

**STRATEGIC PLANNING AND PERFORMANCE OF THE STATE  
CORPORATIONS OF THE GOVERNMENT OF KENYA**

**MWAI MARTIN MWANGI**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT FOR  
THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF  
NAIROBI**

**NOVEMBER 2013**

## DECLARATION

I hereby declare that is my original work and has not been presented for any degree in any other University.

Signed: ..... Date.....

Mwai Martin Mwangi  
Reg No. D61/63241/2010

This research project has been submitted for examination with my approval as the university supervisor.

Signed: ..... Date.....

Dr. Zachary B. Awino, PhD.  
Senior Lecturer  
School of Business,  
University of Nairobi

## **DEDICATION**

I dedicate this research project to my parents Jefitha Mwai Rugano and Irene Wangui Mwai for the sacrifices they have made to support my education throughout my life. It is because of the academic foundation laid from those sacrifices that I have managed to pursue my education further.

## **ACKNOWLEDGEMENTS**

To God almighty who has provided unto me at all my times of need throughout my academic life.

Special thanks to my supervisor Dr. Zack Awino who not only provided advice and guidance but ensured that the research project was of the highest standards.

Further thanks to my office supervisor Jacklyne for always being understanding of the demands of this research project.

# TABLE OF CONTENTS

<b>Declaration</b> .....	i
<b>Dedication</b> .....	ii
<b>Acknowledgements</b> .....	iii
<b>List of Figures</b> .....	vii
<b>List of Tables</b> .....	viii
<b>Acronyms and Abbreviations</b> .....	ix
<b>Abstract</b> .....	x
<b>CHAPTER ONE: INTRODUCTION</b> .....	1
1.1 Background of the study .....	1
1.1.1 Concept of Strategic Planning .....	3
1.1.2 Strategic Planning and Organizational Performance .....	4
1.1.3 State Corporations of the Government of Kenya .....	4
1.2 Research Problem.....	6
1.3 Research Objectives .....	8
1.4 Value of the study .....	8
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	10
2.1 Introduction .....	10
2.2 Theoretical Foundation of the Study .....	10
2.3 Strategic Planning .....	12
2.4 Organizational performance .....	16
2.5 Strategic Planning Practices and Organizational Performance .....	17

<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>19</b>
3.1 Introduction .....	19
3.2 Research Design .....	19
3.3 Population of the Study .....	20
3.4 Sample Design.....	20
3.5 Data Collection.....	20
3.6 Data Analysis .....	21
<b>CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION.....</b>	<b>22</b>
4.1 Response for the Questionnaire.....	22
4.2 Type of corporations visited.....	23
4.3 Experience of the respondents in the corporations.....	24
4.4 Persons involved in decision making at the corporations .....	25
4.5 Frequency of reviewing the vision and mission of companies .....	26
4.6 Duration of the strategic planning .....	27
4.7 Strategy applied in the decision making .....	27
4.8 Factors for improving strategic planning process .....	28
4.9 Organizational performance .....	30
4.10 Effectiveness of Corporations .....	31
4.11 Regression analysis .....	32
4.12 Discussion .....	36
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION ....</b>	<b>38</b>
5.1 Introduction .....	38
5.2: Summary .....	38
5.2 1 Strategic planning .....	39
5.2.2 Performance of the corporations.....	40

5.2.3 Effectiveness of strategies and planning for corporations.....	41
5.3 Conclusion.....	41
5.4 Implication on Policy, Theory and Practice .....	42
5.5 Areas for further research.....	42
5.6 Recommendation.....	43
5.7 Limitations of the study.....	44
<b>REFERENCES</b> .....	45
<b>APPENDICES</b> .....	47
<b>Appendix I:</b> regression analysis data .....	47
<b>Appendix II:</b> questionnaire .....	50
<b>Appendix III:</b> approval to collect data.....	54
<b>Appendix IV:</b> state corporations .....	55

## LIST OF FIGURES

**Figure 4.1:** Graph representing the type of companies against the number of companies used for the study

**Figure 4.2:** Graph of years worked by the respondents in state corporations



## **LIST OF TABLES**

**Table 4.1:** Percentage response for the study

**Table 4.2:** Years worked in corporation

**Table 4.3:** People involved in the decision making process

**Table 4.4:** Duration for review of Mission and Vision

**Table 4.5:** Duration of strategic plan

**Table 4.6:** Strategies in decision making

**Table 4.7:** Data representing the measures applied to improve strategic planning process.

**Table 4.8:** Organizational Performance

**Table 4.9:** Effectiveness of the corporation

**Table 4.10:** Regression analysis

## **ACRONYMS AND ABBREVIATIONS**

**ERS:** Economic Recovery and Strategy

**NARC:** National Rainbow Coalition

**SCAC:** State Corporations Advisory Committee

**SWOT:** Strengths, Weaknesses, Opportunities and Threats

## ABSTRACT

Strategic planning is a vital step in the process of decision making in an organization. It is useful in the identification of the strengths, weakness, opportunities, and threats facing an organization.it enabled the organization to achieve its desired goal in line with its objectives, mission and vision. Therefore, it is significant in the determination of performance of an organization. This aims of this study is to assess the strategic planning practices that is applied by the state corporations of the government of Kenya, it also sought to establish a link between strategic planning, practices and performances in state corporations of the government of Kenya. This was based on the theory and practice of the open system theory and dynamic capability theory on the strategic management. The study was conducted on 40 different corporations which are regulatory, service, tertiary, public universities and financial corporations. The findings of the finding form the study established that most companies used forecasting as s practice in the formulation of their strategy other than the environmental aspects at the time of formulation, their vision and mission also gets reviewed either for every 3-1 years or 5-3 years. In addition, the directors are the most significant people in the corporations that make the decisions, strategic planning process is mainly controlled by the management of an organization for most corporations; implementations plans is always a well formalized process and all departments are involved in the planning of a strategy. Performance of the companies is based on quality, Relationship among the staff, staff turnover, customer satisfaction, efficiency of the operations, financial performance, market share and capital and debt. The study also established that the efficiency of the planning for strategy and performance is increased when the strategies are linked to the corporations mandate, prioritized goals are set, organizational performance and capacity in production is improved and finally the capacity in building the staff of the corporation. The study recommends that further research will need to be conducted in order to establish the evidence based link and practice of planning and performance of corporations.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

Strategic planning is a decision process that defines the business of an organization; it is also a process that identifies the opportunities and constraints which face that organization as it attempts to be successful and lays out a plan of action for goal attainment (Mercer, 1991). Strategic planning is therefore about identification, examination and description of strategies that managers follow to achieve superior performance through attaining competitive advantage. A well formulated strategy will drive an organization to success by establishing clear objectives, identifying opportunities and challenges which an organization may encounter in its day-day operations and guiding decision making. This is achieved through a series of informed decisions made by management which influences the results of a firm's performance. The application of strategic planning practices in state corporations and its effects on performance will guide this study.

The resource based view of strategic management suggests that a firm is a bundle of resources and capabilities and this makes different firms differ in different ways. This view proposes analyzing and identifying an organization's strategic advantages based on an examination of its physical assets, human resource (organizational capabilities) and intangible assets. An organization develops competence in these resources and when done they become the source of a firm's competitive advantage. Once an organization's bundle of resources is identified, it is determined which of these resources represents the strengths of the organization and which one represents the weaknesses to be able to

determine the sources of competitive advantage. According to Barney (1991), a firm can exploit and translate the resources and capabilities to give it strategic advantage by building on their value, ensuring their scarcity and making them inimitable. Game theory is a theory of strategy that attempts to determine actions that players take to ensure that they secure the best results in a wide variety of actions also referred to as games. It uses mathematical and logical models to achieve this. The games are interdependent meaning that the result for each participant depends on the strategies of all the other (Karani, 1984). The total benefit to players will always be zero as a choice to reduce resources by one increases the resources of other players as explained by the zero sum games.

State corporations of Kenya are controlled by the government. Though the strategic planning concept is fairly new to the government of Kenya with evidence of the first strategic plans being the Economic Recovery Strategy for Wealth and Employment Creation (ERS) of 2003 – 2007, state corporations have adopted strategic practices that have been cascaded down from the central government with each corporation having its own targets from the central government through the respective line ministries. This performance is reviewed by several bodies but more importantly the national assembly, the line ministry, the national treasury and the State Corporations Advisory Committee (SCAC). It can therefore be said that state corporations do not just operate haphazardly rather they have strategies through which performance targets are determined and are continuously measured by parties within and outside the corporations and their performance is further improved by their bundle of resources and capabilities realized through government support. This is as opposed to the private sector where the government has minimum interruptions in markets.

### **1.1.1 Concept of Strategic Planning**

Strategic planning a process of formulating, implementing and controlling plans guiding an organization in achieving strategic goals considering the external and internal environment (Mercer, 1991). It entails specifying the organization's mission, vision and objectives and developing policies and plans towards attaining the same over the specified time period. Further to this, the process goes on to monitoring the implementation of strategy.

This is an ongoing process as it is existent through-out the life span of an organization that chooses to embrace it. Through-out this process, strategic management is aimed at attaining sustainable competitive advantage i.e. gaining & maintaining competitive advantage. According to Ohmae (1988), strategy isn't beating the competition, it is serving customers real needs. This implies a shift to strategic planning going beyond managing a firm's internal activities to critical examination of a firm's environment, both internal and external. Several tools of examining a firm's environment e.g. SWOT analysis and PESTEL analysis have been developed and have proven to work over time.

Strategic plans are usually set by the top management and have a time horizon consistent with the scanning abilities of the organization and set the risk level that planners feel is appropriate for their organizations. The details of the plans address matters of scope, resource requirements, competitive advantage, quality expectations, social responsibility issues, and synergy (Henry, 2004). No amount of elaboration will ever enable a formal process to take the place of managers who are fully engaged in their operations or replace the critical and creative thinking that is necessary to create novel innovative strategies.

### **1.1.2 Strategic Planning and Organizational Performance**

Organizational performance involves measurement of actual results as compared to intended results. These results are normally in form of goals and objectives. According to Richard (2009) organizational performance encompasses three areas of a firm's output. Financial performance measures performance in terms of profits, return on assets and other measures that looks at organization's efficiency in utilization of funds. Product market performance measures performance in the light of sales, market spread, market penetration and market share among others. Shareholder return measure performance in terms of total shareholder value added.

Through strategic planning, vision, mission and values of an organization are created and this guides the management in establishing strategic goals for a given planning period. This is all done in the light of available resources i.e. an organization's strategic capabilities. Once goals are established, they are communicated and cascaded downwards to an organization's different functions. This may be done using different tools the most popular one being the Balanced Scorecard. With the strategy in action, the organization moves towards a unified direction and this is monitored using performance tools where actual goals attained are compared to target goals.

### **1.1.3 State Corporations of the Government of Kenya**

The State Corporations Acts (1987) revised in 2013 gives 10 criteria through which an institution can be considered to be a state corporation. The common variable in all the 10 is control by the government of Kenya. A state corporation is therefore an entity which the government has significant influence over it. By law, state corporations are guided by

government regulations and appointed bodies such as the State Corporations Advisory committee (SCAC), the Efficiency Monitoring Unit and Public Procurement Oversight Authority (PPOA). The terms and conditions guidelines of state corporations released through the State Corporations Advisory committee in stresses that state corporations have no option but to embrace modern business management practices (Government press, 2004). The guidelines go further to point out that each and every corporation is expected to have corporate strategy with clear goals, a set of values, objectives and mission.

Njiru (2008) says that the Kenya government forms state corporations to meet both commercial and social goals and that they exist for various reasons including correcting market failure, exploiting social and political objectives, providing education, health, redistributing income or developing marginal areas. The Government of Kenya has since June 2005, required all Boards of state corporations to sign performance contracts with the Government and the Chief Executive Officers to sign performance contracts with their respective Boards and the same being cascaded down to individual staff members. This has been a solid attempt to improve state corporations by ensuring improved and sustained performance and service delivery.

State corporations of Kenya are divided into 8 broad categories based on their mandate and functions. The categories are financial corporations, commercial corporations, regulatory corporations, public universities, service corporations, regional development authorities, tertiary education and training corporations and finally training and research corporations.



Until the early 2000's, Strategic planning practices had not been evident in any arm of the Government of Kenya including state corporations with the only attempt to plan having been manifested through the annual budget that covers a government financial year from July to the following June. Then came the NARC government took power in 2003 and an attempt to embrace strategic planning was made through the Economic Recovery Strategy for Wealth and Employment Creation (ERS) of 2003 – 2007. This was closely followed by a launch of the development of a longer term strategic plan on 30<sup>th</sup> October 2006 which resulted to the Vision 2030 launched by President Kibaki 10<sup>th</sup> June 2008 to cover the period 2008.

These plans were cascaded down to state corporations which were tasked to develop their own strategies which should be in line with the 'corporate strategy' of the Kenyan government, currently the Vision 2030. Kenya has more than 125 state corporations (Ajwang, 2010). Looking at the performance of the government over the last 10 years, it is evident that there has been an improvement in performance of state corporations with most of them having turned around from loss making entities to reporting billions of shillings as profits.

## **1.2 Research Problem**

The concept of strategy has been well understood by most managers though there has been a disconnection between strategy and performance. It is common to find organizations launching very ambitious strategic plans and failing to later follow up on performance. The main purpose of choosing the strategic planning path (which comes down to improved performance) is therefore lost and an organization gradually veers of the intended path.

A state corporation is an organization formed and owned by the government to meet both its commercial and social goals and that they exist for various reasons including correcting market failure, exploiting social and political objectives, providing education, health, redistributing income or developing marginal areas (Njiru, 2008). State corporations operate under the rules and guidelines set by the government. State corporations of Kenya are divided into 8 broad categories based on their mandate and functions. The categories are financial corporations, commercial corporations, regulatory corporations, public universities, service corporations, regional development authorities, tertiary education and training corporations and finally training and research corporations. A state corporation of Kenya reports to a government ministry with the board of directors for each corporation being ministerial employees. Coordination of state corporations is done by the office of the principal secretary of the respective ministry.

In theory, research on strategic planning practices in government has been done by many researchers among them being *Creating Public Value: Strategic Management in Government* (Moore, 1997) and *Strategic Planning for Public Managers* (Mercer, 1991). These works do not put the theories in the Kenyan context. Locally, a lot of research has been done on strategic planning in sampled state corporations but the researcher has found none per se that is a publicly available survey focusing on a number of state corporations rather most researchers have chosen corporations for a case study and this makes their findings prone to errors associated with low sampling. Studies that are similar to this context include *The Effect of Autonomy on Financial Performance of Commercial State Corporations in Kenya* (Mercy, 2012), *Adoption of The Balanced Scorecard By State Corporations in the Ministry of Information and Communication*,

Kenya (Kinoti, 2012), The Relationship Between Performance Contracts And Financial Performance In State Corporations; A Comparative Study Of The Kenya Railways Corporation And Kenya Airports Authority (Wambati. 2008). As strategic planning practices continue to be applied in different organizations and the results felt, does strategic planning have an impact on performance of Kenya's state corporations?

### **1.3 Research Objectives**

This study seeks to:

- i. Determine strategic planning practices applied by State Corporations of the Government of Kenya
- ii. Examine and establish if there is a relationship between strategic planning practices and performance in state corporations of the Government of Kenya.

### **1.4 Value of the study**

This study examined the concept of strategic planning and its effect on performance of state corporations bringing to light any effects of strategy in performance that may be unique compared to non-state owned companies or confirming that strategy has the same effects in state corporations of Kenya as compared to non-state owned companies.

This study will be useful to scholars, students and other researchers upon completion. In their future studies, researches will have information from this study to refer to in their work. They will also be informed on what was researched on and further to this they will avoid duplication of the same study unless they want to replicate the research. The study may also highlight other relationships between strategic planning practices and organizational performance which may not have known previously.

This study will also be useful to state corporations' employees. In their line of duty, they will formulate strategies and make decisions that will be inclined towards areas that are more likely to have a positive result in terms of performance improvement.

This study will be useful to policy makers in government who will get to know the extent to which strategic planning affects state corporations. This could be a confirmation that it affects performance or it does not. With such information, the policy makers will formulate policies that are informed and inclined towards improving performance.

The study will also be useful in the testing of the evidenced based research theories of the open and dynamic capability theory in the strategic planning. It will test its link to performance of the corporations for the state owned corporations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews literature that covers strategic planning and its effect on performance. It further touches on strategic planning processes, organizational performance and factors influencing strategic planning.

#### **2.2 Theoretical Foundation of the Study**

It cannot be denied that there is a link between strategy and the firm's resources and skills. The resource based view of strategic management suggests that a firm is a bundle of resources and capabilities and this makes different firms differ in different ways. This view proposes analyzing and identifying an organization's strategic advantages based on an examination of its physical assets, human resource and intangible assets (Barney, 2001).

An organization develops competence in these resources and when done they become the source of a firm's competitive advantage. Once an organization's bundle of resources is identified, it is determined which of these resources represents the strengths of the organization and which one represents the weaknesses to be able to determine the sources of competitive advantage. According to Barney (1991), a firm can exploit and translate the resources and capabilities to give it strategic advantage by building on their value, ensuring their scarcity and making them inimitable.

The resource based view of strategic management focuses resources to activities on different levels of the organizations. At the corporate level, the interest is in economies of scope and corporate resources and costs are focused on determining the industrial and geographical boundaries of the firm's activities (Zack, 1999). He further stresses that at the business level, resources are focused on beating competition and profitability. At this level an organization will focus on studying competition, analyzing its own competitive imitations, focuses on its resources creating competitive advantage and how the will catapult the organization to profitability. Together, these contributions amount to what has been termed the resource-based view of the firm.

The game theory is a theory attempts to determine strategies that players take to ensure that they secure the best results in a wide variety of actions also referred to as games. Through mathematical and logical models, the theorists have developed types of games that explain actions and results. The games include co-operative or non-cooperative games, zero sum and non-zero sum games, simultaneous and sequential games, perfect and imperfect information games, combinatorial games, infinitely long games, discrete and continuous games, differential games, many-player and population games, stochastic outcomes and metagames (Moorthy, 1958). A player makes sequential moves in a game by looking ahead and reasoning backwards. Each player should figure out how the other players will respond to his current move and he uses this information to respond to opponents' moves. At the end of the day, the resources are shared amongst all the players in the game with the player with the best strategy having had absorbed resources from the players using weaker strategies.

As Moorthy (1985. pp. 279) states Game theory cannot be used as a technique that provides precise solutions to strategic management problems. One rather obvious reason is that game theory does not have a single solution to provide, and there are other reasons as well. For many real-world problems, a game theoretic analysis may prove intractable. Capturing the reality of the situation may entail a model with hundreds of strategies for each player, but computing the equilibrium of such games is not easy.

### **2.3 Strategic Planning**

Strategic planning involves a making set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives (Pearce & Robinson, 1991). Grant, (1980) says that strategy is about winning. It has not been disputed that strategy is important but it has not been expressly stated what exactly is strategy and how to achieve winning through strategy. No single approach to strategy has been universally accepted (Stacey, 2003). Rather than managers being held as prisoners of mathematical models and rational approaches to strategy development, they should have freedom of action and a wide range of options to choose from (Burnes, 2004). He argues that managers can exert some influence over strategic constraints and at least they can select the approach to strategy that best suits their preferences.

To survive a dynamic environment, organizations need strategies to focus on attaining their vision through satisfying customers' needs. According to Mintzberg (1979) strategy is a mediation force between an organization and its environment. Managers understand the firm and its environment and will develop organization decisions that will change the firm's direction and adopt it to its operating environment. Strategy is the direction and scope of an organization over the long term (Johnson & Whittington, 2006).

There are three distinct levels of strategy i.e. the corporate level strategy, the business level strategy and the functional strategy. In the corporate level organizations focus more on industry challenges and how to counter them. Business level strategy sets goals for performance, evaluates the actions of competitors and specifies actions the company must take to maintain and improve its competitive advantages. According to Porter (1996) at this level is where you will find business units putting strategy into action for instance through cost leadership and differentiation strategies. Functional level strategy relates to single functional operational activities within an organization. Decisions at this level are tactical and mainly made by operational staff. Such decisions involve operational decisions that influence functions such as research & development, information systems, finance, marketing, manufacturing & human resources (Porter, 1996).

For a firm to achieve its strategic goals, an assessment of both its internal and external environment must be thoroughly conducted. Such an assessment will lead to a choice of long term objectives and operating strategies which must be implemented, monitored and controlled (Thompson & Strickland, 1993). Strategy can therefore be perceived as a way of finding the right position in the market and streamlining competences and resources to get the desired position (Hayes & Upton, 1998). According to Hayes, (1998), sound strategy formulation and implementation will only help a company defend of attack competitors successfully and by doing so, the company will survive and prosper in the current dynamic and turbulent environment. Organizations must aim at making their strategies competitive (Porter, 1996). Porter suggests that competitive strategy is about being different and this means choosing a different set of activities to deliver a unique mix of value.



Imposed forces influence strategy by requiring organizational adaptation to changing challenges and constraints in the environment (Miles, 2012). Imposed forces therefore limit the degree of making free choices within an organization as the forces are beyond an organization's control. From a strategic planning point of view, an imposed force created the need to respond to the environment such as responding to competition. An organization can respond by choosing to be offensive or defensive to survive the environment. Imposed forces are therefore external to an organization.

Teleological forces influence strategy formation to the extent that organizational members adopt and internalize a sense of common purpose that energizes organizational members and leads organizational actors and behaviors towards fulfilling the overall organizational purpose (Miles, 2012). The promotion of organizational vision and mission statements and placing emphasis on personal leadership is done by the management of the organization. This is an internal force to an organization.

Learning forces are experienced when organizational members experiment, self-organize or behave in other self-directed ways resulting to new patterns of action. Norms and behavior emerges from such actions and they are adopted by the organization at large. These norms and behavior affect how people think and influence their orientation to different matters (Proctor, 2000). Strategy tends to be evolutionary under the influence of learning forces where it in most ways arises from feedback from prior experiences. Strategic planning is through this way influenced by accumulating knowledge from different levels within the organization being adopted at different times.

Political forces influence strategy formation when individual or sub groups of organizational actors pursue their own diverse goals and promote their own interests, which are at least partially conflicting in nature. Decision outcomes and organizational strategy then reflects on the actor's relative degree of power within an organization along with their power playing games. Political forces are internal to an organization but they tend to influence strategic planning from outside the set legitimate and institutionalized systems for setting strategy. Not allowing politics to influence strategic decisions would be worse because the interpretations and preferences of managers would go unquestioned (Salanick and Pfeffer, 1978).

These are the assumptions, mental models and cognitive simplifications of organizational decision makers result in distinctive heuristic approaches that influence how managers perceive an organization's situation, frame problems to be dealt with, identify relevant options and choose relevant solutions through strategy formulation (Sanchez, 2008). The way managers perceive an organization influences how they formulate and implement strategy. If they believe in the strength of the company they are likely to adopt very aggressive strategy as opposed to managers who may fear competition and take very low risk strategic courses.

Pearce (1997) stresses that social forces are brought around by shared assumptions, beliefs and mental schemes that lead to common behavior patterns. They create a common world view in developing an organization's strategy. Such behavioral patterns are likely to influence strategy as they are likely to be considered in determining the capacity of the organization more especially when it comes to human capital.

## **2.4 Organizational performance**

Performance is a contextual concept associated with the phenomenon being studied (Hofer, 1983). In the context of organizational financial performance, performance is a measure of change that may or may not result from management decisions and the execution of those decisions by members of the organization. According to PPDA (2008) performance is defined as achieving the set objectives and responsibilities from the perspective of the judging party. The report further argues that performance is a function of effectiveness and efficiency.

According to Van Weele (2000) and Knudsen (1999), effectiveness is defined as the extent to which, by choosing a certain course of action, a previously established goal or standard is being met while efficiency is defined as the relationship between planned and actual sacrifices made in order to be able to realize a goal previously agreed upon. Efficiency focuses on the internal workings of the function and is defined as the amount of resources used to produce a single unit of output as a function of time or cost. Effectiveness, on the other hand, has been defined in terms of the degree to which a function meets its goals; the ability of the function to acquire needed resources; or the degree to which the function meets the needs of its constituencies (Dumond, 1994).

Measuring performance for organizations, declaring the top performers, and finding the common drivers of their success was not common practice until the early 1980's where evidence of performance management started manifesting itself through scholars and consultants like Tom Peters and Bob Waterman researched and wrote a book *In Search of Excellence*. This research further inspired more researchers and scholars to further pursue performance theories. This task becomes more complex as corporations diversify into

multiple industries. The area of focus in performance measurement is normally what varies from organization to another and from time to time. According to Richard (2009), organizational performance encompasses three areas of firm outcomes being financial performance, product market performance and shareholder return.

The balance scorecard approach of performance management further proposes that performance should be analyzed through four perspectives: financial variables where relevant financial measures/variables are identified, targets are set and performance is pegged on these financial variables (Miles, 2012). Customer based variable where measures of performance are based on variables that reflect on how customers perceive an organization. Internal business processes where performance measures are aimed at variables that encourage excellence through improvement of internal activities. Learning and growth which encourages the identification of measures that improve staff and the organization in general, create value and ensure innovation

## **2.5 Strategic Planning Practices and Organizational Performance**

Over the past two decades, there is evidence manifesting that researchers have attempted to investigate the effects of strategic planning and organizational performance. Many have concluded that there is an association between strategic planning and performance (Greenly, 2006). Strategic planning consists of processes undertaken by firms to develop strategies that might contribute to performance (Starkey, 2004). A strategic plan can contribute to the performance of an organization through generation of relevant information, creating a better understanding of the important environment and by reducing uncertainty (Schwenk & Shrader, 2003).

Each organization is set in a particular environment that is not necessarily the same as that of its competitor even within the same industry. The environment provides multiple contexts that affect the organization and its performance, what it produces and how it operates (Nabli & Nugent, 1989). For an organization to be successful, it must develop strategies that will maneuver it through the environmental context in which it operates.

Strategic planning practices enable organizations to perceive issues related to their performance in a competitive advantage dimension. Porter (2004) explains that the business environment is complex, dynamic and competitive. To survive such an environment and attain competitive advantage to perform better than competitors, businesses need formal action plans that are found in strategic planning. . Porter (2004) argues that organizational performance is determined by an organization's ability to find a unique position and strategic planning practices provide the tools for enabling an organization acquire competitive advantage.

Strategic planning provides employees with clear objectives and thus guides them towards one direction. When activities are synchronized towards one direction, it is easier to attain set goals as opposed to haphazard operations where different employees push and pull independently thus creating a chaos and disunion. Strong incentives, unified opinions, minimum conflicts are among the effects of strategic planning (Loasby,1987).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter contains research methodology to be used for the study. The research methodology gives details regarding the procedures used in conducting the study. The research design, the population of the study, sample design, data collection and analysis methods are expounded on below.

#### **3.2 Research Design**

The study was carried out through a cross-sectional survey with the same variables being used across all respondents. The cross-sectional survey used variables targeted towards establishing the strategic planning practices used by state corporations and whether they have an effect on performance. In a survey data is collected by interviewing or administering questionnaires to sampled individuals with an aim of studying their attitudes, opinion and habits (Orodho, 2005).

Cross-sectional studies conducted at a particular point in time where information that is present is recorded as is as opposed to variables being manipulated for results (Mugenda & Mugenda, 2003). Cross-sectional surveys are ordinarily observational in nature and are also known as descriptive research.

### **3.3 Population of the Study**

The population of this study consisted of all state corporations of Kenya. According to Ajwang (2010), there were 125 state corporations of Kenya as at 30<sup>th</sup> June 2012. These state corporations are grouped in 8 groups depending on their respective mandate.

The groups are financial corporations (31), regulatory corporations (26), public universities (6), regional development authorities (6), training and research corporations (11), service corporations (25), tertiary education and training corporations (5).

### **3.4 Sample Design**

For the purpose of representation, the researcher divided the population into strata and picked elements from each stratum through random sampling. Stratified random sampling aims at achieving representation from the population.

The strata involved the use of the 8 functional groups of the state corporations of the government of Kenya aiming at a sample size of 48 corporations. Mugenda and Mugenda (2003) state that a sample of 30% for a population of less than 500 is sufficient for research.

### **3.5 Data Collection**

Data for this study was both primary and secondary. Primary data was collected from questionnaires, personal interviews and telephone interviews. This allowed the researcher to ask more in-depth questions for more insight and will also allow immediate follow up questions to the respondent. The data was then collected from senior and middle level managers of state corporations with a good understanding of the organizations they are working for.

Secondary data was also collected from various financial reports, annual reports, trade journals and other government reports. Such reports will be the reports that capture all performance data of state corporations. The use of secondary data will enable the researcher save on time and money as the information resources have already been published and are available from multiple sources.

### **3.6 Data Analysis**

Completed questionnaires were then edited to attain completeness, consistency, reduce errors and omissions. Quantitative data was be coded and entered into Statistical Packages for Social Scientists (SPSS Version 17.0) for a comprehensive regression analysis.

Regression analysis was performed to analyze the data with the use of such measurement aids as mean, variance, and standard deviation with performance of state corporations as the dependent variable and strategic planning as the independent variable. Tables, pie charts and other graph forms will be used as appropriate. Regression analysis is a statistical tool for the investigation of relationships between variables (Nachmias & Nachmias, 1996).



## **CHAPTER FOUR**

### **DATA ANALYSIS RESULTS AND DISCUSION**

This chapter provides a summary of the data collected for this study. It is there the objective of this chapter to analyze and to provide appropriate. It will also align the different responses with respect to the objectives of the study. This was also done in order to answer the research questions in this study.

#### **4.1 Response for the Questionnaire**

The turnout for the response was at 77% from the sample size selected for this study.

This is as shown in the table below. Included in this turnout is every duly filled questionnaire that was been verified by the organization from which the data was collected

**Table 4.1: Percentage response for the study**

Total sample	Collected questionnaires	% response
48	25	52%

The responses were successful for the corporations sampled as the response rate was at 63% which will give a fair representation of the targeted population. This is according to Mugenda & Mugenda, (2003) who say that any value of about 40% of the total population is representative of the study. Hence, 52% for this study is well above 40% and hence representative of the population from which valid inferences can be made for the study in line with the objectives for the study.

It was a challenge getting more respondents since the focus of the study was on the management and a lot of senior and middle level management staff are not easily accessible. Furthermore, a lot of respondents were not willing to give out company information for research purposes without authority and they were not willing to seek this authority.

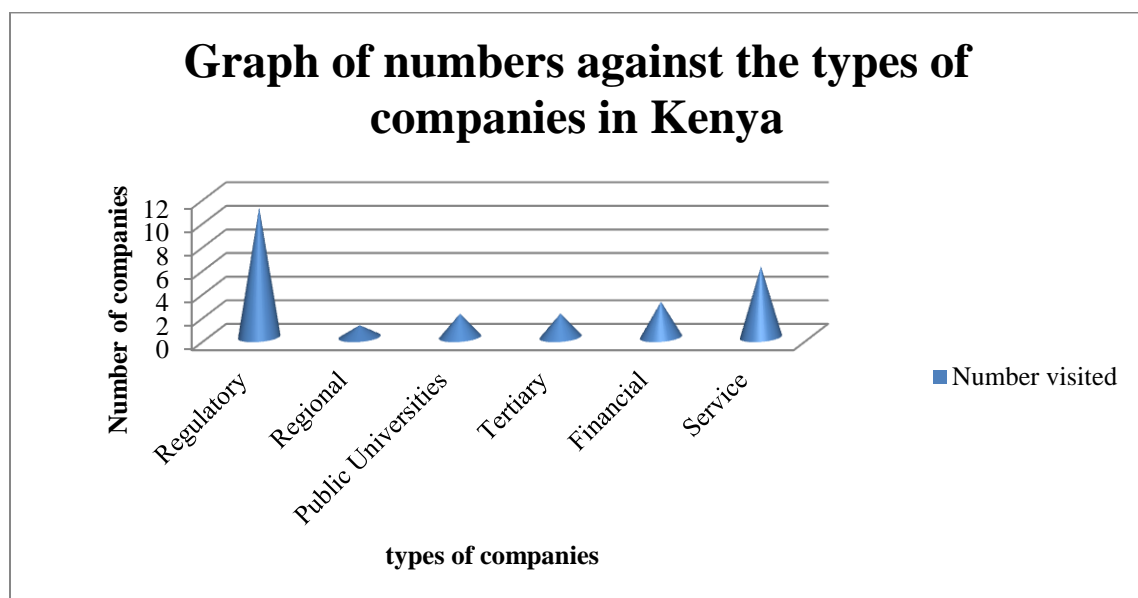
All the companies sampled have been incorporated in Kenya between the years 1950-2012 and hence can be considered to be reliable sources of the information of performance for the corporations in Kenya.

#### 4.2 Type of corporations visited

The companies that were used for this study include the following types of corporations.

It must be noted as well that all this companies indicated that they have a vision and mission for their corporations at 100%, hence appropriate for use in this study.

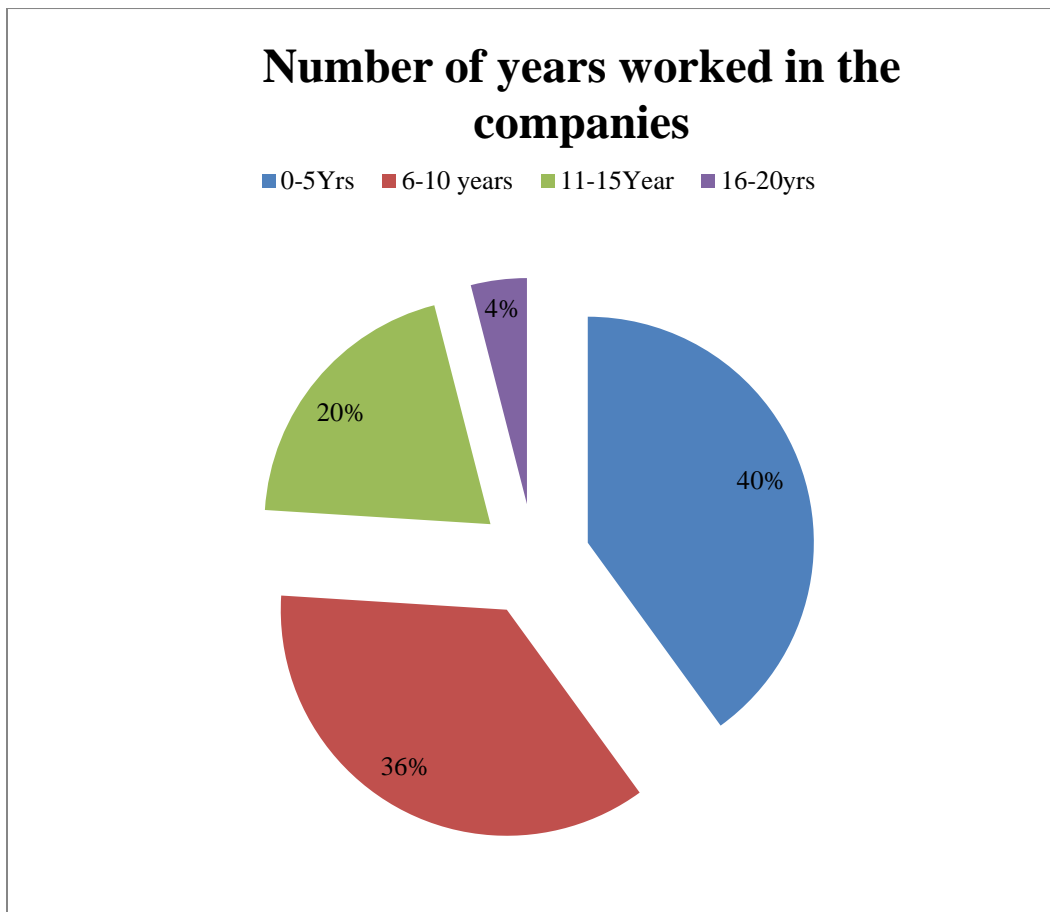
**Figure 4.1: A graph representing type of companies against the number of companies used for the study**



### 4.3 Experience of the respondents in the corporations

The respondents in for this study had worked for state corporations and hence they have better and reliable information for this study. Consequently, this study also relies on the suitability of the information of the provided for this study.

**Figure 4.2: A Graph of year worked by the respondents in state corporations**



#### **4.4 Persons involved in decision making at the corporations**

Many of the companies suggested all the option suggested on the list indicating that the decision making process is a multi-dynamic process since it involves a number of people in the corporation including the CEO, Directors, Senior managers and some of the companies also mentioned the use of staff in the decision making process indicting that it is an all-inclusive process for the corporation.

This section is important since the management and the key decision making organ of the corporation play a very important role for the success of the organization. The decision makers also enable the setting up of the appropriate environment that will set up improvement of performance of the company. The Chief Executive officer's role in a company is mainly oversight in nature and they are not linked to main processes of decision making. Their responsibility is mainly to oversee that management is doing their work as required and the company is performing with the required efficiency.

The directors on the other hand bring about decision that are meant to help enhance the efficiency of services in the corporations and hence participate extensively in planning and formulating of the best strategies the can drive the performance of a company. This is as presented on the table 4.3 below: This is the same case as with the senior manager's. In this study, it is evident that the directors (60%) are linked to the decision making of the organization than the senior managers (28%) of the organizations. While the CEO's were only 2% in this study. Some of the companies as well provided information of the other persons that as well contribute to the decision making processes. 28% of the respondents states that the staff of the companies were the other person's involved in the decision making in the company.

**Table 4.3: People involved in the decision making process**

<b>Level</b>	<b>Number companies</b>	<b>% Response</b>
CEO	3	12%
Directors	15	60%
Senior managers	7	28%
Others (Staff members)	7	28% Added as the other person

#### **4.5 Frequency of reviewing the Vision and Mission of companies**

Most of the companies expressed that they review their mission and visions for their strategies every 3-1 years for 57% of the companies that were assessed in this study. The others (43%) indicated that they review their Mission and vision every 5-3 years. No companies review their mission annually or semiannually as indicated in this study.

**Table 4.4: Duration for review of Mission and Vision**

<b>Duration</b>	<b>Number of Corporations</b>	<b>% Response</b>
5-3 years	5	20%
3-1 years	19	76%
Semi annually	1	4%

#### **4.6 Duration of the strategic planning.**

This research as well showed that 46% of the companies have strategic plans that ranger between 3-5 years. While 54% of the companies have a period between 5-10 years for their strategic plans mostly for long term strategies.

**Table 4.5: Duration of strategic plan**

<b>Duration</b>	<b>Number of Corporations</b>	<b>% Response</b>
3-5 years	11	44%
5-10 years	11	44%
Above 10 years	3	12%

#### **4.7 Strategy applied in the decision making**

The companies suggested that they apply forecasting as their decision making process for 92% of the companies. On the contrary, few corporations develop strategies on the basis of the changes in the environments for 8 % of the companies selected for this study.

**Table 4.6: Strategies in decision making**

<b>Duration</b>	<b>Number of Corporations</b>	<b>% response</b>
Forecasting	23	92%
Environmental	2	8%

#### 4.8 Factors for improving strategic planning process

The assessment on the extent to which the organizations are allowed to apply, measures that improve the process of strategic planning process was as shown in table 4.8 illustrated below. The most occurring view of the respondents was interpreted using the modal value for distribution of the responses as shown on the table below.

**Table 4.7: Data representing the measures applied to improve strategic planning process.**

Variables	1	2	3	4	5	Mean score
Strategic planning is controlled by management				9	16	5
Management ensure employee understand strategies				16	9	4
Implementations plans is well formalized			4	8	13	5
Middle managers contribute towards strategy			2	11	9	3
Other officers of the corporations are involved	2		12	8	3	3
Management allows input from all staff	3	7	9	4	1	3
All departments contribute			5	8	12	5
There is a monitoring and evaluation platform			3	12	10	4

The respondents agree strongly at 64% that strategic planning is directly controlled by the management of the organizations a mean score of 5 indicating that it influences the decision very much. The management also ensures that the employees understand the business of the company and strategies that apply to them with a mean score of 4

representing 64% of the data collected for this question. Similarly, the implementation of the strategy is a well formalized process for 52% of the companies. This is likely to be partly as a result of the efforts made by the management in ensuring that the employees understand the business and strategies involved in the company.

The middle managers do not contribute to the strategies that much as represented with a mean score of 3 for the data collected on the question. In addition, other offices do not contribute to the strategies of the organization that much also represented the mean score of 3 for the data collected representing moderate involvement in the decision making process. Moreover, the management does not allow input of the members of towards the development of the strategy which was indicated by a mean score of 3 and representing about 70% of the distribution.



## 4.9 Organizational performance

The rating for the following variables that were related to their performance and the results is as shown in the following table.

**Table 4.8: Organizational Performance**

Organizational Performance Variables	1	2	3	4	5	Mean score
Quantity of products/output			2	21	3	4
Quality of products/output			2	14	9	4
Efficiency in operations			3	9	13	5
Costs efficiency			6	14	5	4
Relationships among staff			3	16	6	4
Staff remuneration		1	16	7	1	4
Other benefits to staff e.g. medical cover		2	5	15	3	4
Staff turnover		1	8	15	1	4
Innovation			3	19	3	3
Customer satisfaction			5	10	10	4
Financial performance (based on financial statements)			6	13	6	4
Market share	1		12	10	2	5
Capital and debt level (Net assets owned)		1	2	15	9	5

The data above illustrates that the quality and quantity of the product and output is a key component for their performance as a corporation. The efficiency of their performance is highly above average for the 52% of the corporations evaluated in these studies. The efficiency of the cost on the other hand is rated as slightly above average for most of the companies in this study with overall mean score of 4. The relationship among the staff is also above average for most of the employees.

The staff remuneration as provided by the data collected illustrate that it is slightly above average as well as the other benefits given to the employees of the companies. Staff turnover has been rated as slightly above average for all the companies and hence the biggest challenge for companies and corporations in terms of their performance. Innovation for the companies has not received much of the attention as anticipated and hence it has been ranked as slightly above average by all the companies in this research. The financial performance, market share and capital and debt levels of the companies is a way above average for most of the companies in that participated in this study.

#### **4.10 Effectiveness of Corporations**

The companies have shown they most effective in developing strategies that are aligned to the mandate of the corporations, establishing prioritized goals; improving of the organizational performance, forecasting and in the increase of their organizational capacity in production, However, the capacity of building the staff in the corporations is still lower and hence just effective. This information is presented in the table 4.10 below.

**Table 4.9: Effectiveness of the corporation**

Variables for the study	1	2	3	4	5	Mean Score
Developing strategy aligned to the corporation's mandate		1		9	15	5
Establishing prioritized strategic goals				10	15	5
Improving organizational performance				11	14	5
Forecasting/anticipation of challenges and opportunities				9	16	5
Increasing organizational capacity in production			1	9	15	5
Capacity building by staff			3	14	8	4

#### **4.11 Regression analysis**

A multiple regression was run to predict effect of performance as a dependent variable against the independent variables in this study. The dependent variables for considerations were quantity of products/output, quality of products/output, efficiency in operations, cost efficiency, relationships among staff, staff remuneration, other benefits to staff e.g. medical cover, staff turnover, innovation, customer satisfaction, financial performance (based on financial statements), market share, capital and debt level (Net assets owned). The independent variables that represented strategic planning practices were quoted as strategic planning is directly controlled by management, management ensures that all employees understand the business of the company and how strategy applies to them, implementation of strategic plans is a well formalized process, middle

level managers contribute towards strategy, other officers in the corporation contribute to strategy implementation, management allows input from all level of staff in strategy formulation, all departments are required to contribute towards strategy, there exists a monitoring and evaluation platform for strategic plans.

In the regression analysis, each of the dependent variable was regressed against the independent variables shown above to determine the various impact of the performance factors on strategic planning of the companies used for this study. The findings showed that the following factors were significant as measures of performance for strategic planning in the corporations when predicted at 95% confidence interval ( $p = 0.05$ ), while the other performance factors were insignificant on the basis of the data collected for this study.

**Table 4.10: Regression analysis findings**

<b>Significant performance factors</b>	<b>Insignificant performance factors</b>
Quality	Quantity
Efficiency of operations	Cost efficiency
Relationship among staff	Staff remuneration
Staff Turn over	Other benefits
Customer satisfaction	Innovation
Financial Performance	
Market share	
Capital and Debt level of the company	

Multiple regression was run to predict Quantity from strategic planning factors as independent variables. The variables statistically insignificantly predicted quantity at a degrees of freedom (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.387$  indicating the variability of the independent variable with only about 38.7% of the dependent variable. (See table in appendix one)

In addition, a multiple regression was also run to predict quality (dependent variable) from independent variables. The variable statistically significantly predicted quality (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.599$  indicating that the variability of the independent variable with 59.9% of the variability with the dependent variable.

A test of efficiency of operation from the independent variables for this study was also performed. The variables statistically significantly predicted efficiency of operation (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.615$  indicating that only 61.5% variability was there between the independent and dependent variable.

A multiple regression test for cost efficiency from the independent variables for this study was also performed. The variables statistically significantly predicted efficiency of operation (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.590$  indicating that only 59% variability was there between the independent and dependent variable. An R value of 0.728 is a good predictor of the indicator.

Multiple regression was run to predict the relationship among staff from the independent variable indicating a statistically significant relationship (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.529$  illustrating the variability of the 52.9% of the independent variables with relationship among staff. The R value is a strong indicator of significance for this study.

Staff remuneration had an  $R^2 = 0.46$  indicating 46% variability independent variables from the dependent variable at (F 8, 16),  $P < 0.05$ . This R value of 0.465 is a weak indicator of significance and hence predicting statistically insignificant staff remuneration as a measure of performance for strategic planning factors.

Other benefits were also not significant for prediction of the variability of the independent variables since the variability between the dependent and the independent was only affecting 20.4% of the factors. It is therefore a poor predictor for performance.

Staff turnover was also regressed with the independent variables to predict the staff turnover from the independent variables. The variable statistically insignificantly predicted Staff turnover (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.464$ . Therefore our independent variable explains only 46.4% of the variability in our dependent variable.

Innovation was also insignificant with an (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.211$  indicating the relationship only affect 21.1% of the variability between the dependent and the independent variable.

A regression test to predict customer satisfaction from the independent variables shows a multiple correlation coefficient of 0.654 is a good indicator for this analysis. The variable statistically significantly predicted customer satisfaction (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.582$ .

The independent variable explains 58.2 % of the variability from the dependent variable.

A multiple regression of financial performance with the independent variable had an R value of 0.721. The variable statistically significantly predicted financial performance (F 8, 16),  $P < 0.05$ ,  $R^2 = 0.519$  indicating that the independent variables covers 51.9% of the dependent variable and hence a good indicator of performance for the corporations in Kenya.

A regression of Market Share from the independent variables shows that market share is a poor predictor with an  $R=0.694$ . The variable statistically significantly predicted market share ( $F 8, 16$ ),  $P < 0.05$ ,  $R^2 = 0.573$  implying that the variability of independent variable covered 57.3% of the data dependent variables.

Finally, a multiple regression was performed for Capital and debt to predict it from the independent variables. The variable statistically significantly predicted Capital debt level as statistically significant ( $F 8, 16$ ),  $P < 0.05$ ,  $R^2 = 0.52$ . Hence, our independent variables only explained 52% of the variability with our dependent variable.

#### **4.12 Discussion**

This study shows that there is need to link the resourced based theory and the game based theory to the decision making process in the company's to help improve the performance of the corporations. This will greatly influence the decision made by the management and hence promote the performance of the firms. The resource based theory supports the competitiveness of the firms through the use of strategic planning. This is required in guiding the performance of the state corporations. The resource base theory is also useful in promoting the utilization of the different capabilities that are best and suitable to the advantage and in promotion of corporation's competitiveness. This is also determined by the assets and human capacity of the firms combined with their strategic advantage enhancing their performance. It is evident from these studies that resources make the most important part of competition in the corporations in their competitiveness as reported by Barney (1991)

Similarly, the game theory also needs to be promoted in the firms so that the link between the strategies and the structure in the companies can be realized. This will help in the realigning of the plans of action that will need to be undertaken by the firm to ensure increased performance. The use of mathematical models will help in the forecasting and prediction of the performance of the governments. This will also be able to project the viability of the strategies that will be adopted by the companies in the sector as reported by Karani (1984). This will enhance proper planning for the utilization of the resources and to maximize on the performance of the firm.

The findings in this study have been echoed in other studies done and have shown that the company's performance is enhanced by proper strategic planning in order to promote the performance. This can be enhanced through the correction of the market failure, social and political objectives, redistributing of the income and development of the marginal areas as reported by Njiru (2008). Similarly, other research has indicated that companies need to promote public value and strategic planning and management in the corporations as reported Mercer (1991). This is also an initial study that samples out the state corporations and hence there is need to conduct further research on this study.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter provides a summary of the findings as explained in the data analysis for this study and their interpretation of their relevance in the making of the right decision in this study. The Summary and the findings will also answer the research questions and assess the objectives of this research study.

#### **5.2: Summary**

There are so many studies that have been done on financial performance but not many of them have been conducted in Kenya with respect to the performance of the corporation in Kenya. This study therefore bridges the gap in the Kenya through the assessment of financial performance of the state corporations and the strategies they use for planning. The benefits of planning is that it helps in the defining of an organization and in the identification of the strength and weaknesses of the organizations so that an appropriate plan of action can be set for the corporations that will drive the performance of the company in line with the mission and vision of the organization.

It is as a result of this that the corporations will be required to review their mission and vision for the organizations so that the changes on the environment and other factors affecting the organization can be captured. The objective of the review is to ensure that the plan of action for the corporation is superbly successful for the attainment of the goals of the organization as stated by Mercer (1991).

According to the findings of this study, most of the corporations review their mission and vision in a 3-1years with a response of 76% for all the companies that participated. In addition, the strategic plan for most of the companies covers duration of 5-10 years. Most of the company's decision making organ in the cooperation consists of mainly the directors and senior manager. Only about 14 companies of the 37 companies mentioned the use of Staff in the decision making process. The corporations as well have use forecasting as a main technique in the decision making process for about 86% of the corporations.

### **5.2 1 Strategic planning**

According to this finding in this study, the planning in most of the companies is controlled by the management; the management also ensures that the employee understands the business of the company and how the strategies apply to them. The strategies are also well communicated to the employees and hence making it a well formalized process.

However, middle managers make very small contributions to the decisions that are adopted in the planning of the company. This is also the case with the other offices in the corporations in the strategy formulation and implementation. Moreover, very little input is required from the staff that is used in the decision making process of the by the senior managers and the directors of the company.

The decisions however are contributions that are made by all the departments of the organizations that are relevant in the planning, formulation and implementation of the strategies. As a bench mark for the processes in the corporations, the have adopted the

use of a monitoring and evaluation platform for the evaluation of the strategic plans for the corporations. This is all done to ensure that the strategic plan has clear objectives, with identified opportunities and challenges and that will streamline the decision making process by the management of the organization and in this case; corporations managed by the government of Kenya. A successful strategy should therefore be a series of decisions and this have an influence on the performance as suggested by this study.

### **5.2.2 Performance of the corporations**

Good strategies offer organizations and companies room for growth which can be measured in several ways: according to this study, most company consider using the quantity of the products and outputs, quality of the products, efficiency of the operations which had a score office indicating that it is way above average. In addition, customer satisfaction, financial performance, market share and capital and debt level are much higher way above average. On the contrary, cost efficiency, relationship among the staff members, remunerations of staff, other benefits and innovation slightly above average for most of the companies.

The staff turnover as a measure of performance is used averagely by some of the companies selected in this study. It should be noted that the application of the performance factors will vary from one company to the other and hence more appropriate assessment strategies will need to be put in place before they are implemented to improve performance of the companies or organizations.

### **5.2.3 Effectiveness of strategies and planning for corporations**

All the corporations selected for this study agree that is most effective for the corporations to develop the strategies that are aligned to the corporation's mandate. They also need establish only the strategies that are prioritized and the corporates should also strive to improve the organizational performance. Forecasting and anticipation of challenges and as well as opportunities is also part of the process of effective management. In addition the companies will need to develop the strategies that increase the corporation's capacity in productivity.

However, most corporations have not more focused on the need for capacity building by the staff. This is very vital hence will need to be considered by all the corporations in order to link performance and strategy for the success of corporations and organizations.

### **5.3 Conclusion**

This study has been conducted to access the effect of strategic planning and performance of the state corporations of the government of Kenya. This study therefore has established that strategic planning is an important element and contributes to the performance of an organization. The development of the strategy as well helps the organization understand its resources, strengths and weakness according the open source theory. On the basis of the dynamic capability theory, an organization will be able to identify its environment and hence reducing the uncertainty in the management.

Consequently, it will promote the performance of an organization to improve. The environments supplies the corporation with several factors that enabled it to adapt and promote performance through increase output in term quantity and quality of services or the products offered. It is also now evident that performance enables the corporations to

competitively develop strategies that will enable it to ensure the efficiency in its quality output, operations, relationships among the staff, staff turnover, customer satisfaction, financial performance, market share and capital debt level for the corporations. On the contrary, Quantity of output/ services, cost efficiency, staff remunerations, other benefits, innovations are not affected by strategic planning according to these study's findings.

Strategies align the organization to be able to meet its mission and vision which should be aligned with its corporate mandates. When strategy formulation and implementation is effectively aligned to an organization's mandate, it will translate to improved performance.

#### **5.4 Implication on Policy, Theory and Practice**

It is now evident that a well-planned strategy will drive an organization to success through the use of well prioritized strategies with the mission and vision of the corporations and that are aligned with the corporation's mandate. In policy, it this study calls for the formulation of policies that support strategic management practices that have been proven to be significant to performance by this study.

The study also calls for involvement of all the people in the organization to be involved in the decision making processes including the middle managers and staff of an organization. The management needs to establish prioritized strategic goals that align to corporations' mandates. Forecasting of the events and evaluating for the opportunities and challenges for the organization and capacity building for the employees.

#### **5.5 Areas for further research**

There are many gaps that need to be filled by many of the corporations in Kenya. Further study should be done on the factors that have been found to be insignificant to

performance to establish why that trend exists and what factors could be affecting those specific variables. This paper recommends further studies on the influence of strategies on the performance of the companies or organizations in order to determine the link between strategy and performance for corporations.

More research also need to be conducted on the evidenced based practice on strategy planning, formulation and implementation and their impact on the performance of companies to establish more appropriate mechanisms of increasing performance of the companies and state corporations.

## **5.6 Recommendation**

State corporations should focus on implementing strategic management practices to areas that affect quality, efficiency of operations, relationships among staff, staff retention, customer satisfaction, financial performance and increase of market share. These are the areas that the study has found are positively affected by strategic management practices.

Secondly, state corporations need to develop strategies that are aligned to the mandates of the corporations or industry. Secondly, the corporations will also need to come up with specific strategies that have specific goals to be achieved, this will enable the easy formalization the strategies to the staff and other employees in the organization.

State corporations should improve on communicating to staff, training and enlightening the staff so that they can be able to work with specific objectives that are aligned to the vision of the organization. In addition, the organizations will need to increase the capacity of the organizations in order for them to be efficient in service delivery.

## **5.7 Limitations of the study**

The study largely depended on the willingness of the respondents to fill in the questionnaires. It was very hard to convince people to avail company information for research especially because in some corporations any company information to external users has to be approved by the managing director before it is released.

Respondents were management staff and it was difficult getting access to them. This resulted to a lower than anticipated response rate. The researcher had to use a lot of time and resources to access the managers.

The questionnaires used in the research had to be validated by the organization in which the data was being collected. After giving information, some respondents were not willing to validate the information through a letter or by stamping and this led to a reduction in the number of respondents

## REFERENCES

- Ajwang, M. (2010). *A relationship between corporate culture and organizational performance: A survey of Kenyan State Corporations*. Unpublished management research project of the University of Nairobi.
- Ansoff, I. and McDonnell, E. (1990). *Implanting Strategic Management*. Englewood Cliffs, NJ: Prentice-Hall.
- Barney, J. (1991). *Firm Resources and Sustained Competitive Advantage*. *Journal of Management*, 17(1): 99-120
- Chandler, A. (1962). *Strategy and Structure: Chapters in the History of American Industrial Enterprises*. Massachusetts: Cambridge MIT Press.
- Government Printer, (2004). *Guidelines on Terms and Conditions of Service for State Corporations' Chief Executive Officers, Chairmen and Board members, Management staff and Unionisable staff*
- Hofer, C. W. (1983). *A new measure for assessing organizational performance*. In R. Lamb (Ed.), *Advances in Strategic Management*, Vol. 2: 43-55. New York: JAI Press.
- Kalimba, J. (2006). *Strategic Management for Africa: A Business Approach*: Author House
- Kandie, P. (2001). *A Study of the Strategic Responses by Telkom Kenya Limited in a Competitive Environment*. Unpublished MBA project paper, University of Nairobi.
- Karnani, A. 'The value of market share and the product life cycle - a game-theoretic model', *Management Science*, Vol. 30, No. 6, 1984a, pp. 696-712.
- Mars Group Kenya. (2012). *Estimates of Total Revenue and Expenditure for State Corporations as in the Annex of Estimates of Revenue and Expenditure of State Corporations for the Year Ending 30th June 2011 by vote*. Retrieved from <http://www.marsgroupkenya.org/budget/?parastatals>
- Mercer, J. (1991) *Strategic Planning for Public Managers*: Quorum Books
- Miles J. A. (2012) *Management and Organization Theory* John Wiley & Sons, Inc
- Mintzberg, H. (1987). *The strategy concept: five p's for strategy*: University of California
- Mintzberg, H., Quinn, J.B. and Ghoshal, S. (1998). *The Strategy Process*. London:



- Prentice Hall. Mintzberg, H. (1994) - *The Rise and Fall of Strategic Planning*: Free Press
- Moorthy, K.S. (1985). Using Game Theory to Model Competition', *Journal of Marketing Research*, Vol. 22: (3), 1985, pp. 262-282.
- Nachmias, C.F. and Nachmias, D. (1996). *Research Methods in the Social Sciences*. Edward Arnold Inc.
- Njiru, E. (2008, October 6). *The Role of State Corporations in a Developmental State: The Kenyan Experience. Paper presented at the 30th AAPAM Annual Roundtable Conference*
- Orodho, A. J., (2005). *Essentials of educational and social sciences research method*. Nairobi: Masola Publishers
- Peters. T & Waterman. B. (1982). *In Search of Excellence*. 1982. Listen USA
- Porter, M.E. (1980). *Competitive Strategy. Techniques for Analyzing Industries and Competitors*. New York: The Free Press.
- Porter M. E. (1996). *What is strategy?* Harvard Business Review, November–December, 61-78. The value chain
- Porter. M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance* Porter: Free Press
- PPDA (2008). *Report on Compliance Checks undertaken on 120 Procuring and Disposing Entities*. Retrieved from <http://www.unpcdc.org/media/15848/ppda%20report%20on%20compliance%20checks%20undertaken.pdf/>
- Proctor, T. (2000). *Strategic Marketing: An Introduction*. London: Routledge.
- Richard, E. (2009). *Measuring Organizational Performance: Towards Methodological Best Practice*. *Journal of Management*.
- Sanchez R & Steensen, E. (2008). *Research in Competence Based Management*. Emerald Group Publishing Limited
- Thompson, J. and Strickland, A. (1993). *Strategic Management: Concepts and Cases*. New York: Richard D. Irwin Inc.
- Thompson, J., Strickland, A. and Gamble, J.E. (2007). *Crafting and Executing Strategy: Texts and Readings*. New York: The McGraw-Hill Companies Inc. United Nations (2012). The UN Statistical Index
- Zack .M. H (1999). *Knowledge and Strategy*: Routledge

## APPENDICES

### APPENDIX I: REGRESSION ANALYSIS DATA

#### 1: Quantity

##### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.622(a)	.387	.080	.38360

#### 2: Quality

##### Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774(a)	.599	.399	.42001

#### 3: Efficiency of operations

##### Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.784(a)	.615	.422	.58384

#### 4: Cost Efficiency

##### Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768(a)	.590	.385	.52993

## 5: Relationship among Staff

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.726(a)	.527	.290	.50540

## 6: Staff remuneration

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456(a)	.208	-.188	.68353

## 7: other benefits

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.452(a)	.204	-.194	.85115

## 8: Staff Turn over

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681(a)	.464	.196	.57198

## 9: Innovation

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.459(a)	.211	-.184	.54397

**10: Customer satisfaction****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.654(a)	.580	.230	.51758

**11: Financial performance****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721(a)	.519	.279	.60047

**12: Market Share****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.694(a)	.57	.029	.49064

**13: Capital and debt levels****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721(a)	.520	.281	.59575

N/B:

**Model Summary footnote for all tables**

Confidence interval for all tables: 95% (p=0.05)

## APPENDIX II: QUESTIONNAIRE

Dear Sir/madam,

Kindly assist me fill this questionnaire for the purpose of collecting data for my MBA project. The questionnaire will be used purely for academic purposes.

Let me thank you in advance.

Yours sincerely

Signature \_\_\_\_\_

MWAI MARTIN MWANGI

### PART A: GENERAL INFORMATION

Kindly answer the below questions by ticking the appropriate box provided or by filling in the space provided

1. Name of your organization \_\_\_\_\_
2. Year of incorporation \_\_\_\_\_
3. Functional category of your corporation (kindly tick one)
  - Financial corporation [ ]
  - Regulatory corporation [ ]
  - Public university [ ]
  - Regional development authority [ ]
  - Training and research corporation [ ]
  - Service corporation [ ]
  - Tertiary education and training corporation [ ]

### PART B: STRATEGIC PLANNING PRACTICES

4. For how long have you worked for state corporations? \_\_\_ Years \_\_\_ Months
5. For how long have you worked for the state corporation you are currently working for? \_\_\_ Years \_\_\_ Months

6. (a) Does your corporation have a mission and vision strategy? Yes [ ] No [ ]

(b) If yes in (a) above, who is actively involved in its formulation?

- CEO
- Directors
- Senior managers
- Others (please specify) \_\_\_\_\_

7. How often does the mission and vision get reviewed?

- After more than 5 years [ ]
- 5 - 3 years [ ]
- 3 - 1 year [ ]
- Semi-annually [ ]
- Quarterly [ ]

8. What time span does your strategic plan cover?

- Less than 3 years [ ]
- 3 - 5 years [ ]
- 5 - 10 years [ ]
- Over 10 years [ ]

9. Which of the following practices does your organization apply to effect strategy(Please tick where appropriate)

Forecasting the environment and aligning strategy to it [ ]

Responding to the environment after it changes [ ]

10. To which extent does your organization apply the following measures to improve the strategic planning process?

Use a scale of 1 to 5 where 1 is not at all and 5 is very much

- |  | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
|--|----------|----------|----------|----------|----------|
| a) Strategic planning is directly controlled by management   | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |
| b) Management ensures that all employees understand the business of the company and how strategy applies to them | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |
| c) Implementation of strategic plans is a well formalized process  | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |
| d) Middle level managers contribute towards strategy   | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |
| e) Other officers in the corporation contribute to strategy implementation                                       | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |
| f) Management allows input from all level of staff in strategy formulation                                       | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |
| g) All departments are required to contribute towards strategy   | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |
| h) There exists a monitoring and evaluation platform for strategic plans   | [ ]      | [ ]      | [ ]      | [ ]      | [ ]      |

**PART C: ORGANIZATIONAL PERFORMANCE**

11. How would you rate your performance in the following areas as compared to other state corporations?

*(Rate on a scale of 1 to 5 where 1 is way below average and 5 is way above average)*

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
a) Quantity of products/output	[ ]	[ ]	[ ]	[ ]	[ ]
b) Quality of products/output	[ ]	[ ]	[ ]	[ ]	[ ]
c) Efficiency in operations	[ ]	[ ]	[ ]	[ ]	[ ]
d) Costs efficiency	[ ]	[ ]	[ ]	[ ]	[ ]
e) Relationships among staff	[ ]	[ ]	[ ]	[ ]	[ ]
f) Staff remuneration	[ ]	[ ]	[ ]	[ ]	[ ]
g) Other benefits to staff e.g. medical cover	[ ]	[ ]	[ ]	[ ]	[ ]
h) Staff turnover	[ ]	[ ]	[ ]	[ ]	[ ]
i) Innovation	[ ]	[ ]	[ ]	[ ]	[ ]
j) Customer satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
k) Financial performance (based on financial statements)	[ ]	[ ]	[ ]	[ ]	[ ]
l) Market share	[ ]	[ ]	[ ]	[ ]	[ ]
m) Capital and debt level (Net assets owned)	[ ]	[ ]	[ ]	[ ]	[ ]

12. Rate how effective your corporation is in the following areas

*(Use a scale of 1 to 5 where 1 is least effective and 5 is most effective)*

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Developing strategy aligned to the corporation's mandate	[ ]	[ ]	[ ]	[ ]	[ ]
Establishing prioritized strategic goals	[ ]	[ ]	[ ]	[ ]	[ ]
Improving organizational performance	[ ]	[ ]	[ ]	[ ]	[ ]
Forecasting/anticipation of challenges and opportunities	[ ]	[ ]	[ ]	[ ]	[ ]
Increasing organizational capacity in production	[ ]	[ ]	[ ]	[ ]	[ ]
Capacity building by staff	[ ]	[ ]	[ ]	[ ]	[ ]



**APPENDIX III: APPROVAL TO COLLECT DATA**



**UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA PROGRAMME**

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE...19/09/2013

**TO WHOM IT MAY CONCERN**

The bearer of this letter ..... Mwai Martin Mwangi.....

Registration No..... D61 (63241) /2013.....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

  
**PATRICK NYABUTO**  
**MBA ADMINISTRATOR**  
**SCHOOL OF BUSINESS**



## **APPENDIX IV: STATE CORPORATIONS**

### **FUNCTIONAL CATEGORIZATION OF STATE CORPORATIONS**

#### **FINANCIAL CORPORATIONS STATE CORPORATIONS**

Agricultural Finance Corporation

Consolidated Bank

Deposit Protection Fund Board

Industrial And Commercial Development Corporation

Industrial Development Bank

Kenya Industrial Estates

Kenya National Assurance Co. (2001)

Kenya Post Office Savings Bank

Kenya Re- Insurance Corporation

Kenya Revenue Authority

Kenya Roads Board

Kenya Tourist Development Corporation

National Bank of Kenya

National Hospital Insurance Fund

National Social Security Fund

#### **REGULATORY CORPORATIONS STATE CORPORATION**

Capital Markets Authority

Catering Training and Tourism Dev. Levy Trustees

Coffee Board of Kenya

Commission for Higher Education

Communications Commission of Kenya

Council for Legal Education

Electricity Regulatory Board  
Export Processing Zones Authority  
Export Promotion Council  
Horticultural Crops Development Authority  
Investment Promotion Center  
Kenya Civil Aviation Authority  
Kenya Bureau of Standards  
Kenya Dairy Board  
Kenya Industrial Property Institute  
Kenya Plant Health Inspectorate Services  
Kenya Sisal Board

**PUBLIC UNIVERSITIES STATE CORPORATION**

Egerton University  
Jomo Kenyatta University of Agriculture and Technology  
Kenyatta University  
Maseno University  
Moi University  
University of Nairobi

**SERVICE CORPORATIONS STATE CORPORATION**

Agricultural Development Corporation  
Bomas of Kenya  
Central Water Services Board  
Coast Water Services Board  
Higher Education Loans Board  
Kenya Accountants and Secretaries National Examination Board  
Kenya Ferry Services

Kenya National Examination Council  
Kenya National Highways Authority  
Kenya National Library Services  
Kenya National Trading Corporation  
Kenya Rural Roads Authority  
Kenya Tourist Board  
Kenya Urban Roads Authority  
Kenya Wildlife Services  
Kenyatta National Hospital  
Lake Victoria North Water Services Board  
Lake Victoria South Water Services Board  
Local Authorities Provident Fund  
Moi Teaching and Referral Hospital  
Nairobi Water Services Board  
National Aids Control Council  
National Council for Law Reporting  
National Sports Stadia Management Board  
Northern Water Services Board  
Rift Valley Water Services Board  
Teachers Service Commission  
Water Resources Management Authority  
Water Services Trust Fund

**COMMERCIAL/ MANUFACTURING CORPORATIONS**

East African Portland Cement Company

Geothermal Development Company

Kenya Airports Authority  
Kenya Electrical Generating Company  
Kenya Electricity Transmission Company  
Kenya Ports Authority  
Kenya Pipeline Company  
Kenya Power and Lighting Company  
Kenya Railways Corporation  
Postal Corporation of Kenya  
Rural Electrification Authority  
Telkom Kenya Limited

**APPLICABLE STATE CORPORATIONS**

Agro – Chemicals and Food Company  
Chemilil Sugar Company  
Kenya Seed Company Limited  
Kenya Wine Agencies  
National Housing Corporation  
National Cereals and Produce Board  
National Oil Corporation of Kenya  
Nzoia Sugar Company  
Pyrethrum Board of Kenya  
South Nyanza Sugar Company  
University Of Nairobi Enterprises and Services Limited  
Vision 2030 secretariat

**APPLICABLE STATE CORPORATIONS**

Gilgil Telecommunications Industries

Jomo Kenyatta Foundation  
Kenya Broadcasting Corporation  
Kenyatta International Conference Center  
Kenya Literature Bureau  
Kenya Medical Supplies Agency  
Kenya Ordinance Factories Corporation  
Kenya Safari Lodges and Hotels  
National Water Conservation and Pipeline Corporation  
Numerical Machining Complex  
School Equipment Production Unit

**REGULATORY CORPORATIONS**

Capital Markets Authority  
Communications Commission of Kenya  
Electricity Regulatory Board  
Retirement Benefit Authority  
Coffee board of Kenya  
Council for Legal Education  
Export Promotion Council  
Export Processing Zones Authority  
Investment Promotion Center  
Kenya Plant Health Inspectorate Services  
Kenya Bureau of Standards  
Kenya Civil Aviation Authority  
Kenya Sugar Board  
National Environmental Management Authority

Tea Board of Kenya

**SERVICE CORPORATIONS**

Catering and Tourism Development Levy Trustees

Horticultural Crop Development Authority

Kenya Dairy Board

Kenya Industrial Property Institute

Kenya Sisal Board

NGO Co-Ordination Bureau

National Tea Zones Development Authority

National Irrigation Board

Water Services Regulatory Board

Co-operative College of Kenya

Kenya College of Communications Technology

Kenya Medical Training College

Kenya Utalii College

Kenya Water Institute

Coast Development Authority

Ewaso Ng'iro North Development Authority

Ewaso Ng'iro South Development Authority

Kerio Valley Development Authority

Lake Basin Development Authority

Tana and Athi Rivers Development Authority

**Source: Mars Group Kenya, (2012). Estimates of Total Revenue and Expenditure for State Corporations as in the Annex of Estimates of Revenue and Expenditure of State Corporations for the Year Ending 30th June 2012 by vote.**