



# Management Capability and Financial Performance of Small Scale Road Work Construction Companies in Bomet County, Kenya

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## Abstract

The main aim of this study was to establish the influence of management capability on the financial performance of small scale road work construction companies in Kenya. The design used in the research was descriptive survey. The study targeted the small scale roads construction companies in Bomet County. These are the companies that work under the road construction agencies in Kenya namely Kenya National Highways Authority, Kenya Urban Roads Authority and Kenya Rural Roads Authority in the county. The target population was the 102 small scale roadwork construction companies in Bomet County. The sample was selected using proportionate stratified sampling method. The sample had 81 respondents. A questionnaire with both closed ended and open ended questions was used as the tool for the collection of primary data. Descriptive statistics such as Minimum, Mean and Standard Deviation were used describe analyse quantitative data. Bi-variate Linear Model was used for inferential analysis with the help of SPSS. The findings show that management's capability influences the financial performance of construction firms. This is because management's capability was tainted by incompetence, poor management skills, ineffective communication, and reluctance to make decisions and inadequate planning and budgetary provisions. The study recommended that the management should attend seminars and workshops in order to improve their management skills and capabilities in handling projects in a fast emerging economy. In addition, the project owners, contractors, and consultants should hold their responsibilities to avoid any delay or unnecessary cost. It was suggested that a further study should focus on other elements of management capability like personal characteristics of managers to show how they affect the financial performance of the construction firms.

## Key words

Bi-variate Linear, Management Capability, Financial Performance, Small Scale Road Work Construction Companies

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## 1. Introduction

Firm performance is affected by many documented and undocumented factors (Morrish *et al.*, 2010). However the difference between the factors that affect one firm and another could vary among the known organisational specific internal factors and also known macro factors. Long term performance is guaranteed because new resource configurations are always assured as markets collide, emerge, split, evolve and die. For a company to remain a going concern and to fulfil its main financial corporate objective of wealth maximization, the management must plan how they will properly organize the assets of the company either in the short term or the long run. The organizational set up and resources available to a firm will have a long term effect on the operations and performance of the firm hence outmost care must be taken in order to come up with the most prudent, beneficial and effective decisions that will facilitate their composition

and use. Both Management theory and economic theories lay emphasis to managerial capabilities as critical in the process of wealth accumulation and effective management.

Karami (2012) did a study in UK and discovered the great impact Human Resource (HR) capability as an organizational factor has on the firm's performance and its involvement in developing business strategies and how it is becoming increasingly important particularly in today's firms. Not surprisingly, the main debate in HRM, particularly in SMEs, is nowadays concerned with the relationship between HR capabilities and the firm's overall performance. The important conclusion reached is that increasing the core competencies of the firm, in particular HR is the key element to the success of the firm. Bell (1997) on a study in Finland posed that the growing involvement of the HR in the development and implementation of business strategy will lead to the increased effectiveness of the organisation and the industry as a whole. Njoroge (2015) on a study in Kenya found out that a firm's performance advantage is not necessarily from a single resource but an array of resources which are both tangible and intangible.

In strategic management or organization theory performance measures are either organizational or financial. Financial performance can be defined as the extent to which an organization's financial objectives have been achieved (Mosakowski, 2002). Financial performance can be used to measure an organization's overall financial health over a given period of time (VanBurg *et al.*, 2012). This is achieved by analysing various the financial statements of the organization. To measure performance adequately, the performance indicator ought to communicate all the results of investment to the investor at any specified period. This helps the investor to make a decision on whether to invest more or withdraw his investment depending on the returns of the investment.

Management capability is the capacity of a company's management to plan, organize, staff, lead, direct and control an organization to accomplish the objectives of the construction firms (Gamero *et al.*, 2011).

### **Road Construction Companies in Kenya**

One of the keys to poverty eradication and rapid economic growth is development and maintenance of physical infrastructure. Kenya's vision 2030 which is the national growth blueprint initiated by the Kenyan government (RoK, 2007) is anchored on three pillars of political, social and economic development. Infrastructure development is the main link for exploiting full growth potential from all the sectors in the nation (RoK, 2007). From the year 2003 to date, the Kenya has dedicated huge amount of its budget to road construction and development. In the last financial year budget, (2015/2016 FY), funds amounting to Ksh.132 billion was allocated to the road sector.

Owing to the need to finance major road projects, the government has also unveiled a new financing model for road construction commonly referred to as the "annuity financing programme (RoK, 2015). Under this new plan the government is planning to upgrade 10,000km of road to bitumen standards over the subsequent five years at a cost of Ksh.280 billion in order to accelerate growth in the manufacturing, trade and agricultural sector (Kanyi, 2016). This shows the importance that the government attaches to the road development agenda. New laws have also been enacted to reform the roads and transport sector in order to ensure that road infrastructure development kicks off as expected. The enactment of the new constitution came up with new regulations for the efficient utilization of public funds and getting value for money. Public private partnership has also been considered as a key factor in the vision as a way of building local capacity in order to create more jobs, reduce poverty and reduce the social economic gaps between the rich and the poor. In this regard, local companies are encouraged to build their capacity and create jobs and wealth at the local level by bidding for government contracts and tenders.

Road work companies have not been left behind, however a major challenge to these companies could be financing their operations considering the high lending rates in the Kenyan economy and the amount of money needed to finance road construction works (Ochieng, 2015). Road construction is a capital intensive industry; therefore these companies need good managerial and financial planning to pay for raw materials, professional services, hire and purchase of equipment and labour. Most road work contractors in Kenya are small scale contractors operating at local level and undertaking small contracts either independently or as subcontractors. This small scale construction companies need to plan their structural and operational setups in order to maximize their value, grow, compete favourably, reduce risk

and to remain in business, if this is not well done, this may lead to bankruptcy, liquidation, non-performance and more serious it may lead to a firm being blacklisted for government contracts and tenders.

According to Ongeti (2014) the management in most companies has pursued deliberate policies to improve effectiveness and efficiency, relevance and viability of corporations. This has been through divestiture, introduction of strategic management practices such as strategic planning and performance measurement through performance contracting among other measures. While output of some companies has increased, due to these interventions, creating employment opportunities, enhancing service delivery and even paying better dividends, others seem like they have continuously struggling financially. The indicators are financial distress emanating from perpetual debt, prompting bailouts, restructuring or write-offs by treasury. This situation could be partially attributed to inefficient utilization of resources or lack of the same and may be corporate governance structures. Firm theory points that, entities with adequate financial resources and strong governance are likely to perform better financially than the counterparts. This brings out one fundamental question in business, could selected institutional resource characteristics explain the difference in financial performance of these companies?

### **1.1. Statement of the Problem**

Kenyan government has made heavy investments in creating an enabling environment for doing business in Kenya. Infrastructure development in Kenya is on the rise from the government financial year 2010. The government has invested heavily in allocating huge amounts to road and civil works development. These developments are envisioned in the Kenya's vision 2030. Indeed, some companies operating in this niche have performed exceedingly well. However, some have been in financial distress and others have even collapsed. Some have even been unable to meet their debt obligations and others put under statutory management. Explaining why companies operating in the same industry and markets vary in their performance remains a fundamental question. This could be attributed to differences to the capitals owned and controlled by firms but on the other hand firm theory views that capital alone does not explain the differences in the firms' performance. This debate still continues, hence providing room for further contributions. Since roadwork construction companies in Kenya operate under the same economic and geopolitical conditions as these other firms, they could be regarded as operating in the same macro environment. However, given the varying performance levels, it is possible that their performance can be explained by the institutional factors cutting across among others management, working capital management, ever rising operation costs, technological obsolescence and skilled staff's profiles. This study therefore sought to investigate the influence of management capability on the financial performance of small scale roadwork construction companies in Kenya.

## **2. Literature review**

### **2.1. Theoretical Framework**

This study was guided by stewardship and agency theories. Stewardship theory is a theory by Donaldson and Davis that explains that when they are left to their own devices, managers actually act as accountable stewards of the resources they have been entrusted with (Barney and Hesterly, 2008). The theory stipulates certain measures which tend to reduce agency loss. These include the levels of benefits and executive compensation as well as managers' incentive schemes by recompensing them financially or making them offers to motivate them for better performance. Barney and Hesterly (2008) postulate that managers are stewards and that their actions align with the principals' objectives. The theory views managers as loyal to the firms and as interested parties in the performance of the firms. The foremost motive directing the managers to achieve in their jobs is their great desire to give excellent performance. Precisely, it conceives managers as people whose motivation comes from the need to achieve and gain inherent motivation through performing excellently hence gaining recognition from bosses and peers. The theory also argues that a firm is in need of a structure that allows harmony between firm owners and the managers (Slyke, 2006). The stewardship theory is applicable to this study in that the managers of the construction firms are the stewards of companies' resources such as finances, human resources and technological resources. The steward has authority and plays part in the management of the companies'

resources. They may influence the way different resources are utilised in the company hence the financial performance of the said companies. In addition, their capability as managers to manage the different organizational resources may contribute to the failure or success of such organizations.

Agency theory originated from Stephen Ross and Barry Mitnick (Donaldson and Davis, 2012) and explains the relationship between agents and principals in business. It helps to resolve the problems in agency relationships. It mainly addresses two problems one being the problems arising when principals' and agents' desires conflict and those that occur when principals and agents differ in attitudes towards risk making each to take different actions. Agency theory specifies instruments which reduce agency loss. It is common for some agents to practice unscrupulous behaviour to the detriment of shareholder interests (Donaldson and Davis, 2012). The board of directors is an instrument for curtailing such opportunistic behaviours because it monitors the actions of the managers on behalf of the shareholders. Agency theory is applicable to this study in that the managers of the construction companies are the agents while the directors are the principals of these companies. If agents practise opportunistic behaviour, the construction companies are likely to suffer since the agent in that case would be looking into their own interests more than the companies'. The financial performance of the construction companies may go down in such a case. If the management has the capability and the will to utilize the firms' resources such as finances, technology and human capital maximally to the benefit of the firm, such firms have higher chances of succeeding.

## **2.2. Empirical Review**

Management is the function that coordinates the efforts of people to accomplish objectives and goals by making use of available resources effectively and efficiently (Gamero, Patrocinio, Enrique and Jose 2011). Management functions include controlling, directing, staffing, organizing, planning and organizing a firm with an aim to accomplish its goal. Resourcing incorporates the deployment and manipulation of natural resources, technological resources, financial resources, and human resources and all the other resources. The management should have the capability to perform their functions well for better performance of their organizations. Usman, Kamau and Mireri (2014) conducted a study in Nigeria on project performance. The study used explanatory and descriptive approaches. Sampling was conducted using stratified and purposive random sampling methods. The results revealed that projects failed in the implementation stage because of costly project execution, inadequate budget planning and provisions, pointless rush when executing projects and costly project execution. These indicated inadequacy of the project managers' capabilities to manage the projects.

Youker (2012) on World Bank projects study showed that the services of projects are mainly dependent on the general environment beyond the project managers' control. However, the project managers' understanding of the factors that can affect the projects can influence the success of the projects because it can help them to mitigate such factors. They have the responsibility to scan the environment as well as identify potential challenges and how to overcome them. Some factors in the internal environment also affect project performance and understanding them beforehand can help give an early warning of potential challenges.

Njenga (2014) study was on the factors influencing delivery of road construction projects in Nairobi County. Descriptive research design was used while the target population included road contractors in Nairobi County. The study employed stratified sampling technique in coming up with a sample size of 42 from a total population of 106 respondents. The findings showed that poor performance in the construction industry was caused by failure by the management to use appropriate communication and procurement system. Another study was done by Munuhe (2014) on corporate strategy implementation. The researcher employed descriptive research design. This research was a case study since it was a research on one organization. Primary data was collected by the use of questionnaires. Secondary data was collected using desk research techniques. Data was analysed using inferential and descriptive statistics. The results revealed that commitment of top level management influences strategy implementation in the construction industry. It further revealed that management's commitment is important when implementing projects in the construction industry.

Ngesa (2010) conducted research on timeliness of completion of infrastructure projects. The study used descriptive research design. A research questionnaire was distributed to 40 respondents from World Bank staff, Implementing Agencies (that is, KENHA and KURA) and Ministry of Road officials. Quantitative data analysis was carried out through descriptive statistics, which included frequencies and percentages using SPSS. Content analysis was used for qualitative analysis. The study also conducted inferential analysis. The findings of the study showed that the management style employed when delivering projects affects project performance.

### 2.3. Operational Framework

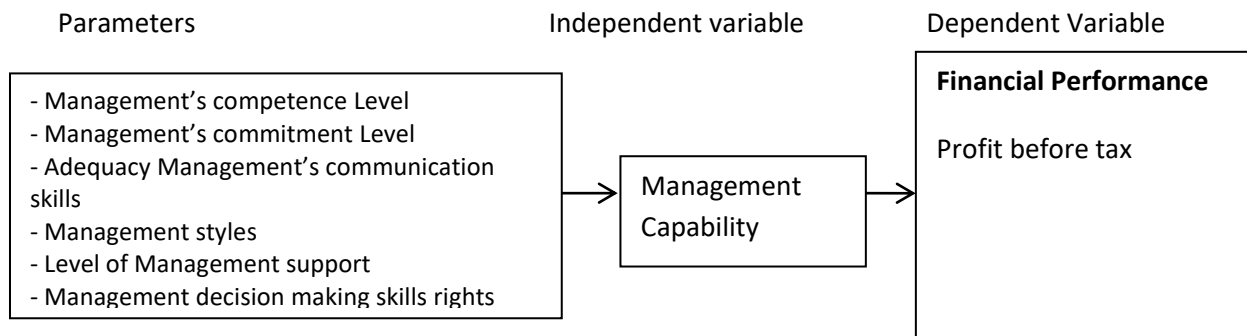


Figure 1. Operational Framework

The dependent variable is financial performance of small scale roadwork construction companies. This is influenced by the independent variables. The management in terms of skills can affect the financial performance of firms either negatively or positively. Management capability in terms of the project planning skills of the top management and project managers, problem solving skills, communication, and commitment and management styles can affect the way project managers manage the various resources of the construction companies. Capable managers would manage resources effectively promoting the financial performance of the firms.

### 2.4. Research Gap

Past literature on the topic of study has shown that firms' performance can be affected by the management capabilities. However, most of these studies focused on the general performance of large firms leaving a research gap on the effect of management capabilities on the financial performance of small road construction firms. The recent years have experienced growth of many small road construction companies in Kenya. These companies operate in the County Level and in remote and rural areas. These conceptual and contextual gaps of assessing their management capability and performance present the research knowledge gap.

## 3. Methodology of research

### 3.1. Research Design

The design used in this research was descriptive survey. This is a method of research in which data is gathered at a specific time with the intent to describe the nature of prevailing situations or determine specific information (Kombo and Tromp, 2006). The method was preferred because it was deemed an effective way to collect data from a great number of sources. In addition, it was the most suitable for this study in regard to the large number of the study population.

### 3.2. Target Population

The study targeted the small scale roadwork construction companies in Bomet County. These are the companies that work under the road construction agencies in Kenya namely KENHA, KURA and KERRA in the county. The study concentrated on the construction firms which have or had projects in Bomet County for the years 2013 to 2015. In addition, the targeted companies had a capital base of five million shillings

and below. There are 102 such companies in Bomet County. This implies that there are 102 top level managers.

### 3.3. Sampling Procedure and Sample Size

The sample was estimated using using Fishers equation. Based on the Fishers equation, all the top level managers in the 81 registered small construction companies constituted the population of the study. This was thus a census study.

### 3.4. Data Collection Instruments

A questionnaire was used as the tool for the collection of primary data (Hair, Anderson and Black, 2004). The questionnaire was hand delivered to respondents and a time for collection agreed upon. The questionnaire was more preferable because the study participants could record the responses themselves and this ensured that there was no distortion of data gathered. Secondary data sheet was used to collect data on the financial performance of the construction firms. A five year profit before tax was used as the measure for financial performance. A five point Likert Scale was used with Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D) and Strongly Disagree (SD).

### 3.5. Reliability and Validity of the Instruments

Construct validity was ensured through making sure that the research instruments were accurate. The constructs were generated from existing management theory. Content validity was done through a tool assessment by a management professional. Through a pilot study comprising eight managers, reliability of the instrument was tested using Cronbach alpha coefficient. A Coefficient value of 0.85 was achieved and was considered acceptable for the data collection instrument.

### 3.6. Data Analysis and Presentation

Descriptive statistics were used to analyse quantitative data. The results of the analysed data were presented in pie charts, bar graphs and frequency tables. SPSS version 20.0 was used in data analysis. Bivariate regression analysis was used to explore the predictive relationship of only two variables to determine the strength of the relationship between the two variables Shevlin and Miles (2010). Bivariate model was as shown:  $Y = \beta_0 + \beta_1 X_1 + \alpha$ . Where x is the independent variable, y is the dependent variable and  $\beta_0$  is the point of intersection for the line of best fit intersects while  $\beta$  is the angle of the line.

## 4. Findings

### 4.1. Response Rate

Semi structured questionnaires were distributed to the selected sample of 81 respondents. From this sample, 68 questionnaires were filled and returned. However, 7 were rejected since they were incomplete. Hence, 61 questionnaires were used for data analysis. The response rate was therefore 75.3% and was considered acceptable. Higher response rate is preferable as it lowers the risk of non-response bias.

#### i. Working Experience of Respondents

Work experience provides many benefits; giving people skills and experience as they work in organizations over time.

Table 1. Respondents' Working Experience

Working experience	Frequency(n)	Percent (%)
Below 5 years	22	36.1
6-10 years	39	63.9
Above 10 years	0	0
<b>Total</b>	<b>61</b>	<b>100.0</b>

The findings showed that majority of the respondents (63.7%) had been in the firm for 6 to 10 years hence could understand the issues being investigated. 36.1% had below 5 years working experience and

there was no respondent who had worked in the firms under study for more than 10 years. The responses received from these staff members were therefore fairly accurate and reliable and contributed immensely in the study. The level of experience of the respondents was therefore very important in the study as it ensured that the respondents were well informed in their specific areas of experience.

*ii. Financial Performance of Small Scale Roadwork Construction Firms*

The descriptive findings for financial performance were based on the annual profits before tax and were in form of measures of central tendencies and the responses were on a 3-point Likert scale where integers 1 to 3 represented low financial performance (below 1 million) average (1-3 million) and high financial performance (3-5 million) respectively.

*Table 2. Descriptive Statistics for Financial Performance*

Year	N	Min	Max	Mean	Std. Dev.
2013	61	1	3	1.39	.613
2014	61	1	3	1.48	.648
2015	61	1	3	1.57	.741

The results showed a mean of 1.39(2013), 1.48(2014) and 1.57(2015). The standard deviation for the three years was below one meaning that the profit before tax did not change much in the three years period. This implied that the financial performance in most of the small scale roadwork construction companies in Bomet County was low (below 1 million of profit before tax), and that organizational characteristics affect the financial performance of small scale roadwork construction companies.

*iii. Descriptive Analysis of Study Variables*

The study sought to establish the influence of management capability on the financial performance of small scale road work construction companies in Bomet County, Kenya.

*Table 3. Descriptive Statistics for Management Capability*

Statements	SA	A	N	D	SD	Mean	Std Dev
The project managers in this firm are very competent	0	55.7	14.8	29.5	0	2.74	.893
Poor management of projects make projects fail in this firm	9.8	60.7	0	29.5	0	2.49	1.027
The project managers' communication is very effective	0	44.3	34.4	21.3	0	2.77	.783
The management is always committed to projects in this firm	11.5	88.5	0	0	0	1.89	.321
The management style used in this firm is effective	0	65.6	11.5	14.8	8.2	2.66	1.015
The top management is very supportive	11.5	75.4	13.1	0	0	2.02	.500
There is reluctance of timely decision making by the top management	0	21.3	23.0	32.8	23.0	3.57	1.072
The project managers easily handle the challenges that are encountered during the project	0	75.4	8.2	13.1	3.3	2.44	.847

As shown in Table 3, 55.7% of the participants agreed that the project managers in the firm were very competent while 14.8% were neutral and 29.5% disagreed (mean = 2.74; std dev = 0.893). 70.5% of the participants agreed that poor management of projects made projects fail in the firm while 29.5% disagreed (mean = 2.49; std dev = 1.027). In relation to the effectiveness of project managers' communication, 44.3% agreed that the project managers' communication was very effective, 34.4% were neutral while 21.3% disagreed (mean = 2.77; std dev = 0.783). In addition, all the participants agreed that the management was committed to the projects (mean = 1.89; std dev = 0.321). Regarding the management style, 65.6% of the participants agreed that the management style used in the firm was effective, 11.5% were neutral and 23.0% disagreed (mean = 2.66; std dev = 1.015). 86.9% of the respondents agreed that the management was supportive while 13.1% were neutral (mean = 2.02; std dev = 0.500).

= 0.5). Additionally, 21.3% of the participants agreed that there was reluctance of timely decision making by top management while 23.0% were neutral and the majority (55.8%) disagreed (mean = 3.57; std dev = 1.072). 75.4% reported that the project managers easily handled the challenges encountered during the project while 8.2% were neutral and 16.4% disagreed (mean = 2.44; std dev = 0.847). The finding of the study that project managers are competent asserts earlier finding by Ongeti (2014) who noted that the management in most companies has pursued deliberate policies to improve effectiveness and efficiency, relevance and viability of corporations. This has been through divesture, introduction of strategic management practices such as strategic planning and performance measurement through performance contracting among other measures. Further the study revealed that poor management of projects make projects fail which concurs with Usman, Kamau and Mireri (2014) who found out that projects failed in the implementation stage because of costly project execution, inadequate budget planning and provisions, pointless rush when executing projects and costly project execution. These indicated inadequacy of the project managers' capabilities to manage the projects. Therefore management capabilities can make the road construction companies to improve financial performance or deteriorate. Moreover, the finding of the study that project managers' communication was very effective contradicts earlier finding by Njenga (2014), who noted that poor performance in the construction industry was caused by failure by the management to use appropriate communication and procurement system. The finding of the study that top management is very supportive concurs with Munuhe (2014) who found out that commitment of top level management influences strategy implementation in the construction industry.

#### 4.2. Regression Analysis

Table 4. Model Summary for Management Capability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.619 <sup>a</sup>	.383	.373	.671

The R value of 0.619 implies that was a strong correlation between management capability and financial performance of small scale roadwork construction firms in Bomet County. The R<sup>2</sup> value of 0.383 means that approximately 38.3% of the variation in financial performance can be explained by management capability.

Table 5. ANOVA for Management Capability

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.497	1	16.497	36.656	.000 <sup>b</sup>
	Residual	26.552	59	.450		
	<b>Total</b>	<b>43.049</b>	<b>60</b>			

The findings showed that the F value of 36.656 is significant (p=0.00) at 95% confidence level. The findings therefore show that the model is significant for predicting financial performance of small scale roadwork construction firms in Bomet County.

Table 6. Regression Coefficients for Management Capability

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.834	.279		2.989	.004
Management capability	.587	.097	.619	6.054	.000

The coefficients table provides the necessary information to predict financial performance from the internal determinants (management capability). For every single increase in management capability, there was a corresponding increase by 0.587 of financial performance by small scale roadworks construction companies in Bomet County. The bivariate model would take the form of  $Y = 0.834 + 0.587 \text{ Management Capability}$ . The constant is 0.834 which represents the value of financial performance when management



capability is zero. The beta coefficient is 0.587 which represent the value of management capability means that a unit change in management capability would result in a 0.587 change in financial performance. The findings showed that management capability was statistically significant ( $p=0.000$ ). The finding of the study support Gamero, Patrocinio, Enrique and Jose (2011) who stated that management should have the capability to perform their functions well for better performance of their organizations. In addition, the finding of the study is inline with stewardship theory such that managers of the construction firms are the stewards of companies' resources and plays a major role in the management of the companies' resources. Their capability as managers to manage the different organizational resources may contribute to the failure or success of such organizations. Barney and Hesterly (2008) postulate that managers are stewards and that their actions should align with the principals' objectives of the firm. This is also consistent with agency theory explains the relationship between agents and principals in business. The rationale is that if the management has the capability and the will to utilize the firms' resources such as finances, technology and human capital maximally to the benefit of the firm, such firms have higher chances of boosting financial performance.

### **4.3. Discussions**

According to the descriptive statistics, the findings on management capability showed that about half the participants agreed that the project managers in the firm were competent while the other disagreed. This implied that management competence could negatively be affecting financial performance of small scale roadwork construction firms in Bomet County. In relation to the effectiveness of project managers' communication, majority of the participants disagreed that project managers' communication was very effective. All the participants were in agreement that the management was committed to the projects. This could positively affect the financial performance of small scale roadwork companies in Bomet County. Majority of the respondents agreed that the management style used in the firm was effective. This could positively affect the financial performance of small scale roadwork construction firms. Most of the participants agreed that the management was supportive and this could promote the financial performance of small scale roadwork construction firms. Majority of the participants disagreed that there was reluctance of timely decision making by top management. The implied that if decisions are made fast, financial performance can improve. Moreover the finding of the study that management was found to be supportive and committed to the projects could promote the financial performance of the construction firms. This was in line with Munuhe (2014) who revealed that the commitment of top level management influence strategy implementation in the construction industry.

The management style was also rated as effective by majority of the participants which could promote financial performance. This assert earlir finding by Ngesa (2010) who found out that the management style of project managers affects project delivery time. However, some elements of the management's capability could be failing the financial performance of the construction firms. This was because a significant number of respondents indicated that project managers were not very competent, majority reported that poor management of projects made projects fail and a significant number indicated that there was ineffective communication by project managers and reluctance to make decisions. These findings were in line with Njenga (2014) findings that some management factors like ineffective communication contribute to construction industry's poor performance. The implication of this to the study is that management capability was found to be statistically significant in affecting financial performance of the small scale road construction companies in Bomet County.

Inferential statistic show that management capability was positively and statistically significant ( $\beta=0.587$ ,  $p=0.000$ ). This implies that for every single increase in management capability, there was a corresponding increase by 0.587 of financial performance by small scale roadwork construction companies in Bomet County. In addition, results further showed an R value of 0.619 which means that there was a strong correlation between management capability and financial performance of small scale roadwork construction firms in Bomet County. In this case, approximately 38.3% of the variation in financial performance could be explained by management capability. This means that management capability was an important predictor of financial performance. This was in agreement with Usman, Kamau and Mireri (2014) who observed that poor management of projects affected project performance. Findings also show

that technology adaptation had an influence on the financial performance of small scale roadwork construction firms in Bomet County. The findings also concurred with Munuhe (2014) findings that management's capability in form of management's commitment enhances strategy implementation of firms in the construction industry. They were also in agreement with Ngesa (2010) who found out that the management style can influence project delivery time.

## 5. Conclusions

The study concludes that management capability in the construction firms was statistically significantly affecting financial performance. Even if the management was mainly supportive and committed to projects, management's capability was tainted by incompetence, poor management skills, ineffective communication, and reluctance to make decisions and inadequate planning and budgetary provisions. The study concluded that there was need to enhance management skills and effective communication and good planning. This would enable the management and the employees to meet their personal goals as they endeavor to be more productive.

## 6. Recommendations

It was recommended that the management should attend seminars and workshop in order to improve their management skills and capabilities as these have a bearing on the financial performance of the construction firms. The project owners and contractors should meet their obligations on time to avoid any delay or cost overrun.

## 7. Areas for further research

Although this study provides insights into the influence of management capability on financial performance of small scale roadwork construction companies, several areas remain unclear and require to be addressed by future researchers. Further research need to be carried out a study on other elements of management capability like personal characteristics of managers to show how they affect the financial performance of the construction firms.

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