competitive. The study investigates the effect of strategic management drivers on the performance of confectionary manufacturing industries in Kenya. Strategic human capital, product diversification, customer relationship management, and organizational learning are the drivers examined. This study employed a descriptive research design to select a sample of 124 employees from the target companies. The data was analyzed using descriptive and multiple regression models. The results indicate that strategic management drivers significantly affect the performance of the confectionary manufacturing companies. The findings indicated that strategic human capital, product diversification, customer relationship management, and organization learning have a positive and significant effect on the performance of these firms. Strategic human capital and organizational learning had a significant effect, while the influence of product diversification and customer relationship management was moderate. The study concludes that strategic management drivers can help companies enhance organizational performance. The results from this study imply that companies should embrace implementing these drivers to boost performance.*

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## INTRODUCTION

Strategic management, concerned with making strategic judgments and remedial measures to fulfill an organization's long-term plans and goals, has increased in popularity. As a result of its imperative contributions to business success (Chuang, 2015). It is the setting where the business function is always changing, and several factors influence it. Why some organizations flourish and others fail has historically been one of the most crucial questions in business Strategic management Iravo et al. (2013). Hamel and Prahalad (2013) describe strategic management as a set of activities that include the analysis of the organization, choices, and activities to build and maintain advantages of competitiveness. These advantages of competitiveness enable a company to investigate possibilities and mitigate challenges in the business environment. Strategic management drivers enable businesses to survive, grow, and establish a long-lasting competitive advantage over their rivals (Chuang, 2015). Firms employ strategic management drives to shield themselves from a volatile business environment and to assure their survival and growth. Strategically managed firms are more likely to see stronger revenue improvement, greater profit margins, and greater asset return. Alkhafaji and Nelson (2013) described strategy as a blueprint incorporating an entity's major aims, programs, and deed arrangement into a unified approach that indicates how businesses achieve their long-term objectives.

Food manufacturing companies have proved significant employment and benefit the global economy in developed and developing countries, but their full potential remains untapped (Phapruek, 2012). Organizations in the food industry worldwide have been found to employ 15% of any country's workforce.

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For strategic choices to effectively impact organizational performance and competitiveness in manufacturing organizations, there must be key prospects that propel the entire process. These prospects are strategic management drivers (Ketchen & Short, 2016), including strategic human capital, product diversification, customer relationships, and organizational learning. The rationale for this study was that not all organizations in Kenya are engaged in applying strategic management drivers (Lopokoity et al., 2013). Several Kenyan researchers have performed studies on the strategic management drivers of firms. Muiga and Namusonge (2020) investigated the strategic management drivers influencing the success of Kenya's three-tier commercial banks. The study concluded that strategic drivers improved the performance of Kenya's three-tier commercial banks.

In a related study on strategic management drivers and performance, Muthoka (2017) revealed that strategic management drivers had an apposite effect on the performance of Kenyan state corporations. However, the research was conducted in Kenyan commercial banks and tourism state enterprises rather than the manufacturing sector.

As a result, this research aims to establish the influence of strategic management drivers on the performance of confectionery industries in Nairobi City County through the following objectives.

- To assess the effect of strategic human capital on the performance of confectionery industries in Nairobi city county
- To examine the effect of product diversification on the performance of confectionery manufacturing industries in Nairobi City County
- To establish the effect of customer relationship management on the performance of confectionery manufacturing industries in Nairobi City County
- To explore the effect of organization learning on the performance of confectionery manufacturing industries in Nairobi City County

## LITERATURE REVIEW

### Theoretical Review

A theoretical framework is a structure that supports a research study's theory. It introduces and defines the theories that explain why the research problem under consideration exists. The theories under consideration are Profit maximization theory, human capital theory, knowledge-based view theory, relationship marketing, and organization learning theory.

#### *Profit Maximization Theory*

The Profit Maximization Theory is traced to the times of Adam Smith's earlier work, 1776, in the *Wealth of Nations* (Abdullah, 2010). Adam Smith claimed that owners of firms would behave in their self-interest to maximize profit, hence increasing the total value to society. Kumlachew (2014) asserts that a firm pursues its goals through return and, further precisely, through the transformation of its assets into products and amenities, which are subsequently sold to customers to earn a profit. In this sense, the firm's ability to stay in business depends on its ability to make a profit. If profits are not made and then utilized to buy resources and make more, the business eventually goes out of business.

Profit maximization theory states that strategies are motivated primarily (but not exclusively) by exploiting the business' long-run productivity profits, with the eventual aim of establishing a strong edge of competitiveness above the competitor (Jafar et al., 2010). The application of this theory to the subject of corporate turnaround is straightforward. The purpose of a company turnaround is to change its status from where it is to a better position. At that point, the first and only option is to boost the company's profitability. This is pertinent to the research because the theory is pertinent to the study since earnings are a key factor in determining how well a company performs. The management's goal is to maximize profits, which means getting higher returns at lower costs. Companies' management would behave in the best interest of maximizing profit, giving them a competitive advantage (Badaracco, 2016). By converting its resources into goods and services and then selling them to customers to make a profit, a company achieves its goals through the channel of profit. In this respect, the organization's effectiveness is contingent on its capability to make a profit, but only if those gains are reinvested in the company. The theory underpins the constructs of the performance of confectionery manufacturing industries.

#### *The Human Capital Theory*

The proponents of human capital theory were Becker and Schultz in 1961. The theory is a framework of for examining how education, economic development, and social well-being are related (Schultz, 1961). It is a furtherance of the concept of capital, which claims that investments in health, job training, and education are investments in capital that have positive, cost-effective, and societal outcomes for both the person and the larger society. Training and education are thought to promote production that then results in financial benefits like higher pay and an increase in GDP (Thomas et al., 2013). The quality of education and the timing of educational inputs are significant factors in the building of human capital (Phillips, 2005).

Gary stressed that training and education are input investments that may lead to increased output. Human capital is the impalpable, cost-effective worth of an employee's capability and talents. This embraces factors such as intelligence, training, education, talents, and other attributes that proprietor's respect, such as faithfulness and aptness (Eide & Showalter, 2010). People enter the labor market with varying degrees of education, knowledge, experience, and ability, as well as their expectations. Davenport (1999) posits that an employee with more training and education can exert a greater quantity of meaningful and fruitful energy than an individual with less training and education.

The theory is pertinent to the study because, as a major theory of value creation, an organization relies on individuals' skills, knowledge, and capacity to improve organizational performance. In determining the associations between training and education as efforts and cost-effective and societal benefits as outcomes, human capital theory aids researchers and policymakers. The framework can also help policymakers understand the types and amounts of education and training

(such as their quality) that are most crucial for attaining anticipated results like profitable development and higher stages of public engagement. This theory underpins the construct of Strategic Human Capital.

### ***Knowledge-Based View Theory***

Grant developed the theory in 1996 and states that firms are seen as stocks of knowledge resources. Since they do not degrade as quickly as conventional economic productive elements do, it considers these knowledge and information stocks to be the primary foundations of competitive advantages. Knowledge stocks are highly valued since they are socially complex and challenging to imitate. Grant argues that various information foundations and capacities amongst businesses are the key determining factors of continued superiority advantage and greater business performance since information-founded assets are usually hard to duplicate and complex.

The knowledge-based view varies from other theories in that it places a strong emphasis on the part played by organizational factors in creating competitive advantage, with a focus on the intricate internal organization (Grant, 1996). Contrary to the RBV of the firm, which is further concerned with finding the crucial prolific (information) means and considering how these assets can be attained and sheltered, the KBV of the firm assumes that information can be managed with strict processes, guidelines, and clear accomplishment (Von Krogh, 1998).

Grant (1996) asserts that the mechanism by which economic value and competitive advantage are created, as well as the new essential element of competitiveness, is knowledge. Knowledge should be recognized as a special type of capital because it is the most significant source of income (Von Krogh, 1998). Given the importance of knowledge, businesses should approach it strategically (Blomqvist & Kianto, 2007).

This theory is significant to the study because the knowledge-based approach is a management paradigm that provides firms with options to gain a competitive advantage through organizational learning. This is achieved by involving more staff members in the design and management of the business' operational objectives and long-term, transformational goals (Mahoney, 1995). The constant learning and transfer of knowledge inside corporate organizations is required by variables, including the frequently occurring deregulations, the ever-changing competitive conditions in marketplaces brought on by globalization, and technological breakthroughs. This theory underpins the construct of Product diversification.

### ***The Theory of Relationship Marketing***

The proponent of the theory was American marketing expert Berry (1983). According to Berry, relationship marketing is a marketing activity that businesses use to build, nurture, and obtain successful connections with their customers. Long have organizations explored ways to gain a competitive advantage in unpredictable and changing situations. Some believed that focusing on providing superior quality products and services to clients would result in a competitive advantage (Bitner 1992). Others believe that businesses should adopt a more pragmatic approach in their search for 'best practices,' taking into consideration compromises between the external environment and strategic goals (Narver, Park, & Slater 1992). Finally, others have proposed a more rational and cultural approach in which businesses work to instill a market orientation to assist plan implementation. Buyer-seller connections are rarely pure types and are thus better represented on a scale of increasing degrees of relational complexity. The quantity of players engaged in the trade, their autonomy, the strength and kind of contact, and the possible progressive variables in the association are all examples of complexity. The sort of task that is traded or managed through a connection, how standardized the activity is, and how challenging and innovative it is all have a direct bearing on how complex the relationship is. In contrast to less complicated partnerships, complex exchange interactions take place in a network setting for trading. There are several causes for this. Elevated levels of mutual understanding are required for complex trade tasks, which market-governed conglomerates do not promote (Bitner 1992). Players become dependent as an outcome of superior mutual learning and association-particular investments, making swapping hard. Once the parameters explain exchange behavior, the exchange context inclines to bear a resemblance to a linkage. Clients at the low intricacy close of the continuum of exchange frequently have various feasible results. This permits for swapping and connects to less reliant links. Bazaars tend to regulate these sorts of enterprises more efficiently (Han et al., 1998).

An important theoretical question relates to the relationship between traditional (and typically transactional) marketing management (TMM) and the various relationship marketing strategies. According to Pels (1999), most businesses need to be proficient in a variety of marketing strategies, including both consumer- and inter-organizational relationship marketing. Businesses that produce fast-moving consumer packaged goods, consumer durables, industrial items, and services frequently use two or more marketing strategies. This theory underpins the construct of Customer relationships.

### ***The Theory of Organization Learning***

This theory was proposed by Argyris in 1992 and is concerned with how learning occurs in organizations. The theory emphasizes collective learning and considers the presumptions that while organizations might establish conditions that support and assist such learning, business enterprises do not really conduct the acts that result in such learning; rather, individual employees within a specific firm behave in ways that do. Argyris and Schon (1996) argue that the environment and culture of organizations have an impact on how learning in organizations takes place. To change behavior, added information must be acquired, which is the focus of organizational learning (Harrison & Leitch, 2005).

Organizational learning occurs because of the organization's operations, and each employee's rate of uptake differs (Gardener et al., 2010). The objective is to successfully adjust to shifting surroundings, cope with ambiguous situations, and increase overall work efficiency. Individual workers become more proficient because of organizational learning, which also improves the organization's technology, tooling, and layout. Organizations that prioritize ongoing organizational learning as a critical skill can achieve superior results through development and training (Elnaga & Imran 2013). Human resources is

difficult to replicate through organizational learning since it constantly assumes a diversified nature. Organizational learning typically focuses on the potential for strategic assets to provide a competitive advantage and enhance organizational performance.

This theory is significant to the study since organizational learning is a theory in management that offers businesses ways to gain a competitive edge. The procedure of generating, preserving, and transmitting information inside a business is how this idea of organizational learning is defined. According to the theory, experience is the primary source of learning in an organization that learns, and there is learning in the organization when outcomes or performance improves. This theory underpins the construct of organizational learning.

## **Empirical Review**

### ***Strategic Human Capita and Performance***

Developing and emerging countries prioritize human capital development to promote economic growth by dedicating the necessary time and effort. Firms must invest appropriately in human capital development, which substantially impacts performance. Heather et al. (2020) researched human capital practices' influence on the organization's performance. The research utilized a cross-sectional research method on the population of Executives from Licensed Commercial Banks (LCBs) in Sri Lanka. The research findings revealed that developing and practicing human capital drivers improve Organizational Performance in LCBs in Sri Lanka. To compete, organizations should value people's knowledge, skills, and abilities, moving beyond human resources and focusing on the concept of Human Capital. The LCBs in SL can ensure that the necessary competencies are developed and embedded in the workforce to achieve the required results, align with emerging business concerns, and achieve the organization's goals and metrics. The research was done on Licensed Commercial Banks in Sri Lanka, but the present research was done on the food manufacturing industry in Kenya.

Seleim et al. (2007) conducted research to assess how human capital impacts an organization's performance: a study on software business in Egypt. Valid questionnaires were used as research instruments in a survey of thirty-eight software enterprises representing Egyptian software industry chamber members. The stepwise regression and correlation analysis were used to determine the propositions' legitimacy. These outcomes revealed that not all workers have the same strategic knowledge and competencies. As a result, software companies should try to hire the finest and brightest software designers obtainable. However, the Study Was Done on software companies in Egypt, but the current study was done in Kenya in the food industry.

Research by Tessema (2014) sought to find out Human Capital's Impact on Company Performance: A Case Study of Ethiopia's Footwear Industry. A descriptive study design was used on a sample of 143 SME shoe manufacturers in Addis Ababa, Ethiopia, to evaluate this hypothesis. The regression model's estimation outcomes revealed that human capital investment contributes to increased firm results. In conclusion, the study's findings verified that human capital impacted enterprise outcomes. In the previous study, the unit of analysis was a case study of the Ethiopian footwear industry; in the current study, the Kenyan food manufacturing industry served as the unit of analysis.

### ***Product Market Diversification and Performance***

The need to increase performance is an ongoing problem for firms in today's dynamic and tumultuous business world. Managers looking to outperform the competition have embraced diversification as a strategic tool. It acts as a stimulant for market operations to achieve peak performance and constructive collaboration. Diversification, for all its benefits, comes at a cost and with a risk.

Ndung'u (2019) conducted a study on product diversity and the financial performance of Kenyan manufacturing companies. The research aimed to ascertain how Kenyan manufacturing firms' product diversification strategies affected their financial performance. The study's goals centered on how product diversity as a risk management approach affects the financial performance of Kenyan manufacturing enterprises. The study examined ten-year panel data from forty-nine companies from 2007 to 2016. The results showed that the study's null hypothesis was accepted, showing that product diversification had no substantial impact on the performance of Kenyan manufacturing enterprises when measured against both EBIT and ROA. However, the study on UN agencies utilized an exploratory research methodology, but the present study was conducted in the confectionery manufacturing industry.

Njuguna (2018) examined the performance of non-financial companies on the Kenya Nairobi securities exchange. A descriptive research design was used on a target population of 45 NSE-listed non-financial enterprises, and a descriptive correlational study design was utilized. The regression model was used to demonstrate the appropriate correlations between the explained and explanatory variables. The study's conclusions showed that firms should use product diversity to grow their markets. The present study was done in Kenya in the confectionery manufacturing business, whereas the previous study focused on non-financial companies listed on the Kenya Nairobi securities exchange.

Oladimeji and Udosen (2019) conducted empirical research in Nigeria to ascertain the association between organizational success in the manufacturing sector and diversification strategy. A quasi-experimental study was conducted on a population of 31 companies listed on the Nigerian stock exchange over 20 years (1997-2017) using an ex-post facto study methodology. In terms of ROA and ROI, diverse firms beat undiversified ones, according to the study. Unrelated and hybrid firms that were diversified were found to have a constructive influence in terms of ROE, while related firms that were diversified were beneficial in terms of ROA. Compared to linked and unrelated diversification, hybrid diversified organizations were riskier in terms of ROA.

Organizations with a diverse membership have a larger size. As a result, diversity leads to increased development and profitability, and diverse businesses have a robust financial structure to pay their obligations. According to the study's findings, diversification is a strategic tool for establishing deliberate significance and planned results. Organizational

leadership should recognize their unique talents to outwit competition. The study used an ex-post facto study methodology, whereas the current study used a descriptive research approach.

### ***Customer Relationship Management and Performance***

Customer Relationship Management approaches are becoming more commonly embraced within the marketing and sales departments of the manufacturing business. Furthermore, developing customer relationships has long been a crucial component of the company. Kajongwe (2020) investigated Customer Relationship Management Dynamics and the Performance of Zimbabwean Manufacturing SMEs. Questionnaires were utilized as the primary data collection instruments in the study, which employed a cross-sectional survey research methodology. The study used a random sample of one hundred respondents from Mashonaland West Province who were proprietors and managers of manufacturing SMEs. The non-parametric chi-square test of independence was used to analyze data. The research results revealed that CRM fosters client contentment and happiness. The chi-square test was employed in the study, but the Regression model was used to analyze data in the current study.

Valmohamadi (2017) researched Customer Relationship Management (CRM), innovation, and performance in Iran. The study's data was sampled from 211 Iranian industrial enterprises, and the research model was assessed using structural equation modeling. From the outcomes of the study, it was revealed that CRM strategies have a constructive and important impact on the performance of the organization and innovation. It was established that CRM-driven innovation leads to increased organizational performance. However, the research was done in the Middle East and employed structural equation modeling, whereas the present study was conducted in Kenya and used multiple regression equations.

Mohamad et al. (2017) examined the effect of customer relationship management strategies on organization performance in SMEs in the food manufacturing business. The study aimed to demonstrate how CRM methods affect organizational performance in the Malaysian food manufacturing industry. The study employed a cross-sectional research approach with 2315 sampled respondents from the target population of 369 organizations who were senior CEOs and other top-level management and used questionnaires to collect data. The findings revealed that CRM practices enhance corporate effectiveness. Similarly, the findings revealed that CRM practices and enhanced attention to key customers enhance organizational effectiveness. The study was conducted in the Middle East and employed structural equation modeling, but the present study was conducted in Kenya and employed multiple regression equations.

### ***Organizational Learning and Performance***

To differentiate themselves from other Firms, they must produce unique ideas, make technologically advanced products, stay up with technical breakthroughs, and give equal weight to training in innovations to differentiate themselves from other businesses or firms in a competitive business environment. Organizational learning is the key to gaining a sustained competitive edge for business performance (Martínez-Costa & Jiménez, 2009).

Uğurlu and Kurt (2016) evaluated the effect of organization competency and learning on the performance of product invention in Turkey's industrial sector. A study was conducted with 120 firms listed with the Istanbul Chamber of Industry and on the list of Turkey's 500 largest firms to analyze the association amid the magnitudes of organizational learning competency and the characteristics of organization performance. The outcomes of multiple regression analysis showed a positive and significant relationship between organization learning competencies and product novelty results. It was revealed that the ability of a company to identify flaws in existing processes and prevent them from recurring later by formulating action strategies is comparatively significant for the accomplishment of modernization initiatives. However, the study was conducted in the Turkish manufacturing sector, while the present study was conducted in the Kenya manufacturing sector.

Mutea (2016) conducted an empirical study on the impact of organizational performance on learning performance at Mpesa Foundation Academy. The study used an explanatory research approach with 328 employees as the target population and was founded on real data gathered through questionnaires. Pearson correlation and linear regression analysis were used in the study to examine how organizational learning affected performance. From the outcomes of the study, it was revealed that continual learning in the organization creates learning opportunities for all employees. The study concluded that learning culture and organizational performance are significantly correlated. This revealed a relationship between organizational success and a learning culture. The study was done in a learning institution, whereas the current study was done in a confectionery manufacturing industry.

Sanni (2016) conducted an empirical study to assess the impact of organizational learning on the survival of Nigerian manufacturing businesses. The research aimed to examine how learning organizations affect the organization's continued existence and assess the relationships between learning organizations and the organization's continued existence factors. A descriptive research design was used in the study on 5401 employees as the target population. The study used primary data with questionnaires as tools for data collection. For data analysis, correlation and multiple regression were used. The correlation study revealed a significant association between organizational survival variables and elements of learning organizations. The study established that learning firms had a greater capacity for innovation, boosting their survival chances. The present research was conducted in the Kenyan manufacturing setting, contrasted with the previous study in the Nigerian manufacturing context.

## **MATERIALS AND METHODS**

A research design, according to Cooper and Shindler (2014), is a key strategy that specifies the methods and the stages for acquiring the necessary data and provides a framework for the research's action plan. In the study, a descriptive research design was used to collect data to address queries about the current phenomenon of the subject under study. This design, if

properly applied, provides a quick and precise way of assessing information (Zigmond, 2010). The study’s objective was to establish how strategic management drivers affected the performance of confectionery manufacturing industries. The population of this study was one hundred and forty-five managers from eighteen confectionery-manufacturing firms in Nairobi City County. A good ample meets the criteria for effectiveness, representativeness, dependability, and adaptability (Kothari & Garg, 2014). The researcher used random sampling techniques to select a represented sample. The sample size was obtained using Yamane’s (1967) formula.

$$n = N / (1 + N(e)^2)$$

Where:

n = sample size

N = target population

e = level of significance

Applying the formula:

$$n = 145 / (1 + 145 * 0.05 * 0.05)$$

n = 106 respondents.

Quantitative data was analyzed using descriptive and inferential statistical analysis packages (SPSS 23). Descriptive analysis involves the use of frequency distributions, percentages, means, and standard deviations. Inferential statistical analysis was done by employing the use of multiple regression to establish the significance of predictor variables on predicted variables. Multiple linear regression was utilized to determine the association between the performance of confectionery manufacturing industries and independent factors. The regression model used was.

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

Where,

Y= Performance of the confectionery manufacturing industry

$\beta_0$ = the regression constant or intercept

$X_1$ =Strategic Human Capital

$X_2$ =Product diversification

$X_3$ =Customer relationship

$X_4$ =Organizational learning

$\beta_0, \beta_1, \beta_2, \beta_3,$  and  $\beta_4$  are explanatory variable coefficients

## RESULTS

### Strategic Human Capital and Performance

The study evaluated respondents' information about strategic human capital's influence on confectionery manufacturing industries' performance. They were to indicate how much they agreed with the statements relating to strategic human capital in their organization. The findings are presented in Table 1 below.

Table 1. Strategic Human Capital and Performance

Statement	Mean	SD
Our Organization Encourages Worker's Involvement In Organizational Matters, Which Increases Staff Productivity.	3.87	.92
Our Organization Is Eager To Promote Employee Training Through Seminars And Educational Programs.	3.91	.71
Our Organization Promotes People Centered On Their Talents And Accomplishments To Boost Output And Career Development.	4.07	.82
A Skilled Labor Force Is An Advantage That Will Boost Food Manufacturing High Results And Growth.	3.72	1.01
Hiring And Keeping The Top Experienced Staff Is Necessary To Propel The Firm Onward By Growing Sales And Earnings.	4.11	.69
Overall Score	3.94	0.83

Source: Researcher (2023)

From the above results, the organization Encourages worker's involvement in organizational matters, which increases staff productivity with an average score of 3.87 and a standard deviation of .92. Outcomes from the research participants agree that through seminars and educational programs, the organization is eager to promote employee training with an average score of 3.91 and a standard deviation of .71. Further, research participants agreed that their organization promotes people centered on their talents and accomplishments to boost output and career development with a mean score of with an average score of 4.07 and a standard deviation of .82. The Research participants showed that skilled labor force is an advantage that boosts food manufacturing high results and growth with an average score of 3.72 and a standard deviation of 1.01. Respondents further indicated that hiring and keeping the top experienced staff is necessary to propel the firm onward by growing sales and earnings with a mean score of an average score of 4.11 and a standard deviation of .69. The overall mean for this section of Strategic Human Capital was 3.94, indicating that Strategic Human Capital influences the performance of Confectionery manufacturing industries in Nairobi County. The study is supported by a study done by

Heather et al. (2020) on human capital practices influence on organization performance, who concluded that developing and practicing human capital drivers improve Organizational Performance in LCBs in Sri Lanka. To compete, organizations should value people's knowledge, skills, and abilities, moving beyond human resources and focusing on the concept of Human Capital.

### Product Diversification and Performance

The study's second objective was to evaluate respondents' information about product diversification's influence on confectionery manufacturing industries' performance. They were to indicate how much they agreed with their organization's statements relating to product diversification.

Table 2. Product Diversification and Performance

Statement	Mean	SD
A lack of market information hampers product diversification.	4.13	.73
Our firm is involved in making new differentiated goods frequently	3.94	.96
Diversified products necessitate the development of their physical, human resources, and technology structure.	3.85	.81
Management determines the modification strategies used.	3.78	.92
The management engages in looking for new markets for our products	3.62	1.11
Overall score	3.86	0.91

Source: Researcher (2023)

Respondents indicated that Product diversification is hampered by a lack of market information, with an average score of 4.13 and a standard deviation of .73. Participants further agreed that their firm is frequently involved in the making of new differentiated goods, frequently an average score of 3.94 and an SD of .96. On whether diversified products necessitate the development of their own physical, human resource, and technology structure, respondents agreed with an average score of 3.85 and a standard deviation of .81. Participants agreed that management determines the modification strategies used with an average score of 3.78 and a SD of .92. On whether the management participates in looking for new markets of our products participants agreed with an average score of 3.62 and a SD of 1.11.

The overall mean of whether Product diversification influences the performance of Confectionery Manufacturing industries was 3.86. This implies that Product diversification significantly influences the Confectionery Manufacturing industries' performance. The outcome is supported by a study by Tessema (2014) on Human Capital's Impact on Company Performance, which revealed that human capital investment contributes to increased firm results. In conclusion, the study's findings verified that human capital impacted enterprise outcomes.

### Customer Relationship Management and Performance

The study also sought to establish the effect of customer care relationships on the performance of confectionery manufacturing industries. Considering this, respondents agreed on how much the statements applied to Customer relationship management in their organization.

Table 3. Customer Relationship Management and Performance

Statement	Mean	SD
As a means of assuring adequate customer service, our organization engages in sharing product information with our clients.	3.90	.83
Our organization has data distribution platforms to improve communication with consumers	3.69	.96
Customers in the organization are given responses well in the event of any customer needs	3.73	.81
There is a growth in the number of customer referrals by our clients	4.14	.73
Taking note of consumer complaints ensures they are addressed, boosting service quality and customer satisfaction.	4.07	.80
Overall score	3.906	0.83

Source: Researcher (2023)

The results from respondents agreed that as a means of assuring adequate customer service, their organization participates in sharing product information with their clients with an average score of 3.90 and an SD of .83. On whether the organization has data distribution platforms to improve communication with consumers, participants agreed with an average score of 3.69 and an SD of .96. Participants agreed that customers in the organization are given response well in the event of any customer needs with an average score of 3.73 and an SD of .81. Reaction evaluation from participants agreed that there is a growth in the number of customer referrals by our clients with an average score of 4.14 and an SD of .73. Participants also agreed that taking note of consumer complaints ensures that their concerns are addressed, therefore boosting service quality and customer satisfaction with an average score of 4.07 and an SD of .80.

The overall mean score for this section on customer relationship management and food manufacturing industry performance was 3.91, showing that customer relationship management strongly influences the confectionery manufacturing industry performance. The study is supported by a study done by Ndung'u (2019) on product diversity and the financial performance of Kenyan manufacturing companies, which concluded that product diversification had no substantial impact on the performance of Kenyan manufacturing enterprises when measured against both EBIT and ROA. Njuguna (2018), whose conclusions showed that firms should use product diversity as a key strategy for growing their markets, further supports it with a study.

**Organizational Learning and Performance**

The study sought to evaluate from the respondents the effects of organizational learning and the performance of the Confectionery Manufacturing industries in Nairobi City County. They were asked to indicate how much the statements related to organizational learning in their organization.

Table 4. Organizational Learning and Performance

Statement	Mean	SD
For products and services, formal quality information is provided.	3.90	.87
Our organization uses committees, meetings, and reports to interpret information	3.76	.91
Information from competitors is a source of learning new business approaches and services	3.63	.98
The organization encourages knowledge exchange between employees and management	3.80	1.01
Internal learning channels are used to communicate organizational goals and policies.	3.92	.83
<b>Overall score</b>	<b>3.802</b>	<b>0.92</b>

Source: Researcher (2023)

The study participants agreed that formal quality information is provided for products and services, with an average score of 3.90 and a Standard deviation of eighty-seven. Whether their organization uses committees, meetings, and reports in interpreting information, participants agreed with an average score of 3.76 and a Standard deviation of 91. Respondents indicated that information from competitors is a source of learning new business approaches and services, with an average score of 3.63 and a Standard deviation of 98. Whether an organization encourages knowledge exchange between employees and management, participants agreed with an average score of 3.80 and a Standard deviation of 1.01. Respondents indicated that internal learning channels communicate organizational goals and policies with an average score of 3.92 and an SD of 83.

The overall mean for this section of Organizational learning and performance of food manufacturing industries was 3.802, indicating that Organizational learning influences the performance of food manufacturing industries. The study is supported by Ugurlu and Kurt (2016) on the impact of organizational competency and learning on product innovation performance in Turkey's industrial sector. The study outcomes showed a positive and significant relationship between organization learning competencies and product novelty results. It was revealed that the ability of a company to identify flaws in existing processes and prevent them from recurring later by formulating action strategies is comparatively significant for the accomplishment of modernization initiatives.

**Inferential Analysis**

This section offers the study’s inferential results for assessing the influence of predictor variables on predicted variables. The analyses of correlation and regression tests are techniques employed in the analysis. Correlation analysis was employed to examine the power of the association between predictor variables and predicted variables. In contrast, regression analysis was employed to examine the effect of independent variables on dependent variables.

**Correlation Analysis**

This section displays the findings of a correlation study performed to determine the nature and degree of the relationship between independent and dependent variables. The correlation matrix is shown in Table 5

Table 5. Correlation Analysis

<b>Strategic Capital</b>	<b>Human Capital</b>	<b>Pearson correlation</b>	<b>1</b>			
<b>Product Diversification</b>		Pearson correlation		1		
<b>Customer Relationship Management</b>		Pearson correlation	.561**	.479**	1	
<b>Organizational Learning</b>		Pearson correlation	.534**	.612**	.573**	1
<b>Performance</b>		Pearson correlation	.681**	.507**	.550**	.725**
		Sig(2-tailed)	0.007	0.003	0.190	0.000
		N	74	74	74	74

\*\*Correlation is significant at 0.05 (2-tailed)

Source: Researcher (2023)

The research sought to determine the association between strategic human capital and the performance of confectionery industries in Nairobi City County. A Pearson correlation test was done, and the results, as presented in Table 5, reveal a correlation of (r (74) = .681; p<0.05) between strategic human capital and the performance of confectionery industries in Nairobi city county. This implies that strategic human capital is positively correlated with the performance of confectionery industries in Nairobi City County. Furthermore, the correlation between these two variables was significant at p<0.05, signifying a linear relationship between strategic human capital and the performance of confectionery industries in Nairobi City County. This demonstrates that strategic human capital significantly influences the performance of confectionery industries in Nairobi City County. The study's results agree with Tessema's (2014) study on Human Capital's Impact on Company Performance, which revealed that human capital investment contributes to increased firm results.

Further, the research was to determine the association between product diversification and the performance of confectionery manufacturing industries in Nairobi City County. The study conducted a Pearson correlation test, and the studies, as shown in Table 5, reveal a correlation of  $(r(74) = .507; p < 0.05)$  between product diversification and the performance of confectionery manufacturing industries in Nairobi city county. This implies that product market diversification is positively correlated with the performance of confectionery.

In addition, there was a significant correlation between the two variables ( $p < 0.05$ ), indicating the existence of a linear association between product diversification and the performance of confectionery manufacturing industries in Nairobi City County. This reveals that product market diversification significantly influences the performance of confectionery manufacturing industries in Nairobi City County. The study's results agree with Njuguna (2018), which concluded that firms should use product diversity as a key strategy for growing their markets.

The research is intended to ascertain the association between customer relationship management and the performance of confectionery manufacturing industries in Nairobi City County. The Pearson correlation test was used in the analysis, and the results displayed in Table 5 reveal a correlation of  $(r(74) = .550; p < 0.05)$  between customer relationship management and the performance of confectionery manufacturing industries in Nairobi City County. This implies that customer relationship management is positively associated with the performance of confectionery manufacturing industries in Nairobi City County.

Further, the correlation between these two variables was significant, that is,  $p < 0.05$ , signifying a linear relationship between customer relationship management and the performance of confectionery industries in Nairobi city county. This shows that Customer Relationship Management has a major impact on the performance of confectionery manufacturing industries in Nairobi City County. The study's results agree with the study by Mohamad et al. (2014), which concluded that Customer Relationship Management procedures significantly improve organizational performance.

Finally, the research established the association between organization learning and the performance of confectionery manufacturing industries in Nairobi City County. A Pearson correlation test was done, and the results, as shown in Table 5, reveal a correlation of  $(r(74) = .0.725; p < 0.05)$  between organization learning and the performance of confectionery manufacturing industries in Nairobi City County. This implies that organizational learning is positively associated with the performance of confectionery manufacturing industries in Nairobi City County.

In addition, there was a significant correlation between the two variables ( $p < 0.05$ ), indicating the existence of a linear association between organizational learning and the performance of confectionery manufacturing industries in Nairobi City County. This reveals that organizational learning significantly influences the performance of confectionery manufacturing industries in Nairobi City County. The study's outcomes agree with the work done by Mutea (2016) on the impact of organizational learning on performance, which revealed that continual learning in the organization creates learning opportunities for all employees. The study concluded that learning culture and organizational performance are correlated significantly.

### Regression Analysis

The study fitted a regression test to establish whether strategic management drivers (strategic human capital, product diversification, customer relationship management, and organization learning) significantly predicted the performance of confectionery manufacturing industries in Nairobi City County. The model summary, analysis of variance, and beta regression coefficients are the outcomes, as summarized in the subsequent sections.

**Table 6. Model Summary**

Model	R	R Square	Adjusted R	SD Error of Estimate
1	.827 <sup>a</sup>	.684	.665	.18363

a. Predictors: (Constant), strategic human capital, product diversification, customer relationship and organization learning  
Source: Researcher (2023)

It was observed from Table 6 that the dependent and independent variables had a correlation coefficient of 0.827, indicating a strong and positive association between the variables. The adjusted R of 0.665 indicates that the strategic management practices employed in the confectionery manufacturing industries, specifically strategic human capital, product diversification, and customer relationship, and organization learning, account for 66.5% of the change in performance of confectionery manufacturing industries in Nairobi City County.

### Analysis of Variance

Table 7. ANOVA

Model	Sum Of Squares	d.f	Mean Square	F	Sig
Regression	529.127	4	132.28	26.40	.000 <sup>b</sup>
Residual	351.311	70	5.01		
<b>Total</b>	<b>880.439</b>	<b>74</b>			

a. Dependent variable: Performance

b. predictors: (Constant), strategic human capital, product diversification, customer relationship and organization learning  
Source: Researcher (2023)

The results of the ANOVA were determined and presented as shown in Table 7. From the outcomes,  $F = 26.40$  and  $P = 0.000$ , which is less than  $0.05$ . This indicates that the strategic management drivers significantly influenced the performance of confectionery manufacturing industries in Nairobi City County. The findings agree with Chuang (2015), who highlighted that Strategic management drivers enable businesses to survive, grow, and establish a long-lasting competitive advantage.

Table 8. Regression Coefficient Results

Model		Unstandardized coefficients		Standardized Coefficients	t	p- Value
		B	SD Error	Beta		
1	Constant	6.851	2.769		3.562	.002
	Strategic Human Capital	0.658	0.154	.363	4.183	.004
	Product Diversification	0.519	0.186	.716	2.784	.003
	Customer Relationship	0.427	0.192	.562	3.233	.000
	Organization Learning	0.558	0.217	.881	2.693	.003

a. Dependent variable: Performance  
Source: Researcher (2023)

The findings of the statistics analysis presented in Table 8 aided in the estimation of the linear regression.

$$P = 6.851 + 0.658 \text{ SHE} + 0.519 \text{ PD} + 0.427 \text{ CR} + 0.558 \text{ OL}$$

Where,

P= Performance of the confectionery manufacturing industry

SHC=Strategic Human Capital

PD=Product Market diversification

CR= Customer relationship

OL= Organizational learning

### DISCUSSIONS

The study's first objective sought to assess strategic human capital's effect on confectionery industries' performance. From the regression analysis findings in Table 8, strategic human capital is statistically significant at  $\beta = 0.658$  and  $p = .004$ , less than  $\alpha = 0.05$ . Thus, a beta coefficient of 0.658 for strategic human capital demonstrates that by holding other factors constant. A one-unit improvement in strategic human capital leads to a 65.8% increase in the performance of confectionery manufacturing industries in a direct relationship between strategic human capital and the performance of confectionery manufacturing industries.

Based on the findings, the study concludes a significant relationship between strategic human capital and the performance of confectionery manufacturing industries in Nairobi City County. The study findings agree with Heather et al. (2020) on human capital practices' influence on the performance of organizations, who concluded that developing and practicing human capital drivers improve Organizational Performance in LCBs in Sri Lanka. To compete, organizations should value people's knowledge, skills, and abilities, moving beyond human resources and focusing on the concept of Human Capital.

Further Table 8 findings revealed that product market diversification had a significant coefficient of the estimate based on  $\beta = 0.519$  ( $p\text{-value} = 0.003$ , which is less than  $\alpha = 0.05$ ). Thus, a beta coefficient of 0.519 for product market diversification shows that, while other factors remain constant, a unit increase in product market diversification leads to a 51.9 % increase in the performance of confectionery manufacturing industries in a direct relationship between product market diversification and performance of confectionery manufacturing industries.

Thus, there is a significant association between product diversification and the performance of confectionery manufacturing industries in Nairobi City County. The study's findings corroborate those of Oladimeji and Udosen (2019) in Nigeria on the association between organizational success in the manufacturing sector and diversification strategy, which revealed that diversification is a strategic tool for establishing deliberate significance and planned results. Organizational leadership should recognize their unique talents to outwit competition.

Further, the outcomes in Table 8 revealed that customer relationship management had a beta coefficient of the estimate. 427, which was significant ( $p = 0.000$ , less than  $0.05$ ). Thus, a beta coefficient of 0.427 for customer relationships demonstrates that a unit improvement in customer relationship management leads to a 42.7% increase in the performance of confectionery manufacturing industries while holding other predictor variables constant. This leads to the conclusion that there is a meaningful relationship between customer relationship management and the performance of confectionery manufacturing industries in Nairobi City County.

The research results corroborate the findings from Valmohamadi (2017) on Customer Relationship management, innovation, and performance in Iran, which established that CRM strategies have a positive and significant influence on the organization's and innovation's performance. The conclusion reached was that CRM-driven innovation improves organizational performance. It is further supported by Mohamad et al. (2017) study on the effect of customer relationship management strategies on organizational performance in SMEs in the food manufacturing business in Malaysia results, which showed that CRM procedures significantly improve organizational performance.

Finally, the outcomes presented in Table 8 revealed that the organization learned a significant coefficient of the estimate based on  $\beta=0.558$  (p-value .003, which is less than  $\alpha=0.05$ ). Thus, a beta coefficient of 0.558 for organizational learning means that by holding other predictor variables constant, a unit improvement in organizational learning would result in a 42.7% increase in the performance of confectionery manufacturing industries in a direct relationship between organizational learning and the performance of confectionery manufacturing industries. This indicates a positive and significant association between Organizational learning and the performance of the Confectionery Manufacturing industries in Nairobi County.

The study findings are consistent with those of Uğurlu and Kurt (2016), who evaluated the effect of organization competency and learning on the performance of product innovation in Turkey's industrial sector, whose outcomes of multiple regression analysis showed a positive and significant relationship between organization learning competencies and product novelty results. It was revealed that the ability of a company to identify flaws in existing processes and prevent them from recurring later by formulating action strategies is comparatively significant for the accomplishment of modernization initiatives.

## CONCLUSIONS

The study concluded that strategic human capital, product diversification, customer relationship, and Organizational Learning, which are strategic management drivers, play a crucial influence on business success when it comes to performance. Human capital is an organization's most important asset and the foundation of its competitive advantage. The existence of Human Capital is critical for expanding and promoting a company's competitiveness through improved outcomes. This is achieved by improving employees' skills by investing in their training and education programs. Similarly, Product diversification is a growth strategy businesses use to increase their market domination by expanding into new markets. Product diversification necessitates developing the organization's physical, human resource, and technology structure.

To successfully adopt customer relationship management, an organization must thoroughly understand the methods for managing customers. The organization exchanges product information with their clients to ensure good customer service, and customers in the organization respond well in case of any customer needs. Management ensures that their concerns are addressed by taking note of consumer complaints and boosting service quality and customer satisfaction. Furthermore, Organizational learning necessitates adapting abilities and attitudes to match the company's mission and vision. The organization encourages knowledge exchange between employees and management, and Internal learning channels are used to communicate organizational goals and policies, improving performance. Based on the study findings, the following recommendations were made.

- The strategic management of confectionery manufacturing industries should continue to utilize and invest in strategic human capital in their operations to improve performance. This should be accomplished efficiently by hiring and retaining experienced staff and promoting staff based on their talents and accomplishments to propel the organization forward by increasing sales and earnings.
- The top management and the entire management team of the confectionery manufacturing industries should embrace sufficient and timely planning, be involved in the frequent production of new differentiated products, and search new markets for products. This is because multiproduct firms can increase their market share. Product diversification boosts the company's profitability by increasing the sales volume of the new markets and products introduced.
- The study uncovered that customer relationships positively and meaningfully affect performance. The top management should ensure that employees are regularly trained in customer service and that they meet the needs of their customers to improve customer relationship management. The management should be involved in sharing product information with clients and ensure that customers in the organization respond well in the event of any customer needs.
- Organizational learning significantly affects performance; hence, the study recommends that policymakers foster knowledge exchange between employees and management to improve communication and guarantee that internal learning channels are used to communicate organizational goals and policies. This is because organizational learning necessitates changing and adapting habits, abilities, attitudes, or preferences to match the company's mission and vision and create a healthy learning environment for growth and expansion.

The research findings revealed that strategic management drivers (Human Capital, product diversification, customer relationship, and organizational learning) explained only 66.5% of performance variations of confectionery Manufacturing Industries in Nairobi County. Therefore, further research should focus on other factors that explain the remaining variations in the performance of confectionery manufacturing industries in Nairobi County. The study concentrated on only four dimensions of strategic management drivers; future research should focus on other factors of strategic management drivers not included in this study that affect the performance of confectionery manufacturing industries.

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