ENVIRONMENTAL CONTEXT, IMPLEMENTATION OF STRATEGIC PLANS AND PERFORMANCE OF STATE CORPORATIONS IN KENYA

BY

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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DEDICATION

Dedicated to my father, Michael Pius Odundo and my mother Margaret Sunga Odundo, for the work ethics they instilled in me; and to my wife Pamela Anyango Odundo and my daughters Dr. Daisy Odundo, Ruby Odundo, Lesley Odundo and Kayley Odundo, for the encouragement, support and prayers that made the completion of this thesis possible.

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ABBREVIATIONS AND ACRONYMS

CEO	-	Chief Executive Officer
CSI		Customer Satisfaction Index
CSRP	-	Civil Service Reform Programme
ERS	-	Economic Recovery Strategy
GLHM	-	General Linear Hypothesis Model
ICT	-	Information and Communication Technology
PF		Policy Framework
PGWS		Political Goodwill and Support
PSI		Proportion of Strategies Implemented
PSRP	-	Public Service Reform Programme
ROA	-	Return on Assets
ROS	-	Return on Sales
SD		Standard Deviation
SPSS	-	Statistical Package for Social Sciences
SWOT	-	Strengths, Weaknesses, Opportunities and Threats

ABSTRACT

The purpose of this dissertation was to examine the moderating effect of environmental context on the relationship between level of implementation of strategic plans and performance of state corporations in Kenya. In the study, political goodwill and support, and policy framework were adopted as the indicators of the environmental context; proportion of strategies in the strategic plan implemented as the independent variable; and return on sales, return on assets and customer satisfaction as the dependent variable measures of financial performance, efficiency and effectiveness, respectively. Eighty-three (83) state corporations drawn from different sectors of the economy and charged with various functions, participated in the study. A combination of cross-sectional survey design and relational study design was employed in the study. Required data was mainly quantitative; therefore, a full questionnaire was used as the data collection tool. The study revealed that for commercial state corporations, political goodwill and support has a significant effect on the relationship between the extent of implementation of strategic plans and their financial performance on the one hand, and their effectiveness on the other hand. Policy framework, however, does not moderate the relationship between the extent of implementation of strategic plans and the financial performance of commercial state corporations, but may have a significant effect on the relationship between their extent of implementation of strategic plans and efficiency. Both dimensions of environmental context (political goodwill and support, and policy framework) do not moderate the relationship between the extent of implementation of strategic plans and effectiveness of either commercial or non-commercial state corporations. The study, therefore, provides empirical evidence to support the theory that effective strategic planning and implementation, within a positive environment of political goodwill and support, leads to higher performance. It proposes to policymakers to take into account the practicalities of implementing government policies, and to managers of state corporations to nurture political support and goodwill and to establish robust institutional structures that ensure effective service delivery to the public. Limitations of the study were that it was cross-sectional in nature and it generalized across industries, hence did not take into consideration the competitive pressures that may be unique to certain industries. The study recommends that future research should attempt to gather longitudinal data in order to make stronger causal inferences, and to isolate of the effects of public sector policies and governance structures on the performance of commercial state corporations, *vis á vis* the performance of private firms.

CHAPTER ONE: INTRODUCTION

1.1 Background

The idea of strategic planning has its historical roots in the military concept of strategy. The literature of formal strategic planning for organizations emerged in the 1960s. However, most theory and practice were focused on the private sector, specifically in businesses and for the purpose of improving competitive position in the market, with the grand promise of strategic planning being to increase the efficiency and effectiveness of organizations by improving both current and future operations (Baile, 1998). As cited by Cohen (2006), strategic planning is not rooted in the public sector but an invention of the private sector and its application has been pushed to the public sector. In government circles, strategic planning evolved in the early 1970s as a result of the wrenching changes that beset the public sector. These changes stemmed from the oil crisis, demographic shifts, tax cuts, changing values, the devolution of responsibilities and a volatile economy (Bryson and Roering, 1988). Since then governments at all levels have been implementing a series of related reforms that focus on making the government more productive, responsive and focused on performance (Hendrick, 2003).

In their efforts to provide increased value for money and to genuinely improve their outputs, public sector organizations have been increasingly turning to strategic planning (Wilkinson and Monkhouse, 1994). The more important issue, however, concerns putting plans into action. Strategic planning is an action oriented type of planning that is useful only if it is linked to implementation (Poister and Streib, 2005). Although the terminology used to describe planning has varied across nations and over time, the general assumptions of policy makers has been constant: better planning leads to better organizational performance.

The question of whether strategic planning pays off has been the subject of numerous empirical investigations. Consequently, a substantial body of empirical research has been accumulated, which attempts to clarify the links between strategic planning and firm performance (Hussam and Raef, 2007). Apparently, there is yet no consensus as to whether strategic planning has an impact on firm performance. Hendrick (2003) reveals the conflicting evidence on the relationship between organizational performance and strategic planning. While some researchers have found a positive relationship with formal planners achieving higher performance (Thune and House, 1970; Karger and Malik, 1975; Robinson, Vozikis and Pearce, 1981; Sababu, 2001), others found no consistent relationship (Fulmer and Rue, 1974; Leontiades and Tezel, 1980), and still other studies have generated mixed results- a positive, negative, or no relationship with performance (Pearce *et al.*, 1987; Harrington *et al.*, 2004).

This inconsistent nature of results motivated some researchers to investigate these studies to obtain other possible explanations for this divergence in findings. According to Shortell and Veliyath (1993), the mixed results are due to different conceptualization and measurement of both planning and organizational performance. Researchers have suggested this inconsistency may arise from things like the use of one-dimensional constructs, inconsistent measures, and a lack of controls for other theoretically important variables (Harrington *et al.*, 2004).

Moreover, most of the previous researches have exclusively focused on financial indicators of firm performance. This narrow conceptualization of the construct of firm performance limits the ability to investigate the impact of strategic planning on other aspects of performance. As a way out, it has been proposed that the planning process construct appears to be multi-dimensional in nature and differing findings may be a result of inconsistent or incomplete measurement (Harrington, 2001). In addition, the measurement of strategy-making process as formality, long-range planning or comprehensiveness has been criticized by many researchers (Boyd, 1991; Kukalis, 1991). These methodological shortcomings in the prior empirical literature have been identified with the most prominent ones related to the definition of planning and the selection of performance measures.

Similarly Kudla (1980) criticized previous studies as lacking control of extraneous, independent variables that could have influenced performance. Therefore, past researches failed to consider the broader issues of the environment, specifically the degree to which environment influences the business strategy-performance relationship, including firm size, industry and environment of the firm to be utilized (Hashim *et al*., 2007; Pearce *et al*., 1987). Recently, there have been attempts to assess the effect of environment on the relationship between strategy and performance. Prescott (1986) theorized environment as a key contingency variable for the relationship between strategy and performance. He conducted a research to test the issue of whether environments are independent or moderate this relationship. The result revealed that environment moderates the relationship and was considered crucial as it establishes the context in which to evaluate the importance of various relationships between strategy and performance.

As cited by Boyne (2001), the empirical results are unclear on the circumstances that influence the success of planning, the elements of the planning process that are most important and the extent of improvement in performance that can be expected after the introduction of planning. Therefore, Kukalis (1991) observes that collectively, the conceptual and empirical work to date leads one to conclude that the impact of firm and environmental characteristics on strategic planning process is still not clear as it has not been investigated adequately.

In the Kenyan context several researches have been carried out mainly in the private sector. Aosa (1992) tested the impact of strategy in the manufacturing sector and verified a positive relationship between strategy and performance. An affirmative relationship was also confirmed in another study conducted by Arasa (2008) for firms in the insurance sector, which specifically tested the impact of employee participation in the relationship between strategic planning and performance. Both studies measured strategy plans on the basis of formality.

To this effect, this research focused on developing the body of knowledge in strategic planning in Kenya and specifically in the public sector. The government has taken several initiatives to improve service delivery in all its institution and culminated in the introduction of performance contracting between the government and state corporations. A key component of the contract is the requirement of developing a strategic plan. Therefore, this research sought to obtain evidence on whether implementation of the strategic plans has improved performance and achieved the desired outcomes and the impact of political environment on strategic planning and performance of state corporations in Kenya.

1.1.1 Implementation of Strategic Plans

Burnside (2002) defines strategic planning as the process of determining the mission, objectives, strategies and policies that govern the acquisition and allocation of resources to achieve organizational aims. It is a means to an end, a method used to position an organization, through prioritizing its use of resources according to identified goals, in an effort to guide its direction and development over a period of time (Wilkinson and Monkhouse, 1994).

There is a general agreement among strategic planning researchers that the strategic planning process consists of three major components: formulation, implementation and control components (Hopkins and Hopkins, 1997). In addition, though strategy formulation and implementation is separate, they are interdependent, part of an overall process of planning-executing-adapting. This interdependence suggests that overlap between planners and "doers" improves the probability of execution success (Hrebiniak, 2008; Martin, 2010).

Peters and Waterman (1982) state that the value of a strategy depends not only on the elegance of its conception, but fully as much on whether the company proposing the strategy can really execute it. A good strategy is not synonymous with a doable one nor is a doable strategy synonymous with a good one. The challenge is to find a good doable strategy. As Drucker (1974) points out, the best plan is only a plan, that is, good intentions, unless it degenerates into work. Therefore, implementation is the process that turns strategies and plans into actions to accomplish the set objectives (Ogunmokun *et al*., 2005).

Effective implementation is a process (Fleming *et al*., 2005), which presents some imposing challenges. Most notable barriers to strategy implementation are a top-down and laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor communication; weak co-ordination across functions, businesses or borders; lack of appraisal and reward system and inadequate down-the-line leadership skills development (Alexander, 1985; Beer and Eisenstat, 2000; DeLisi, 2001; Noble, 1999).

Implementation of strategic plans aid public organizations to think strategically; clarify future direction; solve major organizational problems and improve performance; deal effectively with rapidly changing circumstances; build teamwork and expertise; and especially facilitate the politics-administration interface through the building of co-operative relationships between elected officials (those who make public policies) and public managers (those who implement the policies) (Liou, 2000).

Implementation of strategic plans happens in stages and there are clear milestones which act as indicators of progress in the implementation process. Between the milestones, there are also certain activities or best practices which must be undertaken in a sound implementation plan. These activities gauge the extent to which the organization has implemented its strategic plan. They include such issues as the top executives taking formal responsibility for the organization's strategic planning; strategic planning being seen as top priority activity that is performed on a regular basis; earmarking dedicated resources for the strategic planning process; following a defined set of procedures in the strategic planning process; and whether key managers, whose work the strategic plan affects, get involved in the planning process.

1.1.2 Organizational Performance

Frantz (2004) declares that by definition, all organization exists to perform. How is performance defined? Eduard *et al* (2007) view organizational performance as comprising the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Hall (2007), however, purports that organization performance has many different forms thus leading to conflicts and contradictions in its definition. Generally, different kinds of performance measures exist including inputs, efficiencies, outputs, and outcomes (Kelly and Swindell, 2002).

A key difference between strategic planning in private sector settings and public sector is that firms in market settings often have clear measures of performance in the form of market share, financial return or share price. However, few indicators are available to public sector organizations, to which Trivedi (2000) argues that is due to lack of clarity attributable to the fact that most public agencies have to deal with multiple principals who have multiple and often conflicting interests. Hall (2007) agrees that while many definitions of performance are possible, the definition primarily considered for public institution is the extent to which an agency is achieving the purpose for which it was established within the bounds of the legislative discretion provided. A secondary consideration is the internal measures such as inputs, efficiencies, and outputs that can be used to assess the degree to which the agency is optimally performing.

1.1.3 Environmental Context

Kaufman and Jacob (1987) observe that in strategic planning the organization is not assumed to exist in a vacuum, but rather both the organization's objectives and steps to achieve those objectives are seen in the context of the resources and constraints presented by the organization's environment. Organizations are considered as open systems with boundaries, which make exchanges with the environment and must adapt to environmental changes in order to survive. Therefore, there is need to understand and appreciate the interdependence and interaction between the organization and the environment in the strategic planning process. Organizations achieve success because of their ability to constantly realign with the environment (Burnes, 1996).

Environment is normally taken to mean those forces acting on the firm beyond the control of management. The external environment of a firm has a high intuitive appeal as a factor that may influence the planning-performance relationship (Glaister *et al*., 2008). How an organization adapts to its environment is contingent on that environment and the long-term interactions taking place. Adaptation is defined by whether an organization's structure fits its environment as it moves through cycle of fit, environmental change, structural and procedural change. Applied to strategic planning, this conceptualization suggests that if planning is to improve organizational performance, then the process should fit the environment or context within which planning occurs. The closest to the notion of environmental fit, specifies that the relationship between strategic planning and performance is contingent on context (Hendrick, 2003).

Scholars in the field of strategic management have conceptualized environment as one of the key constructs for understanding organizational behaviour and performance. Prescott (1986) points out that regardless of how environments are modelled, research findings suggest their characteristics influence strategy. In particular the influences affecting strategy development, both external and internal, which exist in the public sector, are not the same as the influences in either the private or non-profit sectors. In the public sector the environment may change due to the government (legislative changes), technology, shifting demographics of the population and natural disaster (Hall, 2007). Glaister *et al*. (2008) provide some evidence that planning in emerging countries is affected more by the government through intervention, political instabilities and funding. Given the possibility of environmental change in the public sector, it is acceptable to assume that an agency's failure to adapt its strategies in response to such change could be detrimental to its performance. An environmental shift of great enough magnitude could force an agency into failure and termination.

Table 1.1: Factors that Capture Public-Private Sector Differences Significant to Strategic Management

	Public	Private
ENVIRONMENTAL		
Market	Oversight bodies compose market	People's buying behavior defines market
	Collaboration among organizations offering a given service	Competition among organizations offering a given service
	Financing by budget allocations(free services)	Financing by fees and charges
	Data describing market often unavailable	Market data typically available
	Market signals weak	Market signals generally clear
Constraints	Mandates and obligations limit autonomy and flexibility	Autonomy and flexibility limited only by law and internal consensus
Political Influence	Buffers needed to deal with influence attempts and help with negotiations	Political influence handled as exceptions without special arrangements
	Political influence stems from authority networks and from users	Political influence is indirect
TRANSACTIONAL		
Coerciveness	People must fund and consume the organization's services	Consumption voluntary and payment based on use
Scope of Impact	Broad set of concerns that have considerable societal impact	Narrow concerns with little societal impact
Scrutiny	Cannot keep private the development of ideas and development processes	Can keep private their ideas and developmental activities
Ownership	Citizens often act as owners and impose their expectations about the organization's activities and the conduct of these activities	Ownership vested in stockholders whose interests are interpreted using financial indicators
	Ubiquitous stakeholders	Few stakeholders beyond stakeholders
ORGANIZATIONAL PROCESS		
Goals	Goals, and thus aims, are shifting, complex, conflicting, and difficult to specify	Goals are clear and agreed upon
	Equity dominant concern	Efficiency dominant concern
Authority Limits	Implementation contingent upon stakeholders beyond the authority leader's control	Implementation vested in authority figures who have the power to act
	Agency management within a governmental umbrella	Agency management largely independent of outside influences
	Limitations posed by role of public action	No limits
Performance Expectations	Vague and in constant flux, changing with elections and political appointments	Clear and fixed for long periods of time
Incentives	Job security, power, recognition, roles and tasks	Financial

Source: Baile, Kenneth (1998). *A Study of Strategic Planning in Federal Organization*. Dissertation, Virginia Polytechnic Institute and State University, p27.

The environment of public organizations has frequently been used to explain the public-private sector distinction. Therefore, it is important to delineate specific differences relating to the organization's environment as elaborated in Table 1.1.

1.1.4 State Corporations

A public institution is an entity that is created by national laws and regulations to be under the guidance of the government, but also separate and autonomous from the government (Thomas *et al*., 1994). In Kenya, the State Corporations Act makes provision for the establishment of such public institutions, which are referred to as state corporations; for control and regulation of state corporations; and for connected purposes. The purpose and mission of these institutions are generally externally determined. Cohen (2006) adds that in the public sector worldwide, organizations are constrained by statute and regulation that are predetermined and the primary financial driver in these organizations is not profit, but maximization of output within a given budget.

Lawton and McKevitt (1994) state that the changing context of the political environment, the ambiguity of goals, the challenge of managing a multiplicity of different stakeholders, and the traditions and ethos of state corporations provide a distinctive management context. In response, state corporation organizations around the world are adopting private sector approaches, changing their organizational structures, rethinking the role of central agencies and seeking to develop new ways of delivering services.

Parry (1990) asserts that the state corporation cannot live in its self-determined environment; it takes its cues from the political system, which encompasses both the constitutional protocols of a state and the political priorities of a government. He notes that there are seven variables that bear upon state corporation managers and constrain the extent to which they can set and pursue objectives like the private sector. These variables include the electoral process; management of state expenditure and taxation; working with rules; accountability (calling to account); facelessness and secrecy; security; tenure; and risk taking. He emphasizes that taken as a whole, these variables are liable to produce a “can’t do” culture in which there is immobility and lack of direction from the top. In addition, these constraints of the state corporation environment show that many reasons can be adduced as to why the state corporation can never be managed in the same as a private sector firm. However, on closer examination, the constraints impinge upon high-level policy direction and matters of political sensitivity. In a wide range of tasks, the state corporation is not very special and the political dimension need be no more intrusive than the ultimate power of ownership by major stakeholders or patent holders in the private sector. The important thing is not to use the structures of political accountability as an alibi for an immobile and precedent – bound approach to state business. As such, attempts to graft new techniques of management of the state corporation are liable to run into problems because of this kind of resistance (Parry, 1990).

Osborne and Gaebler (1992) recognize that state corporations suffer from bureaucratic rigidities just like governments do, and that the structures of both are rooted in bygone eras. They recommend that governments should steer, not row, meaning that governments should uncouple policy and regulatory functions (“steering”) from service delivery and compliance functions (“rowing”). The two researchers further state that governments need to be results-oriented by funding outcomes rather than inputs, and meet the needs of customers and not the bureaucracy.

The core paradigm, which can be discerned as influential in the development of public sector reforms in the 1980s and 1990s, was that public sector provision was inefficient and often ineffective; that it led neither to cost containment nor to quality improvement. Organizational strategic management has been utilized as a strategy for improving public sector performance. It integrates all major activities and functions of an organization and directs them towards advancing an organization's strategic agenda. It brings together all other management processes to provide a systematic, coherent and effective approach in establishing, attaining, monitoring and upgrading an agency's strategic objectives (ECA, 2003).

Since the 1980s, governments have been making huge efforts to improve the performance of their public sectors to meet the technological and socio-economic challenges of this era. The role and institutional character of the state has been questioned, and the public sector has been under pressure to adopt private sector orientations. The earlier reforms aimed at shaping public administration that could lead national development, and were based on the same institutional peculiarities inherited from the colonial period. More recently, the World Bank and other donors in Africa have been concerned with finding alternative ways of organizing and managing the public services and redefining the role of the state to give more prominence to markets and competition, and to the private and voluntary sectors (ECA, 2003).

1.1.5 Public Sector Reforms in Kenya

In the Kenyan context there have been several initiatives by the government to streamline the public sector to improve service delivery to its citizen. Oyugi (2005) notes that the Public Sector Reform Programme (PSRP) was first introduced in Kenya in the early 1990s. The PSRP was initially designed as a Civil Service Reform Programme (CSRP), whose implementation covered the period from 1993 to 2001. However, in 2001, the scope of CSRP was expanded to include the judiciary, local authorities and state corporations.

As documented by Obong'o (2009), the implementation of systematically planned public sector reforms in Kenya can be broadly classified into two generations. The first generation saw the introduction of PSRP coming soon after the structural adjustment programmes. Logically, the primary focus of these first generation reforms was to deal with the emerging economic challenges brought about by globalization and also the after shock waves of the structural adjustment programmes. Kobia and Mohammed (2007) and Obong'o (2009) note further reform initiatives, targeting performance improvement and management in the public service, were instigated due to the change of regime in 2002 and the subsequent launch of the Economic Recovery Strategy for Wealth and Employment Creation (ERS) in 2004 marked a watershed for ushering in the second generation reforms. The main distinguishing factor between the implementation of first and the second generation reforms lies in the shift in gears in the urgency in delivery of results, as government moved away from a concern to do towards a concern to ensure that things are done.

The introduction of performance contracting in 2003 for public institutions in Kenya was an attempt by the government to provide a unifying framework within which performance can be managed in the public service to achieve the goals outlined in the economic recovery strategy. In general, its implementation has induced the public service to become more oriented towards customers, markets and performance, without putting the provision of essential public services into jeopardy (Kobia and Mohammed, 2007).

The push factor for introduction of performance contracting in Kenya underlies the assumption that institution of performance measurements, clarification of corporate objectives, customer orientation and an increased focus towards incremental productivity and cost reduction can lead to improvements in service delivery (GOK, 2003). In the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 policy document, the government accorded high priority to economic recovery and improving the performance of public service to deliver results to the people. Consequently, in an effort to achieve the objectives and targets of ERS and to manage performance challenges in public service, the government adopted performance contracts in public service as a strategy for improving service delivery to Kenyans. This is one element of the broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs.

The definition of performance contracts itself, however, has been a subject of considerable debate among the scholars and human resource practitioners (Kobia and Mohammed, 2007). Obong'o (2009) defines performance contract in the Kenyan context as a written agreement between government and a state agency (local authority, state corporation or central government ministry) delivering services to the public, wherein quantifiable targets are explicitly specified for a period of one financial year (July to June) and performance measured against agreed targets. PSRPC (2009) reiterates its usefulness as a tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. It represents a state-of-the-art tool for improving public sector performance and is considered an essential tool for enhancing good governance and accountability for results in the public sector. To this effect the research was conducted to verify whether the expected outcomes of the performance contracts have been achieved.

1.2 Research Problem

Strategy implementation is the process that turns strategies and plans into actions to accomplish the set objectives (Ogunmokun *et al*., 2005). Implementation of strategic plans assists organizations clarify future direction and improve performance (Liou, 2000). Performance has many different forms thus leading to conflicts and contradictions in its definition, but in the case of a public institution, the definition primarily is the extent to which an agency is achieving the purpose for which it was established within the bounds of the legislative discretion provided (Hall, 1997).

However, firms do not operate in a vacuum and hence are affected by the environment they operate in. Success in an organization is dependent on its ability to constantly realign with the environment (Burnes, 1996). Hence, if applied to strategic planning, this conceptualization suggests that if planning is to improve organizational performance, then the process should fit the environment or context within which planning occurs (Hendrick, 2003).

The Kenyan government has introduced public service reform programme aimed at transforming the public service delivery system and making it a net contributor to the growth of the economy (Obong'o, 2009). He recaps the endeavour to improve service delivery inaugurated a number of performance improvement initiatives being implemented and which emphasize the adoption of private sector business management. One of the reform measures was the introduction of performance contracts that required institutions to draft and implement their strategic plan a midst a continually changing environment. It is in this backdrop that this research sought to understand the process of implementing these plans, performance of the public institutions and the effect of political environment.

In the academic realm, despite the great interest on the subjects of strategy, its implementation and performance, Aosa (1992) observes that there is an apparent inadequacy of literature on strategy. Maina (2008) goes further to mention strategy implementation and its impact on performance in Kenya. At the onset it is worth noting that the majority of previous researches which have been published in academic journals focus on the public sector in western countries with little research available in developing and emergent markets (Hussam and Raef, 2007; Putu *et al*., 2007).

The impact of planning in public organizations has been widely debated but never tested conclusively (Boyne *et al*, 2003). Several studies have been carried out in Kenya pertaining to various facets of this research topic. Arasa (2008) researched on strategic planning, employee participation and firm performance in the insurance sector. His findings provided evidence that there is a strong link between strategic planning and firm performance. However, his research failed to control for the effects of context and time periods. Aosa (1992) focused on strategy in large, private manufacturing companies operating in Kenya and proposed that it would be useful to conduct a similar research in the public sector firms. Nevertheless, the empirical studies conducted in Kenya in the field of strategic planning have failed to address the public sector and also the effect of the environmental context on the relationship between strategy and performance in the public sector.

This study, therefore, sought to fill the knowledge gap on the effects of environmental context on the relationship between the implementation of public sector strategic plans and performance of the state corporations in Kenya. Moreover, the study gained insight on the success of the government initiative in the public sector by introducing performance contracting as a means on improving the efficiency and effectiveness of service delivery to its citizens. The study derived its uniqueness in that it was the first to empirically test the relationship between implementation of public sector strategic plans and performance in the Kenyan context, and specifically in state corporations. The research question addressed in this study was: How does the environmental context affect the relationship between implementation of strategic plans and performance of state corporations?

1.3 Research Objectives

The main objective of the study was to determine the effect of environmental context on the relationship between implementation of strategic plans and performance of state corporations in Kenya. This main objective was broken down into the following specific objectives:

i. The effect of political goodwill and support on the relationship between implementation of strategic plans and financial performance of state corporations;

ii. The effect of policy framework on the relationship between implementation of strategic plans and financial performance of state corporations;

iii. The effect of political goodwill and support on the relationship between implementation of strategic plans and efficiency of state corporations;

iv. The effect of policy framework on the relationship between implementation of strategic plans and efficiency of state corporations;

v. The effect of political goodwill and support on the relationship between implementation of strategic plans and effectiveness of state corporations; and

vi. The effect of policy framework on the relationship between implementation of strategic plans and effectiveness of state corporations.

1.4 Importance of the Study

The main purpose of this research was to provide new empirical evidence on the relationship between strategic planning and performance in the public sector, in addition to considering the effect of the environment in the relationship. The inconsistent nature of empirical research findings investigating the relationship between strategic planning and firm performance was the primary motive for conducting this study. Furthermore, this research incorporated the environmental factors, which have been pointed as one of the reasons for the inconsistent relationship.

The achievement of the research objective provides evidence to support the government's initiative to implement strategic planning, which is part of the performance contracting requirement, in the public sector and the impact of the environment on the strategic planning and performance linkage. In addition, it is of benefit to the private sector that works hand-in-hand with the public and, hence, bears a symbiotic relationship. Finally, the results also add to a body of knowledge that is limited and relatively out of date and provide recommendations for further studies in the field of strategic planning.

1.5 Scope of the Study

The study was nationally focused for state corporations in all sectors of the Kenyan economy. It covered key public corporations, which include those in the transport and telecommunications sector, the energy sector, the social welfare (retirement and health) sector and the financial sector, among others. The study was confined to determining the effect of environmental context on the relationship between implementation of strategic plans and performance of state corporations in Kenya. In the determination of this relationship, the sector of operation of the state corporations was held as a constant.

1.6 Overview of Final Report

The research report commences with a concise background of the research area, detailing linkages between strategy implementation, performance and the expected impact of the environmental context (political). A statement of the problem, research objectives and questions, and importance of the study are then discussed. Chapter Two compares research work done in the same area of strategic planning and specifically on implementation of strategic plans to qualify the topic. Subsequently, a recapitulation of information on the subject under review for the purpose of comparing the information on work done, work not done, areas not conclusive and why the topic requires further research on the effects of environmental context on the relationship between implementation of strategic plans and performance of state corporations, are discussed. Chapter Three provides the research methodology the study adopted, detailing the population and data collection methods. Chapter Three also documents the instruments that were utilized in data analysis, and presents and analysis of their reliability and validity. Finally, it discusses the operationalization of the research variables. Chapter Four presents an analysis of data collected the assumptions of the regression model used in the study and the results, which are sufficiently discussed and interpreted. The conclusion of the study, the research limitations and recommendations for further research are elucidated in Chapter Five.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives an account of the literature review on the implementation of strategic plans in public institutions and their associated performance. It begins with a discussion of the evolution of the concept of strategy, followed by a review of literature on the implementation of strategic plans and organizational performance separately, and then by the linkage between strategic planning and organizational performance. Literature on the environmental context of strategic planning is discussed next. A summary of empirical literature and knowledge gaps is then given, followed by a presentation of the study's conceptual framework. The chapter ends with a presentation of the research hypotheses.

2.2 Evolution of the Concept of Strategy

As documented by Hoskisson *et al* (1999), early developments in strategy include Chandler's (1962) strategy and structure, and Ansoff's (1965) corporate strategy. These early works took on a contingency perspective (fit between strategy and structure) and a resource-based framework emphasizing internal strengths and weaknesses. Chandler's work focused primarily on how large enterprises develop new administrative structures to accommodate growth, and how strategic change leads to structural change. Changes in strategy are mainly responses to opportunities or needs created by changes in the external environment. As a consequence of change in strategy, complementary new structures are also devised.

Ansoff (1965) views strategy as the "common thread" among a firm's activities and product-markets, and is comprised of four components: product market scope, growth vector (or the changes that a firm makes in its product market scope), competitive advantage, and synergy. Andrews (1971) also suggests that corporate strategy is composed of two interrelated, but practically separated, aspects: formulation and implementation. The challenge in formulation is to identify and reconcile four essential components of strategy: market opportunity; firm competence and resources; managers' personal values and aspirations; and obligations to segments of society other than the stockholders. After the strategy is formulated, implementation is concerned with how resources are mobilized to accomplish the strategy and requires appropriate organization structure, systems of incentives and controls, and leadership. The three seminal works by Chandler, Ansoff, and Andrews and his colleagues, respectively, provide the foundation for the field of strategic management.

Mintzberg (1987) argues that we cannot afford to rely on a single definition of strategy despite our tendency to want to do so. He proposes five definitions of strategy. To him, strategy can be seen as a plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies a consciously intended course of action of a company. The strategy is designed in advance of actions and is developed purposefully. As a ploy, strategy is seen as a manoeuvre intended to outwit a competitor. As a pattern, strategy is seen as a pattern emerging in a stream of actions. Here strategy is seen as a consistency in behaviour. The strategy develops (emerges) in the absence of intentions. As a position, strategy is a means of locating an organization in its environment. Lastly, as a perspective, strategy consists of a position and of an ingrained way of perceiving the world. It gives a company an identity or a personality.

Johnson and Scholes (1999) view strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of the market and to fulfil stakeholders' expectations. Strategic management is the formulation and implementation of strategies to achieve corporate success. Aosa (2000) sights strategy as involving the specification of the mission and objectives of an organization, undertaking strategic analysis and choices, and implementing the formulated strategies.

The multiplicity of definitions given on strategy suggests that it is a multidimensional concept. No one definition can be said to capture explicitly all of the aspects of strategy. Mintzberg (1987) argues in some ways these definitions compete (in that they can substitute for each other), but in more important ways they complement each other. As such, their complementary nature provides additional insights that facilitate our understanding of strategy.

Strategic management is a systematic approach to identifying and making the necessary changes and measuring the organization's performance as it moves towards its vision. Strategic management in its formal version appears to have conceived its early stages in the 1950s in the United States of America. Academic discourses that addressed the issues of strategic management included Andrews (1971), Ansoff (1965), Chandler (1962), and Drucker (1974). The writings of these authors were no doubt influential in eliciting attention and adoption of corporate planning by companies at that time.

2.3 Implementation of Strategic Plans

Sababu (2007, p128) defines implementation of strategic plans as the "process by which strategies and functional policies are put into action through the development of action plans, goals, programmes, budgets, procedures, structures, cultures, motivation, communication, leadership, allocations of resources, working climate and enforcement." Strategy implementation is not only inter-related but also overlaps with its formulation. Pressman and Wildavsky (1984) point out that implementation of policies or strategies cannot be successful if it is divorced from planning. They further note that good implementation must begin in the actual formulation of such policies (p.136-7). Effective implementation of strategic planning results when congruence is achieved between several elements crucial to the process, which is categorized as structure and process. Structure is defined as configuration of a firm showing the relationship that exists between the various parts of the firm, while process includes leadership, culture, resources and other administration procedures (Aosa, 1992; Voyer, 1986). Heracleous (2000) notes there has been a higher focus in the strategy field on strategy formulation and its links with organizational outcomes, with insufficient attention to the intervening process of implementation in the academia. This problem is backed by Okumus (2001), who points out recent studies in the strategy field indicate that there is lack of knowledge on strategy implementation. However, all scholars emphasize that there are continuous interactions among these factors and it is the ongoing interactions which make implementation possible.

As with 'strategy', there is no universally accepted meaning of 'implementation'. Some authors take a straight forward approach to the definition of success, arguing that if a decision is adopted it may be said to be successful (Nutt, 1989; Miller, 1997). However, this is too simple. Adoption does not necessarily lead to successful outcomes. For this reason, others have equated success with the achievement of certain results, which often take the form of financial or market indicators. Sababu (2007) notes that strategy implementation is deemed to be successful if the organization achieves its mission and objectives through the envisaged functional policies. Excellent firms are those that are successful according to these criteria.

O'regan and Ghobadian (2002) elaborate strategic planning implementation from content or a process viewpoint. Accordingly, content relates to the distinct elements of the strategic plans which differ from firm to firm, while process relates to the mechanism for development of the strategic plan and its subsequent deployment. Okumus (2001) analyses the implementation variables further into "content" and "process" in addition to "context" and "outcome". Content (strategic decision, multiple project implementation), context (internal context: organizational structure, organizational culture, organizational learning; external context: environmental uncertainty in general and task environment), process (operational planning, resources allocation, people, communication, monitoring and feedback, external partners) and outcome (tangible and intangible outcomes of the project). Defining implementation is complicated but an effective strategy implementation requires succesful interaction between all implementation elements.

2.3.1 Extent of Strategic Plan Implementation

Strategic planning implementation has been researched from content or a process viewpoint. Strategic content is viewed as the overall direction of the company and the need to design new initiatives implemented in a strategic context and the variables in these grouping support and influence the implementation process (Pettigrew, 1992). Subsequently Okumus (2001) analyzed implementation variables further into "content" and "process" in addition to "context" and "outcome". Context (internal context: refers to the configuration of organizational structure, culture, and leadership; external context: refers to the degree of uncertainty and changes in the task and general environments of the organization), and outcome (tangible and intangible outcomes of the project). Defining implementation is complicated but an effective strategy implementation requires succesful interaction between all these implementation elements.

As the body of strategy process research is diverse and cannot be contained within a single paradigm, researchers have been encouraged to be explicit about their definitions. To make it easier to understand strategy process research, researchers should define the meaning of process, clarify the theory of process and design research to observe process (Ikavalko, 2005). Many studies have dichotomized organizations into 'planners' and 'non planners'. These categories are too drastic and simplistic the non-planners may be involved in some aspects of planning, and the planners are likely to differ in the extensiveness or intensiveness of their planning (Boyne and William 2003). Some authors take a straight forward approach to the definition of success, arguing that if a decision is adopted it may be said to be successful (Nutt, 1989; Miller, 1997).

This neglects a conceptualization of planning as a process. The research adopts the definition offered by Ikavalko (2005) that strategy process refers to those activities that strive to create and implement strategies in organizations. The strategy process includes activities related to the planning process, but is not limited to them. Hahn and Power (1999) states that strategic process involves definition of firm’s mission, performing an environmental scan and competency analysis (SWOT analysis), establishing objectives, strategies and tactics, implementation and providing a performance review and adjustment.

On implementation phase Pucko and Carter (2008) presents key variables that influence it: planning activities (establishing operating objectives, programs, projects, annual plans and budgets); organizing (establishing primary and operating structures, co-ordinating and integrating); staffing (recruiting, dismissing, transferring and training employees); leading (information sharing, knowledge transfer, communicating, action planning, management by objectives, total quality management, motivating, balanced scorecard and strategy maps); and controlling (balanced scorecard and performance management).

A gap illustrated by Boyne (2001) is that most researches focus on formality and completeness while only a minority cover intensity, comprehensiveness or flexibility, and effects of quality, commitments and implementation are largely ignored. Formality is the extent to which objectives are stated explicitly and strategies expressed in a written document while completeness checks whether all stages of the planning cycle are undertaken. One of the most ignored dimensions is implementation; that is, the extent to which the plan is actually put into practice. Aosa (1992) and Arasa (2008) measured strategy on the basis of formality and completeness but this research while also incorporate implementation.

2.3.2 Strategic Planning Cycle

Blackerby (as cited in Mondo, 2003, p.24) provides the model shown in Figure 2.1 for strategic planning. The model contains eight elements that he believes should be included in any strategic planning exercise: Plan-to-Plan; Mission; Needs Assessment; Strategic Objectives; Outcome Measures; Strategic Priorities; Strategies; and Performance Feed Forward.

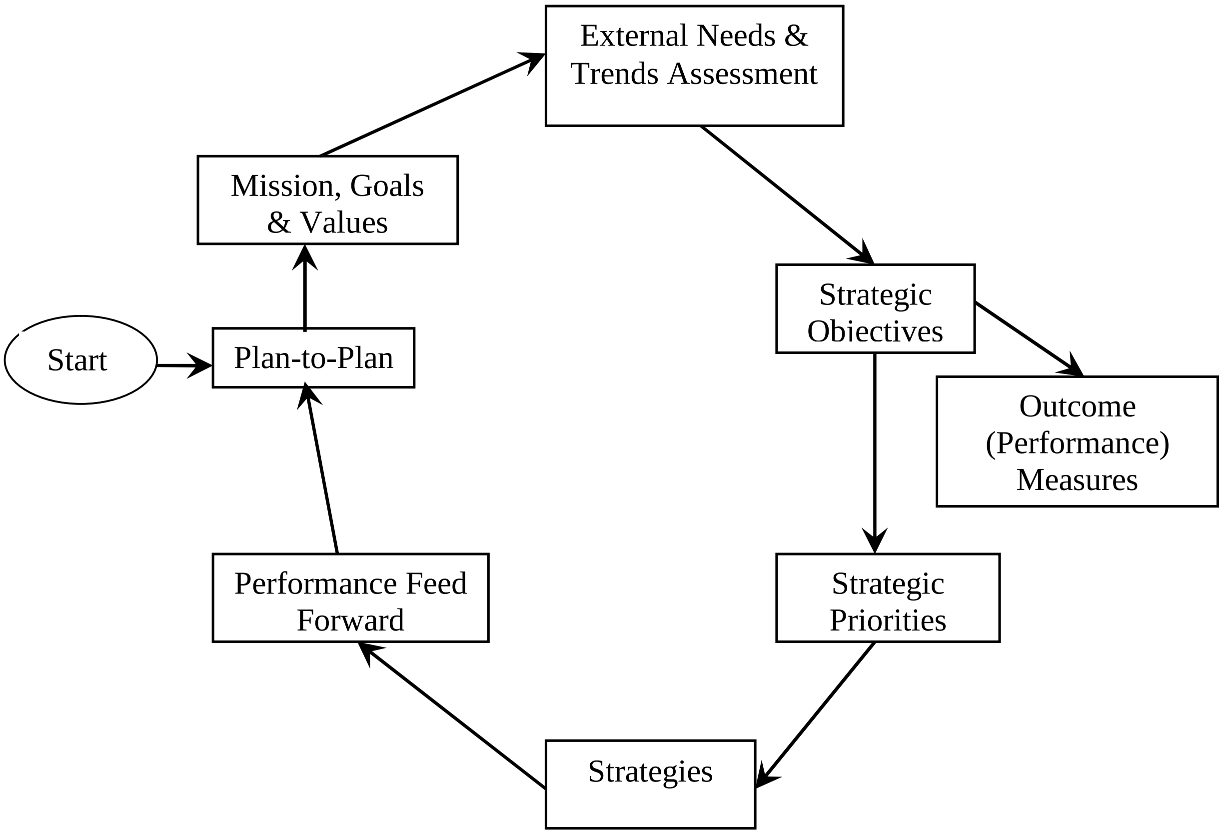

Figure 2.1: Strategy Planning Cycle.

Source: Mondo, F. J. (Jr.). (2003). *Analysis of Air Force Civil Engineering Strategic Planning.* Master of Science Thesis, United States Air Force Institute of Technology, Air University, p23.

The first element is the Plan-to-Plan. This step describes the sequence of steps that will be followed in executing the strategic planning process. It identifies key participants for each step as well as the key decisions those participants will be expected to make. In the second step, Mission, Goals & Values, the participants define in the broadest possible terms the organization's vision for the future, set out the goals and state the values that will underpin the operations of the organization as it strives to achieve its goals. At the third stage, External Needs & Trends Assessment, external factors that have the potential to significantly affect the achievement of the organization's goals and objectives are identified and evaluated (Mondo, 2003).

Step four, Strategic Objectives, involves the establishment of attainable objectives for meeting the organization's goals. Once these objectives have been agreed, measures for them also have to be identified. These measures help the organization to gauge its performance against agreed targets and are determined in step five, Outcome (Performance) Measures. Rank ordering of the each of the agreed strategic objectives by its relative importance to the organization is carried out in step six, Strategic Priorities. This ordering is crucial as it enables the organization to make important budgetary and resource allocation decisions and to concentrate on only those objectives that are critical to the success of the organization. Strategies that will be used by the organization to achieve its strategic objectives are determined in step seven, Strategies. In the last step in this model, Performance Feed Forward, the actual performance that has been achieved by the organization is evaluated against the planned performance, and the information derived from this exercise is used in subsequent planning cycles (Mondo, 2003).

2.3.3 Factors Affecting Implementation of Strategic Plans

O'regan and Ghobadian (2002) mention that barriers to strategy implementation can be categorized as internal (communication was inadequate, implementation took longer than anticipated, shortfall in employee capabilities, overall goals of strategy were not well understood by staff, co-ordination of implementation not effective enough) and external (crises distracted attention from implementation, unanticipated problems arose, and external factors impacted on implementation).

Kovach and Mandell (1990) argue that implementation is a more critical element for public organizations mainly because, unlike businesses, public organizations must implement their plans within a multi-dimensional system of actors. They suggest the problems encountered during implementation stem from first, the absence of a market-like mechanism that stimulates improvements and provides feedback on the effect of organizational change.

Secondly, the lack of autonomy among public sector managers to acquire funding, and to hire, fire, reassign, and develop people and, as a final point of a complex network of constituencies that often have competing interests, carefully scrutinize how the organization operates, carries out its mission, and allocates resources.

2.4 Organizational Performance

Venkatraman and Ramanujam (1986) point out that firm performance is a multidimensional construct. Brooks (2001) groups performance measures into: workload, efficiency and effectiveness. Workload measures a program by the amount of work done while efficiency measures amount of input a program expends per unit of output. On effectiveness it looks at how well a program meets and fulfils an objective or need. It is result-oriented, focusing on the adequacy of services provided and the nature of the desired outcomes. According to Jones (2000), there are four classes of performance indicators, namely: output-quantity, output-quality, efficiency and outcome (effectiveness). Equally, Gleason and Barnum (1982) observe that efficiency indicators measure the degree to which resources have been used economically and, hence, should be expressed as input/output or output/input ratios. Effectiveness indicators, on the other hand, should measure the extent to which objectives have been achieved; that is, it should indicate the absolute level of desired outcome that has been attained.

Firm performance is a function of a diverse array of factors (Miller, 1997). Given the multidimensionality of performance, financial indicators are important, but provide only a limited view of a company’s total value. Financial indicators are not particularly useful for comparison of effectiveness. This is because some organizations are better than the average according to some indicators but poorer than the average according to others. In addition, ratio analyses cannot capture what is the effect of factors which affect the performance of organization but are not under control of management (Lewin and Minton, 1986). Non-financial measures such as the quality of management, customer retention, research and development and innovation, are also indicators of internal operating performance and achievement.

Bryson and Roering (1988) propose that government strategic planning should be judged by different standards from strategic planning in the private sector. The difference between shareholder and stakeholder expectations, the conflicting criteria used to judge governmental performance, the pressure of public accountability, and the idea that the public sector is meant to do what the private sector either cannot or will not do, all support this reasoning. The exact set of performance measures chosen should be based on objectives of the user and should measure all objectives. There are no performance measures universally appropriate and multiple measures must be used (Gleason and Barnum, 1982). In addition, Miller *et al*. (1988) suggested the use of multiple measures to compensate for weaknesses in each of the performance measures individually.

Previous researches have assessed financial performance using both objective and subjective measures, which are generally correlated and tap into multiple dimensions of business performance. Harrington (2001) also proposes the use of relative profitability, which is assessed using secondary data. Two popular measures related to economic aspects of organizational performance are return on assets (ROA) and growth in sales. ROA is viewed as a measure of efficiency of a firm while growth in sales reflects how well an organization relates to their environment (Dess *et al*., 1984). Further, the profitability measure uses change in profitability rather than average profitability, which is operationalized by utilizing return on asset (ROA) and return on sales (ROS).

In the public sector, almost all empirical research of impact of planning has used financial measures of performance that is considered a very narrow operationalization of the concept of performance. Other important dimensions, including employee welfare and corporate social responsibility, were ignored (Boyne and William, 2003). As pointed out by Dess *et al*. (1984), numerous authors have argued that organizational performance includes broader societal/environmental and employee/community dimension rather than more narrow, strictly economic criteria. However, judgment of the relevance and relative importance of different dimensions of organizational success will vary across stakeholders groups.

It follows that a test of impact of planning in the public sector should cover a range of interpretation of performance (Boyne and William, 2003; Venkatraman and Ramanujam, 1987). Therefore, care needs to be taken in identifying the adopted measures of performance (Glaister *et al*., 2008). Baile (1998) notes that because public organizations do not typically have a “bottom line” as most businesses do, often the bottom line is something of an enigma, hence setting meaningful performance measures can be difficult. In most cases, performance in public organizations is determined by the degree to which the organization has met its legal mandates, mission responsibilities, and executive and legislative program objectives.

As mentioned by Wilkinson and Monkhouse (1994), a majority of private sector companies will measure their performance according to financial targets or market share as compared to their competitors. In the public sector, however, direct competition is rare and this severely limits the opportunity to select similar targets for performance. Governmental strategic planning, should, for this reason, be judged on different standards from the private-sector. In addition, Byrson and Roering (1988) note that the more numerous stakeholders, the conflicting criteria they often use to judge governmental performance and the idea that the public sector is meant to do what the private sector cannot or will not do, all militate against holding governmental strategic planning practices to private sector standards.

This creates at least two problems for the performance measurement system. First, taking into account all stakeholders may result in producing a multitude of performance measures that satisfy no one. Second, it may be difficult to set targets or to make decisions based on the measurement results, because some of the stakeholders have conflicting objectives. Therefore, in implementing a performance measurement system, the conflicting needs of different stakeholders must be reconciled (Rantanen *et al*., 2007).

This research utilized financial, efficiency and effectiveness indicators as proxies for organizational performance. Return on sales (ROS) was utilized as the financial indicator, return on assets (ROA) as a measure of efficiency and Customer Satisfaction Index (CSI) as a measure of effectiveness (Brooks, 2001; Jones, 2001).

2.5 Strategic Planning and Organizational Performance

Boyne *et al*. (2003) observe that planning is believed to lead to positive organizational outcomes due to the clarity of objectives, provision of a framework to allocate resources and communication to all staff. Their research, however, failed to explore how and under what circumstances these effects occur. Burnside (2002) mentions two general approaches that have been used by researchers to operationalize formality of strategic planning. One approach assesses the formality of strategic planning by measuring the extensiveness of a firm's planning process and formally written documentation. The second approach uses measures of the perceived importance of planning instead of formality: formal planners to non-planners.

Harrington (2001) in an empirical test of relationship between strategic planning and performance concluded that the findings have provided mixed results due to several limitations. Foremost, a failure to match planners and non-planners by size, industry or industry growth and in many cases, no attempt was made to account for environmental forces. Moreover, most studies considered only written documentation of plans, which has the implicit assumption that written documents are a valid indicator of a firm's commitment to strategic planning. In relation to measures, many of the performance measures are suspect because of a total dependence on potentially biased self-evaluation measures. Generally, researchers didn't consider whether the firms were service industries, durable goods producers or both.

Harrington (2001) adds that while most studies considered one independent variable (formality), it seems unrealistic to expect a conceptual model to detect significant differences in any planning-performance relationship. Previous research measured strategy-making process as formality, planning horizons or comprehensiveness, which alone do not seem to operationalize the essence of the strategy-making process satisfactorily. As researchers attempted to control for industry type, enough noise was created in the data to eliminate any significant relationship between planning and performance. Researchers did not ensure that an appropriate timeframe existed to evaluate the planning-performance relationship. Finally, another problem of studies in strategic planning is that they did not test constructs for dimensionality, nor did most studies test for reliability of measures.

Methodology used in previous studies has either taken a subjective or an objective approach to measuring performance. The subjective approach has been extensively used in empirical studies based on executives' perception of performance having been justified by several writers. Studies by Dess *et al*. (1984) and Venkatraman and Ramanujam (1986) have all found consistency between executives' perceptions of performance and objective measures.

Boyne *et al*. (2003) point out a major limitation of utilizing only objective measures as the relative positions of different organizations on indicators would reflect not only what is the effect of planning but also the impact of numerous other variables. Thus it can be difficult to detect clearly the separate influence of planning. Additionally, Fisher and McGowan (1983) argue that objective measures in company accounts are flawed and are not suitable for research purposes, while Day and Wensley (1988) suggest an absence of suitable objective measures. Shrader and Schwenk (1993) also adopt the same approach after appreciating the incomparable planning scales and performance measurements used in different studies and about the non-objective measurements. Hence, the subjective approach has been widely adopted (Glaister *et al*., 2008), and was applied in this study.

2.6 Environmental Context of Strategic Planning

The role of environmental context within the genealogy of strategic planning is both dominant and subtle. Schools of thought have either blessed it or ignored it or, in their own checkered chronology, have accomplished both (McKiernan, 2006). Lenz (1981) declares it would be misleading to conclude that organizations, except during rather brief intervals of time, are purely products of their environment. On the contrary, there is sufficient evidence to suggest that organizations are themselves agents of environmental change. Organizations create substantial portions of their environment by investment decisions, lobbying, employing other tactics that influence the rate of technological change, access to markets, government regulations and entry barriers.

Defining organizational environment is not an easy task. In the context of the contingency framework, the environment can be described as those forces outside the organization but over which the organization has little control, which can potentially affect the organization's performance (Hashim *et al.*, 2007). They proceed to mention that several studies have provided the evidence that suggests environment is a major determinant of performance in large firms, but not enough evidence for small medium enterprises. The contingency framework was adopted for this study.

Glaister *et al*. (2008) provide some evidence that planning in emerging countries is affected more by the institutional environment (i.e. government intervention, political instabilities, inflation level, state business relations, incentives or lack thereof) than societal values. Oyugi (2005) also brings out the fact that appropriate political goodwill and support are necessary ingredients for the success of public sector reforms. Gianikis (2002) notes politics/administration dichotomy has been the constant albatross for those who seek to understand public management and develop workable theories of the role of professional administration in a democracy. Although politics and administration can be distinguished conceptually, it is generally accepted that it is impossible to separate them in practice. At one extreme, public administration simply becomes another arena of politics and, at the other; it focuses exclusively on the technique of administration.

The external environment of a public organization is littered with political considerations. The views of opinion leaders, outright manipulation by legislators and interest groups, and opposition to an agency's prerogatives are more important than economic issues, which are crucial for private organizations (Levine *et al.* 1975). The prospect of influence prompts public organizations to build buffers in the form of coalitions, advisory groups, and interagency co-ordinating bodies to help with negotiations. Among the external variables affecting the patterns of strategy were: resource constraints, stakeholder preferences, political agendas, public support, government budgetary conditions and balance of constituent power (Wechsler and Backoff, 1986).

In the public sector, public organizations are characterized by their degree of "publicness"—the amount and mix of economic and political authority. The more political authority dominates, the more public the organization. The more economic authority dominates, the more private the organization (Bozeman as cited in Baile, 1998). Bozeman has advanced a conceptual framework that addresses an organization's degree of publicness as a general measure of governmental influence. For Bozeman, the most significant factor driving the degree of publicness is the external political influence on the organization. External dependency requires that managers of public institutions engage in political influence processes to assure that their institution receives a fair share of fixed revenues. In order to gain funding or support for programs, an institution must compete against other claimants, often through the development of external coalitions (Backoff *et al*, 1993).

Baile (1998) improves on Bozeman research by operationalizing publicness as constituting of market-related elements, organizational process elements, and elements of external influence. Market-related elements incorporate funding sources, presence and role of oversight bodies and alternatives and competition for the organization's products or services. Organizational process elements include specificity of goals, presence of performance measures, approach to change, nature of incentives, limits to authority, mandates and obligations. External influence elements embrace influence of authority networks, influence and scrutiny by citizens and extent of stakeholder networks.

This research viewed the environment mainly as the political influence flowing from the government and authority networks. Backoff *et al* (1993) suggest the inability of an organization to cope with environmental contingencies leads to external control and, for this reason, it is important to manage external dependencies. This management involves actions to avoid the imposition of external control and to gain greater discretion and autonomy. Baile (1998) observes the environment of public organizations is rich in political influence and pressure. Views and opinions of leaders and manipulation by legislators and interest groups sometimes dominate over strict efficiency and economic considerations in the decision process. Most public organizations do not have the choice of keeping strategy development secret, and there is often high interest in a public organization's goals and plans. World Bank (2001) defines a policy framework as a set of policies used by the government to direct a sector. Its aim is to establish a minimum set of clear principles for development of the sector upon which the strategy is based. The requirement to design a workable policy framework includes definition of its scope, strong analytical underpinning, consultation with stakeholders and a flexible ongoing process. Therefore, the political environment under this framework was operationalized by utilizing two parameters: political goodwill and support, and policy framework. The research questionnaire posted several questions under each parameter.

2.7 Summary of Empirical Literature and Knowledge Gaps

Empirical studies related to the current study have been examined. These studies have been summarized in Table 2.1. The table identifies each study, what its focus was, the findings of the study, the knowledge gap, and the findings and contribution of the current study.

Table 2.1: Summary of Empirical Literature, Knowledge Gaps and Study Contributions

Study	**Focus**	**Findings of the Study**	**Knowledge Gaps**	**Findings/Contributions of the Current Study**
Aosa (1992)	Empirical investigation of aspects of strategy formulation and implementation within the Kenyan private sector	A positive relationship between strategy and performance.	Empirical knowledge of relationship between strategy implementation and performance in the Kenyan public sector.	Empirical evidence that effective implementation of strategic plans, within a positive environment of political goodwill and support, leads to higher performance.
Heracleous (2000); Okumus (2001)	The role of strategy implementation in organizational development and strategy implementation frameworks.	Prevalent focus by researchers in the strategy field on strategy formulation and its links with organizational outcomes, with little attention paid to the intervening process of implementation.	• Empirical data on the role of level of strategy implementation in strategy formulation. • Lack of knowledge on strategy implementation.	Further empirical evidence of the importance of integrating strategy implementation into strategy formulation.
Boyne (2001)	Relationship between planning and performance in Public Service.	Formality and completeness as the basis for measuring strategy by most researchers.	Effect of level of implementation in strategic planning.	Incorporated level of implementation as a measure of strategy.

Study	Focus	Findings of the Study	Knowledge Gaps	Findings/Contributions of the Current Study
Arasa (2008)	Strategic planning, employee participation and firm performance in the Kenyan insurance sector.	There is a strong link between strategic planning and firm performance.	Isolating the effects of context and time periods.	The effect of the environmental context on the relationship between strategic planning and performance of State Corporations in Kenya.
Oyugi (2005)	Public service reforms in Kenya: Lessons and experience.	Appropriate political goodwill and support necessary for the success of public sector reforms.	The exact nature of the interaction between political goodwill and support, level of implementation of strategic plans and performance of state corporations.	• The confirmation that political goodwill and support positively moderates the relationship between level of implementation of strategic plans and performance of state corporations. • Clarification that, in terms of effectiveness, political goodwill and support and policy framework play a minimal role.

2.8 Conceptual Framework

Strategy-making and implementation are intertwined (Miller, 1997). Therefore, the strategy-making process is considered a key process that requires careful consideration in design to allow a fit or match with the demands of the external environment and allow for integration. The underlying proposition is fit between the environment and the strategy-making process that allows a firm to make more effective and efficient use of firm resources, provides required amounts of information processing and speeds or smoothens implementation. Ultimately, this results in better strategies, which will provide a firm with higher performance (Harrington, 2001).

The conceptual model adopted presupposes that environmental context moderates the relationship between strategy implementation and organizational performance. It suggests that the strategist ought to know something about the political goodwill and support, and the policy framework in order to predict the effects of implementation of strategic plans on performance of state corporations as indicated in Figure 2.2.

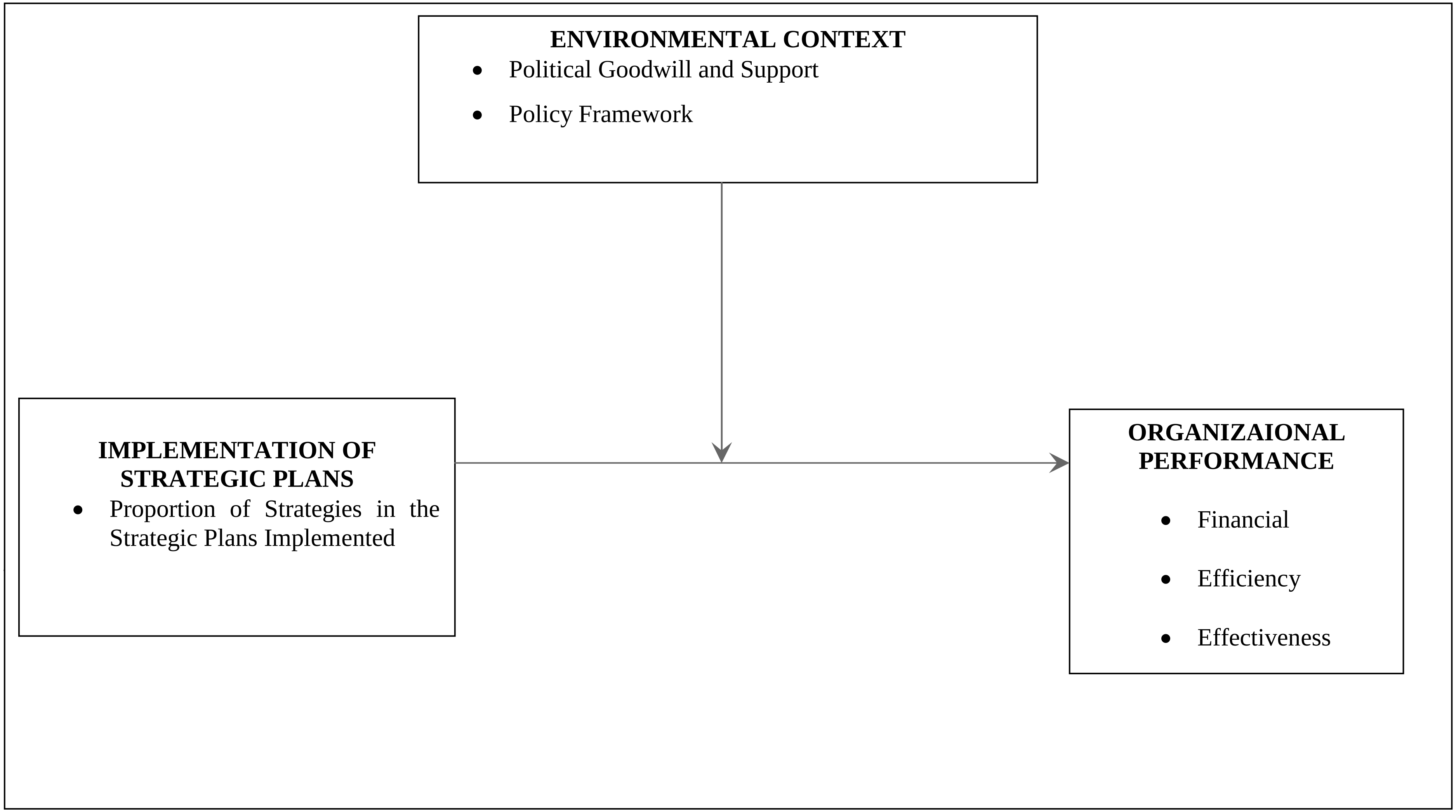

Figure 2.2: Relationship Among Implementation of Strategic Plans, Environmental Context and Organizational Performance

2.9 Research Hypotheses

This research sought to test the following hypotheses:

H1: The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends on the political goodwill and support.

H2: The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends on the policy framework.

H3: The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends on the political goodwill and support.

H4: The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends on the policy framework.

H5: The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends on the political goodwill and support.

H6: The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends on the policy framework.

Table 2.2 matches the objectives presented in Section 1.3 to corresponding hypothesis:

Table 2.2: Matching of Objectives to Hypotheses

OBJECTIVES	**HYPOTHESES**
Objective 1	Hypothesis 1
Objective 2	Hypothesis 2
Objective 3	Hypothesis 3
Objective 4	Hypothesis 4
Objective 5	Hypothesis 5
Objective 6	Hypothesis 6

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology used in the study. The chapter begins with a discussion of the philosophical orientation of the study, followed by a description of the research design and the study population. Next, the data collection method and the operationalization of the variables of the study are described. The last section considers the reliability and validity of the instruments of measurement used in the study.

3.2 Philosophical Orientation

This study considered two major philosophical schools of thought - Positivism and Post-Positivism - that are especially important perspectives for contemporary social research. Positivism adopts a clear quantitative approach to investigating phenomena, as opposed to post-positivist approaches, which aim to describe and explore in-depth phenomena from a qualitative perspective (Cook, 1998). These two schools of thought were applicable in this study as it used both quantitative data and qualitative data in corroboration to enable the study arrive at a comprehensive conclusion.

The general elements of positivist philosophy have a number of implications for social research based on this approach. These implications, adapted from Easterby-Smith *et al* (1997) and Hughes (1994), include: Methodological: all research should be quantitative, and that only research which is quantitative can be the basis for valid generalizations and laws; Value-freedom: the choice of what to study, and how to study it, should be determined by objective criteria rather than by human beliefs and interests; Causality: the aim should be to identify causal explanations and fundamental laws that explain human behaviour;

Operationalization: concepts need to be operationalized in a way that enables facts to be measured quantitatively; Independence: the role of the researcher is independent of the subject under examination; and Reductionism: problems are better understood if they are reduced to the simplest possible elements.

All the above implications were taken care of in this research as the research mostly took a quantitative approach. The researcher also chose the area of study freely, the study adopted a relational design, meaning there is need to determine causality, all the variables in the study were clearly operationalized and all parts of the study broken down to their simplest forms to enable most clear understanding of the problem. Humans are not 'objects', and are subject to many influences on behaviour, feelings, perceptions, and attitudes that positivists would reject as irrelevant and belonging to the realms of metaphysics. Critics of the positivist approach argue that it yields useful but limited data that only provide a superficial view of the phenomenon it investigates (Moccia, 1988). However in general, the positivist philosophy embraces a conception of truth in which verifiable statements concur with the ascertainable facts of reality. Truth is, therefore, not dependent on belief alone but on belief that can be verified through examination and observation of external reality.

3.3 Research Design

This study used a cross-sectional survey design. Unlike the longitudinal study where observation is done over long periods of time like months, years or decades and which allows the researcher to study the long-term effect of variables, cross-sectional study takes a snapshot of a population at a certain time, allowing conclusions about phenomena across a wide population to be drawn. Since this study depended on data collected at one point in time and included a number of state corporations in Kenya, the cross-sectional design was, therefore, the most appropriate design for it.

The study also involved analysis of the relationships between extent of implementation of strategic plans, the environment within which the organizations operate and their subsequent performance. This method was employed to investigate and to give a holistic picture of the relationships between the three main variables: the extent of implementation of strategic plans, the environment and the performance of state corporations in Kenya. The findings would provide insights that could be used to carry out investigations even in the private sector.

3.4 Study Population

The population comprised all the state corporations as contained in the State Corporations Act. According to the State Corporation Advisory Committee (SCAC, 2003), there are 125 registered state corporations. The list of these state corporations is attached as Appendix III. The target population of this study was further classified into different groups based on the sectors in which they operate and the roles for which they were established. The clusters are Tertiary Education and Training Corporations; Regional Development Authorities; Service Corporations; Training and Research Corporations; Public Universities; Regulatory Authorities; Commercial/Manufacturing Corporations; and Financial Corporations.

The whole population of 125 state corporations was used. Since the entire population of this study was small and contained heterogeneous corporations serving different economic sectors, the researcher decided to conduct a census and include all the corporations in the study. Aosa (1992) observes that adequacy of a sample means the sample is big enough to enable reasonable estimates of variables to be obtained. This permits capturing the variability of responses and facilitates comparative analysis. In this study, the entire population was used as that, considering its small size, ensured adequate representation, accuracy and reliability. Table 3.1 presents the numbers of state corporations studied and the sectors to which they belong.

Table 3.1: Sectorial Categorization State Corporations Studied

Sectors of State Corporations	**Population**
Pc 1: Tertiary Education and Training Corporations	5
Pc 2: Regional Development Authorities	6
Pc 3: Service Corporations	25
Pc 4: Training and Research Corporations	11
Pc 5: Public Universities	6
Pc 6: Regulatory Authorities	26
Pc 7: Commercial/Manufacturing Corporations	31
Pc 8: Financial Corporations	15
Total	**125**

3.5 Data Collection

In order to achieve the objectives of this study both primary and secondary data were required. The main sources for the secondary data were the annual financial reports of the corporations and the annual performance evaluation reports from each state corporation. The primary data was collected using a structured questionnaire. The data needed for this study was mainly quantitative. Therefore, the questionnaire used was almost fully structured with not more than three unstructured questions.

The questionnaire was divided into four parts described as follows. Part 1 was used to gather general information about the state corporations. This data was used to describe the state corporations included in the study. Part 2 was used to gather information about the implementation of strategic plans in the state corporations. This data was used as a measure of the level of implementation of strategic plans among the state corporations. Part 3 was used to collect data about the environment in which the state corporations operate. The data from this section was used as a measure of the environmental context variable in the study. Part 4 was used to gather information about the performance of the state corporations. Although most of the data about performance was gathered from the secondary sources, this section was only included in the questionnaire to help in corroborating data collected from secondary sources.

The respondents to the study were the chief executives of the state corporations. The administration of the questionnaire was either by self or through personal interviews, depending on the situation. In the case of self administration, field assistants were used to deliver questionnaires to the Chief Executive Officers (CEO) of each state corporation who personally completed the questionnaire. The field assistants later went back and collected the completed questionnaires. Where necessary the questionnaire was administered through personal interviews conducted by the field assistants. In cases where the CEO did not have the time to complete the questionnaire himself, he was allowed to assign a head of a relevant department to do the same.

In order to ensure competence and efficiency among the field force, the minimum level of education for them was set at bachelor’s degree level with a prior experience in conducting such interviews.

After recruiting qualified individuals, they were taken through a short training session to ensure that they understood all the sections and concepts covered in the questionnaire. This short training ensured that they were capable of conducting fruitful interviews where necessary.

3.6 Variables and Their Operationalization

This section deals with the operationalization of independent and dependent variables, along with other components of the conceptual framework. The independent variable studied was the proportion of strategies that ended up being implemented in the strategic plans of state corporations in Kenya The dependent variables were: (i) financial performance of the state corporations; (ii) efficiency of the state corporations; and (iii) effectiveness of the state corporations. The variables were as indicated in the Table 3.2.

The independent variable was operationalized by ratio of the number of implemented strategies in the strategic plan to the total number of strategies in the same strategic plan. The first dependent variable, measured by return on sales, was operationalized by the ratio of Earnings Before Interest and Tax (EBIT) to the total sales of the organization, whereas the second dependent variable, captured by return on assets, was operationalized by the ratio of EBIT to total assets. Effectiveness, the third dependent variable, was operationalized by the employee satisfaction index and the customer satisfaction index, both obtained from conducted surveys.

Table 3.2: Summary of Variables and Their Operationalization

VARIABLE		DEFINITION	INDICATOR	QUESTION NUMBER
Dependent Variable	**Financial Performance**	Return on Sales (ROS)	Ratio of Earnings Before Interest and Tax to Sales	Question 15
	Efficiency	Return on Assets (ROA)	Ratio of Earnings Before Interest and Tax to Total Assets	Question 15
	Effectiveness	Employee Satisfaction Index	Employee Satisfaction Index achieved from the conducted survey	Question 16
		Customer Satisfaction Index	Customer Satisfaction Index achieved from the conducted survey	Question 17
Independent Variable	**Implementation of Strategic Plans**	Proportion of Strategies in the Strategic Plan Implemented	Ratio of Number of Strategies in the Strategic Plan Implemented to Total Number of Strategies in the Strategic Plan	Question 11
Moderator Variables	**Environmental Context** • Political Goodwill and Support • Policy Framework	• The will and support of the government • Government's guidelines and regulations	• Extent of support from and interaction with the parent ministry. • The extent to which parent ministry's policies affects the operation of the corporation.	Questions 12 to 14

3.7 Reliability and Validity of the Measurement Instruments

The analysis begins with the reliability test for the scales used in measuring the independent variables in the study. Reliability is the measure that demonstrates that the same study repeated at a later date yields comparable results. The study used five-point Likert-type scales with varying number of items in each scale. To assess the reliability of scales Cronbach's Alpha reliability test was used. This test is considered as one of the most powerful reliability indicators in use today. It determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability (Reynaldo, 1999). Table 3.3 summarizes the findings of the analysis.

Table 3.3: Summary of Analysis of the Reliability of the Scales Used in the Study

Name of Indicator Measured	**No of Items**	**Cronbach's Alpha**	**No. of Items**
Institutionalizing the Strategic Planning Function	10	0.902	5
Establishing foundation for Strategic Planning	10	0.895	7
Conducting the Strategic Situational Diagnosis	10	0.899	8
Developing Strategic Plans	10	0.885	4
Managing the Implementation Process of Strategic Plan	10	0.897	7
Strategies and Strategic Objectives	10	0.927	30
Political Goodwill and Support	10	0.753	10
Policy Framework	10	0.744	5

Although there is no lower limit for Cronbach's alpha coefficient, the general rule is that the closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. However, George and Mallery (2003, p. 231) provide the following rules of thumb: "Alpha ≥ 0.9 – Excellent; Alpha ≥ 0.8 – Good; Alpha ≥ 0.7 – Acceptable; Alpha ≥ 0.6

– Questionable; Alpha ≥ 0.5 – Poor; and Alpha < 0.5 – Unacceptable”. Glien and Glien (2003) added that it should also be noted that an alpha of 0.8 is probably a reasonable goal. Going by these two guidelines, six out of the eight Likert-type scales used had alpha coefficients greater than 0.8, the other two had alpha coefficient of 0.753 and 0.744, which are within accepted levels. See Appendix IV for more detailed tables.

Validity, in this case construct validity, is the degree to which the instrument items can be generalized to the concepts underlying the variable being measured. It establishes correct operational measures for the concepts being studied and assures that the same results can be obtained from one measurement to another. This was tested by inspecting the inter-item correlations in Cronbach’s alpha test. Items with very low inter-item correlations (Alpha < 0.6) were deleted or rephrased accordingly. During pre-testing, the construct validity was tested by analyzing the question items versus responses to ensure that all the questions conveyed the same meaning to all the respondents. Questions that failed this test were consequently revised.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results and findings of the study according to the research objectives, questions, and hypotheses. The results are presented in frequency tables, charts, and graphs. Various statistical techniques and hypotheses tests were conducted on the survey data to address the research questions and objectives. The chapter begins with a discussion of the assumptions of the regression model used in the analysis, followed by a description of the characteristics of the study population. Next, an analysis of the environmental context of the state corporations is presented, which is then followed by a discussion of the implementation of strategic plans by state corporations in this environment and the resulting performance of the corporations. Finally, the last section presents the testing of the study hypotheses.

4.2 Data Analysis

After finishing with the data collection, the collected data was sorted and then a data sheet prepared in SPSS in readiness for the data entry process. The SPSS is a computer application used for statistical data analysis. After entering data into the SPSS data sheet the data was then cleaned for in-depth analysis.

Data analysis involved both descriptive statistics and inferential statistics. According to Harper *et al*. (1977), descriptive statistics are used to describe the basic features of data into simple summaries in a study while inferential statistics are used to make inferences about the population. The study used descriptive statistics such as mean scores, standard deviation, mode and frequencies. Some of the descriptive summaries have been presented using graphs and charts. These have been used mainly in analyzing the demographic data. The study also employed inferential statistics such as partial-correlations and multiple regressions. Factor analysis was also used for data reduction. This was useful in condensing the variables measured using Likert-type scales into single variables for testing the models. According to Velicer and Jackson (1990), factor analysis is a method which uses linear combinations among observed variables taking into account all variability in the variables to produce fewer unobserved variables called factors. The reduced number of variables can then be used in further analysis or tests. Regression analysis and correlations were used to test the significance of the relationships between implementation of strategy, environmental context and organizational performance. All the significance tests were done at 95% confidence level, i.e., a significance level of 0.05 was the cut-off point for testing the hypotheses (see Table 4.1).

Table 4.1:Research Analytical Model

Hypothesis	Statement	Analytical Model	Expected Results: Test Condition	Expected Results: Significance Level
$H1_a$:	The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends on the political goodwill and support.	$Y_1 = \alpha + \beta_1X_1 + \beta_2X_3 + \beta_3X_1X_3 + ę$	$\beta_3 \neq 0$	$p \leq 0.05$
$H1_b$:	The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends not on the political goodwill and support.	$Y_1 = \alpha + \beta_1X_1 + \beta_2X_3 + \beta_3X_1X_3 + ę$	$\beta_3 = 0$	$p > 0.05$
$H2_a$:	The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends on the policy framework.	$Y_1 = \alpha + \beta_1X_2 + \beta_2X_3 + \beta_3X_2X_3 + ę$	$\beta_3 \neq 0$	$p \leq 0.05$
$H2_b$:	The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends not on the policy framework.	$Y_1 = \alpha + \beta_1X_2 + \beta_2X_3 + \beta_3X_2X_3 + ę$	$\beta_3 = 0$	$p>0.05$
$H3_a$:	The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends on the political goodwill and support.	$Y_3 = \alpha + \beta_1X_1 + \beta_2X_3 + \beta_3X_1X_3 + ę$	$\beta_3 \neq 0$	$p \leq 0.05$

			Expected Results	
Hypothesis	**Statement**	**Analytical Model**	**Test Condition**	**Significance Level**
$H3_b$:	The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends not on the political goodwill and support.	$Y_3 = \alpha + \beta_1 X_1 + \beta_2 X_3 + \beta_3 X_1 X_3 + ę$	$\beta_3 = 0$	$p>0.05$
$H4_a$:	The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends on the policy framework.	$Y_3 = \alpha + \beta_1 X_2 + \beta_2 X_3 + \beta_3 X_2 X_3 + ę$	$\beta_3 \neq 0$	$p\leq 0.05$
$H4_b$:	The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends not on the policy framework.	$Y_3 = \alpha + \beta_1 X_2 + \beta_2 X_3 + \beta_3 X_2 X_3 + ę$	$\beta_3 = 0$	$p>0.05$
$H5_a$:	The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends on the political goodwill and support.	$Y_2 = \alpha + \beta_1 X_1 + \beta_2 X_3 + \beta_3 X_1 X_3 + ę$	$\beta_3 \neq 0$	$p\leq 0.05$
$H5_b$:	The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends not on the political goodwill and support.	$Y_2 = \alpha + \beta_1 X_1 + \beta_2 X_3 + \beta_3 X_1 X_3 + ę$	$\beta_3 = 0$	$p>0.05$
$H6_a$:	The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends on the policy framework.	$Y_2 = \alpha + \beta_1 X_2 + \beta_2 X_3 + \beta_3 X_2 X_3 + ę$	$\beta_3 \neq 0$	$p\leq 0.05$

			Expected Results	
Hypothesis	**Statement**	**Analytical Model**	**Test Condition**	**Significance Level**
$H6_b$:	The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends not on the policy framework.	$Y_2 = \alpha + \beta_1 X_2 + \beta_2 X_3 + \beta_3 X_2 X_3 + ȩ$	$\beta_3 = 0$	$p>0.05$

Where:

Y_1 - Financial (Return on Sales)

Y_2 - Effectiveness (Customer Satisfaction)

Y_3 - Efficiency (Return on Assets)

X_1 - Political Goodwill and Support

X_2 - Policy Framework

X_3 – Proportion of Strategies in the Strategic Plans Implemented

$X_1X_{3,}$ X_2X_3 – Interaction terms

β = Beta coefficients

α = Constant

ȩ = Error term

4.2.1 Assumptions of Regression Model

The following assumptions of the regression model were tested:

i. Multi-colinearity in the regression model is an unacceptably high level of inter-correlation among the independents, such that the effects of the independents cannot be separated. Under multi-colinearity, estimates are unbiased but assessments of the relative strength of the explanatory variables and their joint effect are unreliable.

ii. Linearity: Testing for nonlinearity is necessary because correlation, regression and other members of the general linear hypothesis model (GLHM) assume linearity. Simple inspection of scatter plots is common if non-statistical method of determining if nonlinearity exists in a relationship.

iii. Outliers can radically alter the outcome of analysis and are also violations of normality. This was dealt with in the data cleaning stage.

iv. Model specification refers to not omitting significant variables or including extraneous ones, and also to correctly indicating the direction of arrows connecting the variables in the model. Misspecification of the regression model is the most severe problem that can befall an econometric or statistical analysis. Unfortunately, it is also the most difficult to detect and correct. When a misspecification error is corrected by changing the model, all parameter estimates in the model are subject to change, not only in magnitude, but sometimes even in direction. This also involves significant literature review.

v. Normality test: Standard linear regression assumes that all the variables used are drawn from a population with a normal distribution. This was tested by plotting a histogram of each variable and looking for skewness (the tilt, or lack of it, in a distribution) or kurtosis (the peakedness of a distribution)

vi. Heteroscedasticity implies that the variances (i.e., the dispersion around the expected mean of zero) of the residuals are not constant but that they are different for different observations. This causes a problem: if the variances are unequal, then the relative reliability of each observation (used in the multiple regression analysis) is unequal. The larger the variance, the lower the importance (or weight) attached to that observation. This was tested by inspecting or looking for patterns in the plot of the predicted dependent variable and the residuals. At the same time, White’s test was used to detect the presence of heteroscedasticity.

4.2.1 Testing Assumptions of Regression

This study mainly employed linear regression analysis to test the study hypotheses. Quantitative models such as regression always rest on assumptions about the way the world works. When these assumptions are not met the results may not be trustworthy, resulting in a Type I or Type II error, or over- or under-estimation of significance or effect size(s). As Pedhazur (1997, p. 33) notes, "Knowledge and understanding of the situations when violations of assumptions lead to serious biases, and when they are of little consequence, are essential to meaningful data analysis". However, as Osborne, Christensen and Gunter (2001) observe, few articles report having tested assumptions of the statistical tests they rely on for drawing their conclusions. This creates a situation where we have a rich literature in education and social science, but are forced to call into question the validity of many of these results, conclusions and assertions, as we have no idea whether the assumptions of the statistical tests were met.

There are four principal assumptions which justify the use of linear regression models for purposes of estimations: (i) linearity of the relationship between dependent and independent variables; (ii) multi-colinearity between independent variables; (iii) homoscedasticity (constant variance) of the errors; and (iv) normality of the error distribution. These assumptions were tested and the results are presented in this sub-section.

4.2.1.1 Test for Linearity Assumption

Standard multiple regressions can only accurately estimate the relationship between dependent and independent variables if the relationships are linear in nature. Since the study employed linear regression, fitting variables which are non-linearly related on a linear model would result in estimations with serious errors. Non-linearity is usually most evident in a plot of the observed versus predicted values, or a plot of residuals versus predicted values, which are a part of standard regression output.

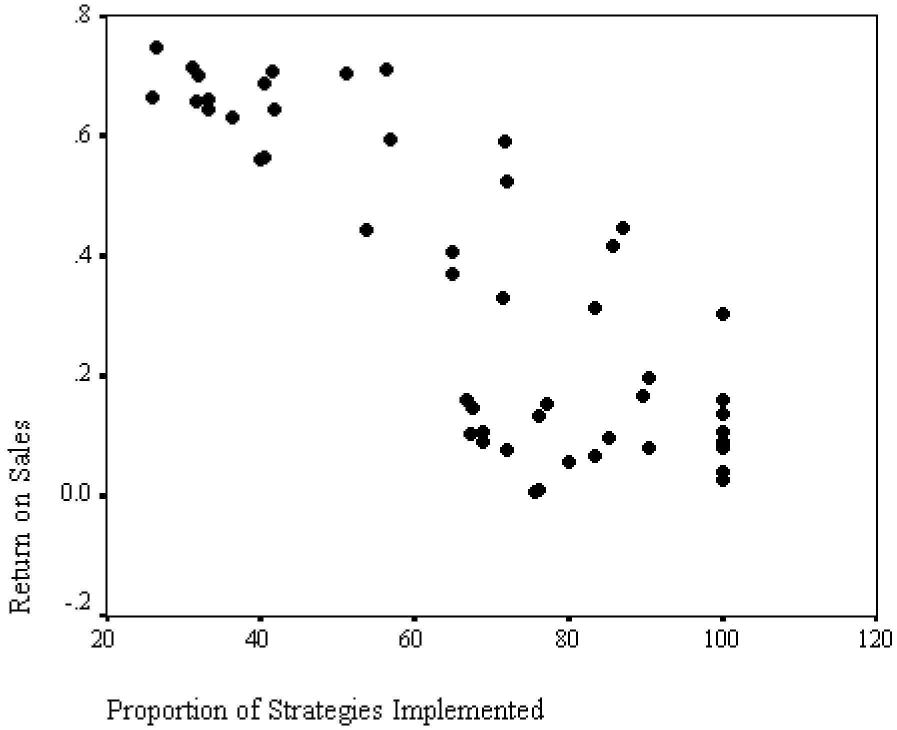

Figure 4.1: Scatter Plot of Proportions of Strategies Implemented and ROS Values

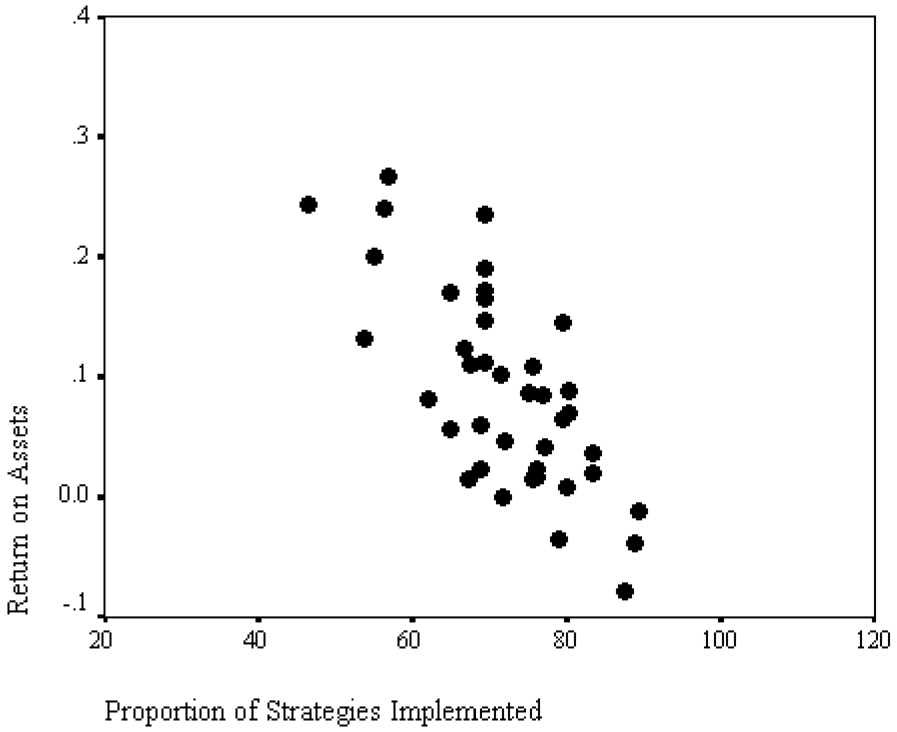

Figure 4.2: Scatter Plot of Proportions of Strategies Implemented and ROA Values

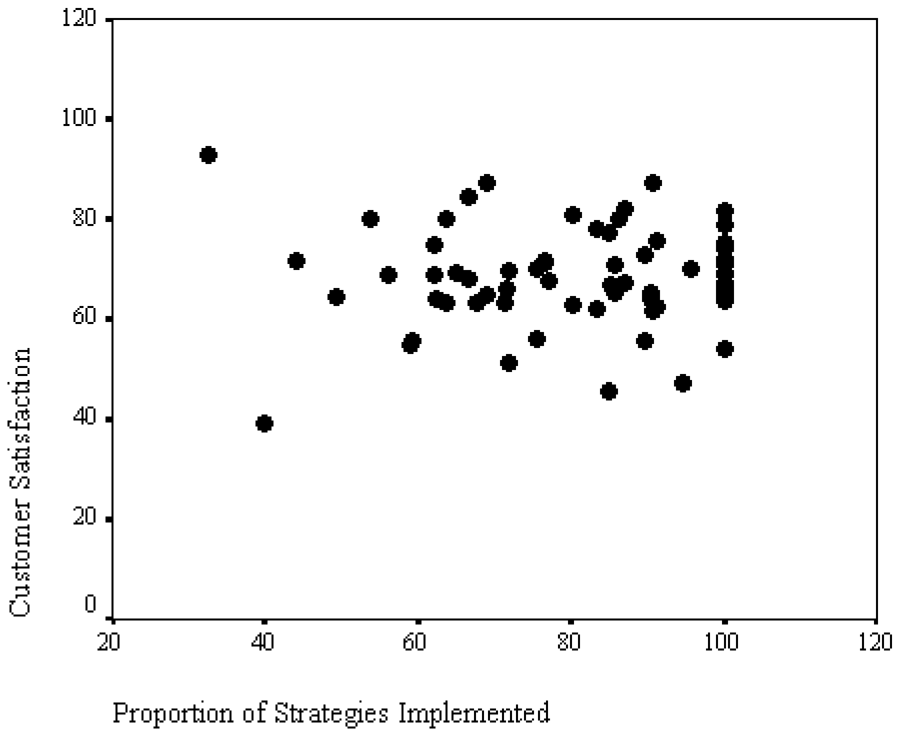

Figure 4.3: Scatter Plot of Proportions of Strategies Implemented and Customer Satisfaction Index Values

The scatter plots in Figures 4.1 and 4.2 show that ROS and ROA values separately have a linear relationship with the independent variable, the proportion of strategies in the strategic plans implemented. The clear linear relationship has the plots distributed diagonally to the left, implying a negative linear bivariate relationship. On the other hand Figure 4.3 shows that Customer Satisfaction Index seems to have an even horizontal distribution. This is an indication of a weak linear relationship.

4.2.1.2 Test for Assumption of Multi-colinearity

Multi-colinearity in standard regression models is an unacceptably high level of inter-correlation among the independents, such that the effects of the independents cannot be separated. Under multi-colinearity, estimates are unbiased but assessments of the relative strength of the explanatory variables and their joint effect are unreliable. However, in this study moderated regression model was used and interrelationships between independent variables were expected. This, therefore, means that multi-colinearity was expected between specific variables and was acceptable as one of the conditions for proving the moderation effect. Consequently, multi-colinearity was not tested.

4.2.1.3 Test for Assumption of Homoscedasticity

Homoscedasticity means that the variance of errors is the same across all levels of the independent variable. When the variance of errors differs at different values of the independent variable, heteroscedasticity is indicated. According to Berry and Feldman (1985) and Tabachnick and Fidell (1996), slight heteroscedasticity has little effect on significance tests. However, when heteroscedasticity is marked it can lead to serious distortion of findings and significantly weaken the analysis, thus increasing the possibility of a Type I error.

To check the level of heteroscedasticity, the study employed Levene's test of homogeneity of variance, which tests the assumption that each value (category) of the independent(s) has the same variance on an interval dependent. If the Levene statistic is significant at the 0.05 level or better, the researcher rejects the null hypothesis that the levels have equal variances.

Table 4.2: Test of Homogeneity of Variables

	Levene Statistic	Df	Sig.
Return on Sales	3.622	22	0.658
Return on Assets	2.501	16	0.589
Customer Satisfaction	2.041	19	0.435

The findings presented in Table 4.2 show that the Levene’s statistics are not significant for all the variables. Therefore, the study accepts the null hypothesis that there are no significant variances in errors across the levels of the independent variables. Given the lack of heteroscedasticity, the study confirms the regression results from the data are reliable and accurate.

4.2.1.4 Test for Normality

Regression assumes that variables have normal distributions. Abnormally distributed variables (highly skewed or kurtotic variables, or variables with substantial outliers) can distort relationships and significance tests. Normality was tested by plotting a histogram of the frequencies of the independent and the dependent variables, and the results are shown in Figures 4.4, 4.5, 4.6 and 4.7.

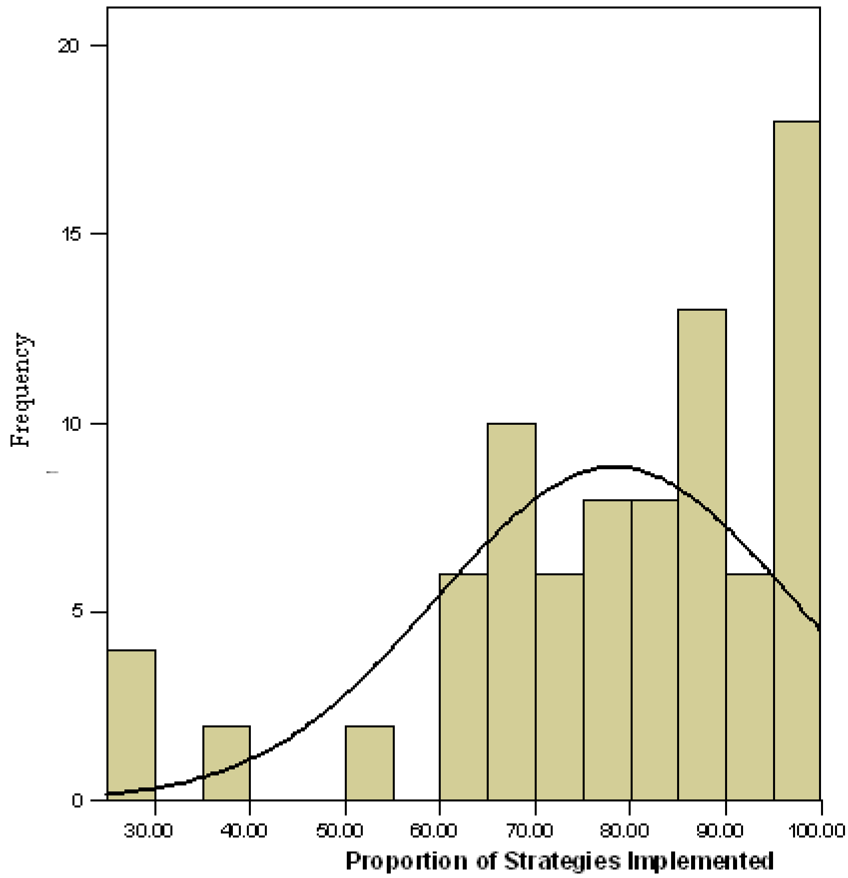

Figure 4.4: Frequencies of the Independent Variable – PSI

Figure 4.4 indicates that the implementation variable has a negative skewed distribution, meaning the corporations had implemented most of their strategies. This can be attributed to the introduction of performance contracting in the public sector, which requires that state corporations develop, implement and annually report on the implementation of strategic plans to the government. State corporations are evaluated annually and ranked by performance, so many of them strive to deliver on their promised strategic objectives. Most of the state corporations that were in the third cycle of strategic planning, as is shown in Table 4.13 and 4.14, had already implemented over 80% of their strategies, which explains the high level of achievement represented by the high bars to the right of Figure 4.4. However, there were also some state corporations that had by the time of the study only recently launched their strategic plans and were, therefore, in the early stages of implementation thus the low bars to the left of Figure 4.4.

The ROS variable, however, has a normal distribution as shown by the histogram in Figure 4.5. The chart depicts that the commercial corporations were operationally efficient with the majority of the firms enjoying a positive bottom line with a mean profit per unit of sales of 50%. It can be inferred that the corporations were able to withstand adverse falls in prices and rising costs that followed the political unrest experienced after the 2007 General Election and the subsequent global financial crisis.

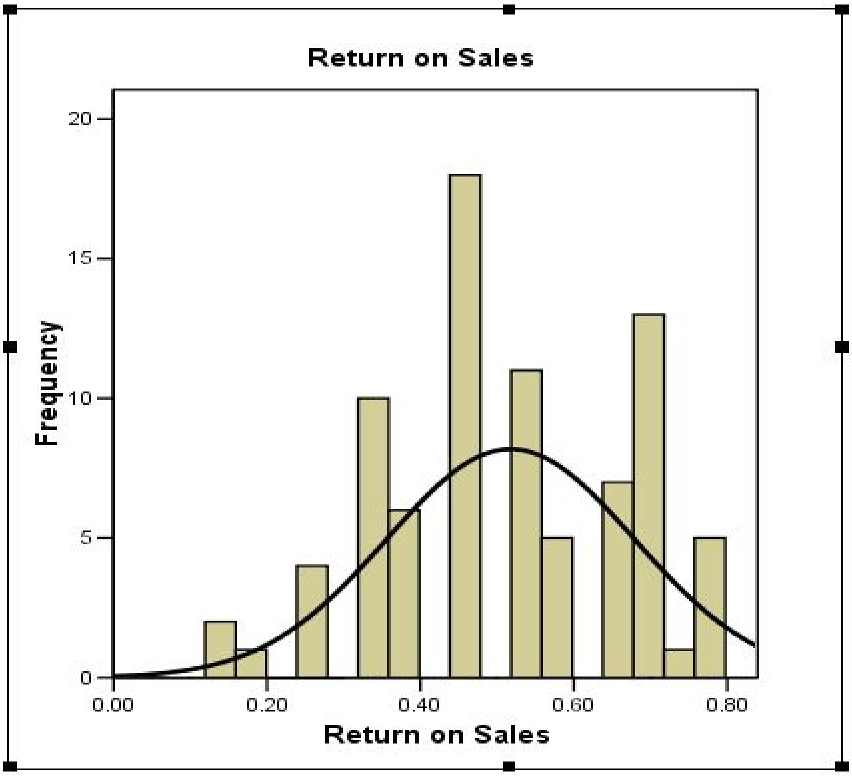

Figure 4.5: Frequencies of the Dependent Variable - ROS

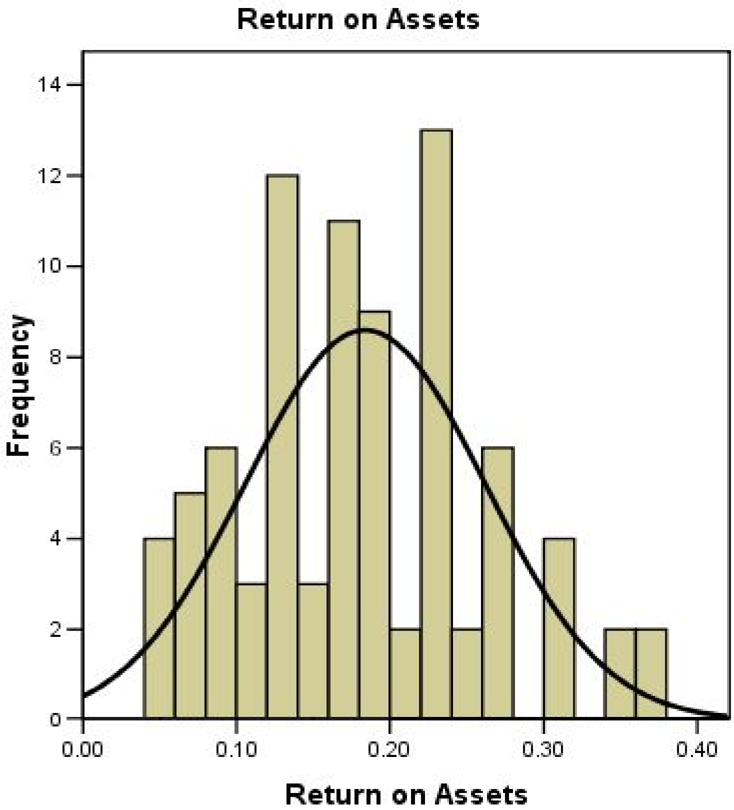

Figure 4.6: Frequencies of the Dependent Variable - ROA

Figure 4.6 shows that the dependent variable Return on Assets, just like the Return on Sales variable, had a perfectly normal distribution. This indicates that corporations that efficiently utilized their assets had higher returns while those that were poorly managed realized relatively lower business. Figure 4.6 demonstrates that the corporations were generally proficient in the management of their resources.

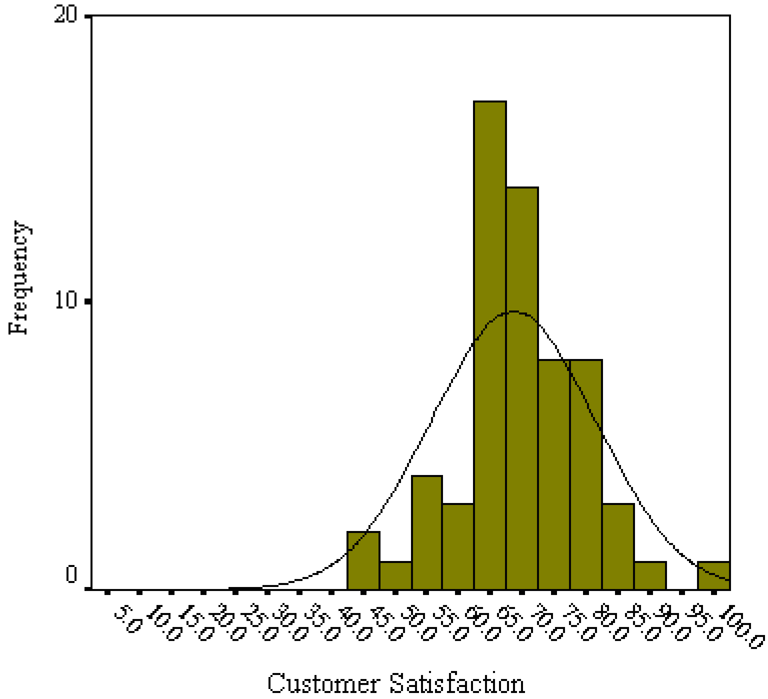

Figure 4.7: Frequencies of the Dependent Variable – CSI

The distribution of the Customer Satisfaction Index, given in Figure 4.7, is normal but with a few performances well above the mean. This is in agreement with the results of the nationwide customer satisfaction survey carried in Kenya in 2009, as recorded in GOK (2009), which indicated that the overall level customer satisfaction with government services stood at 63.5%. However, there were a few state corporations, especially those linked with the provincial administration, which registered levels of customer satisfaction far below the average.

The distributions of the three dependent variables do not deviate from a normal distribution and their data can, therefore, be used without any correction for normality.

4.3 Characteristics of the Population

This section describes the basic characteristics of the organizations which participated in the survey. The study comprised eighty-three (83) state corporations. The characteristics which were considered included the year of establishment (age) of the organization; the nature of business of the organization; whether the organization had started implementing the strategic plan or not, and if yes, the year the strategic plan was first implemented.

Table 4.3: Distribution of Study Population by Year of Establishment

Year of Establishment	Frequency	Valid Percent
Before 1960	10	12.0
1961 – 1980	32	38.6
1981 – 2000	16	19.3
2001 – 2010	25	30.1
Total	83	100.0

The findings in Table 4.3 show that 12% of the corporations were established before 1960; 38.6% of them were established between the year 1961 and 1980; 19.3% of the corporations were established between the year 1981 and 2000; and 30.1% of the corporations were established between the year 2001 and 2010. Regarding the nature of business of the corporations, 45.8% of them were engaged in commercial activities while the remaining 54.2% offered services that were non-commercial. This division is indicated in Figure 4.8.

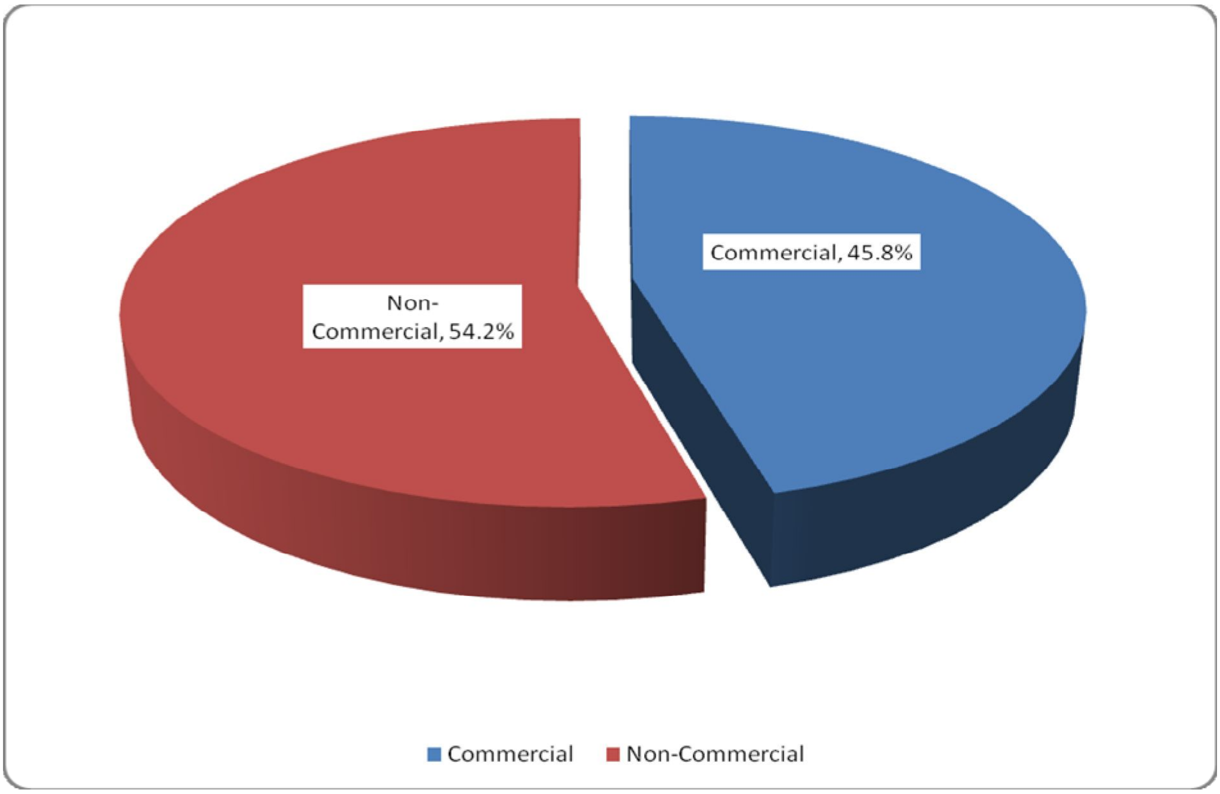

Figure 4.8: Nature of Business of the Corporations

All the organizations reported that they had a written strategic plan. As shown in the Figure 4.9, 98.8% of the corporations reported that they had started implementing their strategic plans. On the other hand, only one corporation had not started implementation, while another one did not disclose the status of implementation of its strategic plan. The total proportion of the organizations which first started implementation of their strategic plan within the last six years, that is between 2005 and 2010, was 49.2%, with the remaining portion, 51.8%, having started implementations between 1998 and 2004.

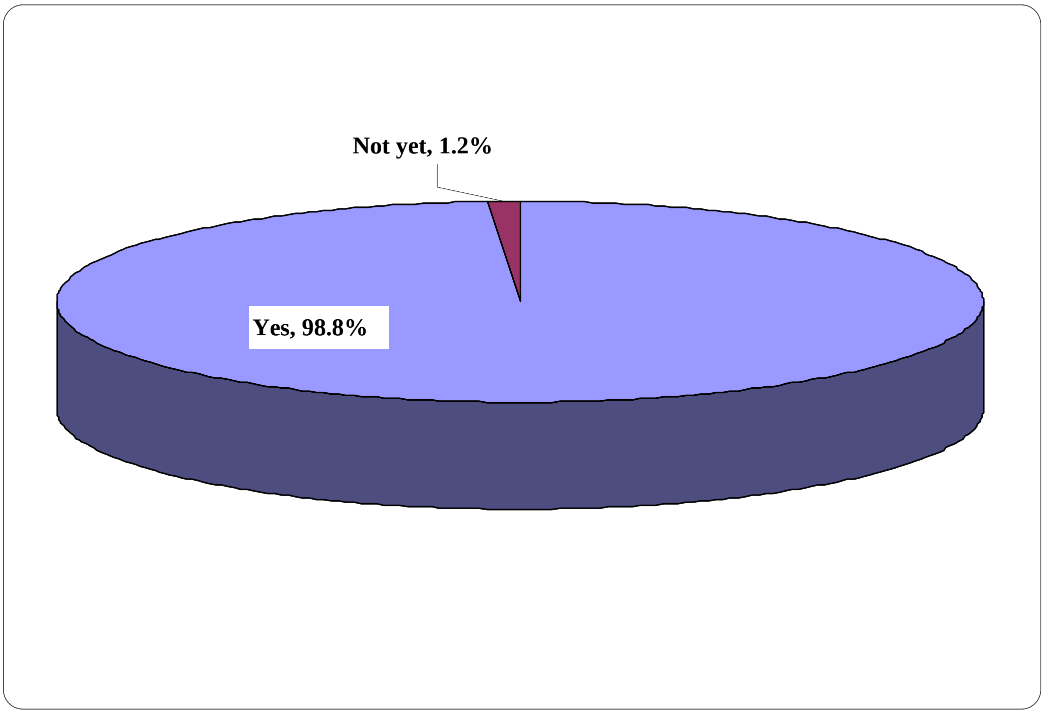

Figure 4.9: Distribution by Whether the Implementation of Strategic Plan Had Started or Not.

4.4 Environmental Context of State Corporations

This section provides a descriptive analysis of the environment in which the state corporations operated. The major indicators analyzed under the environmental context included the nature of the political environment and policy framework.

4.4.1 Political Goodwill and Support

State corporations being public organizations are likely to face influences from the government and other forces that are mostly political. These influences and their impact can affect the performance of an organization.

Table 4.4: Political Goodwill and Support

Items	N = 83 Mean	Std. Dev
The chief executive officer is answerable to the minister and permanent secretary in the parent ministry	3.80	1.387
The chief executive must consult with the ministry before making important business decision on behalf of the corporation	3.50	1.313
Most of the senior management officers in this corporation are either appointed or seconded by more senior government officials within the ministry	1.70	1.210
All strategic decisions taken by the board of directors of this corporation must always take into consideration the opinion of the minister or permanent secretary in the parent ministry	2.84	1.418
All decision made by the board must be approved by the ministry	2.89	1.473
The ministry monitors closely all key processes in the implementation of the strategic plan of the corporation	2.87	1.297
The corporation faces difficulties in the implementation of its strategic plan due to insufficient allocation of funds from the parent ministry	2.94	1.550
Sometimes important decision are made at the ministry level and the board and top management only ensure that they are implemented whole	2.65	1.418
The chief executive, the board and top management of this corporation operate entirely independently from any influence from any quarter whatsoever	3.00	1.397
The chief executive of this corporation has a security of tenure	2.14	1.366
Grand Mean and Standard Deviation	**2.84**	**0.779**

The statistics given in Table 4.4 indicate in general the level of political goodwill and support from the parent ministry stands at a grand mean of 2.84 and a standard deviation of 0.779 for state corporations. The standard deviation is within the acceptable range of two standard deviations. The lower the score on the Likert-type scale for each of the individual factors, the lower the political goodwill and support. On average the respondents felt that the chief executives of the state corporation had security of tenure that is of little importance. The respondents also showed little support to the statement that most of the senior management officers in their organizations were either appointed or seconded by more senior government officials within the ministry. Moreover, the findings show that some corporations are unable to fully implement their plans due to insufficient allocation of funds from the parent ministry. This finding is consistent with the previous studies that leaders in state agencies must seek and nurture support from political overseers as these actors impact the outcome of change efforts, which stems in part from their ability to impose statutory changes and control the flow of vital resources to public organizations (Backoff *et al*, 1993).

4.4.2 Policy Framework

The findings presented in Table 4.5 indicate that the corporations moderately relied on written policy documents from the ministries to govern their core functions. Subsequently, these policy documents had a moderate effect on the operations of the organization. The corporations were moderately affected by circulars from the parent ministries, which would lead to revisions of organization policies. As shown in Table 4.5, the indicators for policy framework had mean scores ranging from 2.99 to 4.22 with a grand mean of 3.59 and standard deviation of 0.809. The latter is within the acceptable range of two standard deviations. This, according to the Likert-type scale, implies the availability or influence of policies. Walker and Brewer (2008) discussed the implication of having rules and regulation to govern the government agencies that turned out to be a burden. However, from the research findings it can be inferred that state corporations have less regulation emanating from their parent ministries but more of internal rules that allow for swift execution of tasks and hence more ease in interactions with citizens and to comply with its legal mandate.

Table 4.5: Policy Framework

Items	N = 83	
	Mean	**Std. Dev**
The ministry provides a written policy document which governs the core functions of this corporation	2.99	1.599
The organization has its own policy guidelines which govern all its business activities	4.22	1.066
The changes in policy document from the parent ministry affect the operation of our organization	3.27	1.255
The policies of our organization are frequently revised based on circulars from the parent ministry	3.45	1.307
Government policies often influences our strategic planning process	4.01	1.031
Grand Mean and Standard Deviation	**3.59**	**0.809**

4.4.3 Factors Considered in Implementation of Strategic Plans

In the implementation of a strategic plan there are certain critical factors which must be taken into consideration to ensure its success. Table 4.6 lists the factors that were considered in this study and how they applied to the respondents.

Table 4.6: Factors Considered During Implementation of Strategic Plans

Items	**N = 83**	
	Mean	**Std Dev**
Institutionalizing the strategic planning function	4.28	0.771
Establishing foundation for strategic planning	4.33	0.703
Conducting the strategic situational diagnosis	3.89	0.808
Developing strategic plans	3.93	0.893
Managing the implementation process of strategic plan	3.89	0.818
Strategies and strategic objectives	4.23	0.694
Political goodwill and support	2.84	0.779
Policy framework	3.59	0.809
Grand Mean and Standard Deviation	**3.87**	**0.486**

Table 4.6 shows that according to the respondents, political goodwill and support had moderate consideration in the implementation of strategic plans of the corporations, while all the other aspects of the implementation were given greater attention. According to previous research it was expected that, in ensuring a strategic fit between the corporation and environment, greater consideration was to be given to the environmental context (Harrington, 2001; Hendrick, 2003). However, the results indicate more efforts were placed on the implementation of the strategic plans. A grand mean of 3.87 with a standard deviation of 0.486 implies that, in general, all organizations to a great extent considered the above factors during the implementation of their corporate plans. The overall standard deviation is within the acceptable range of two standard deviations. These results are summarized in Figure 4.10.

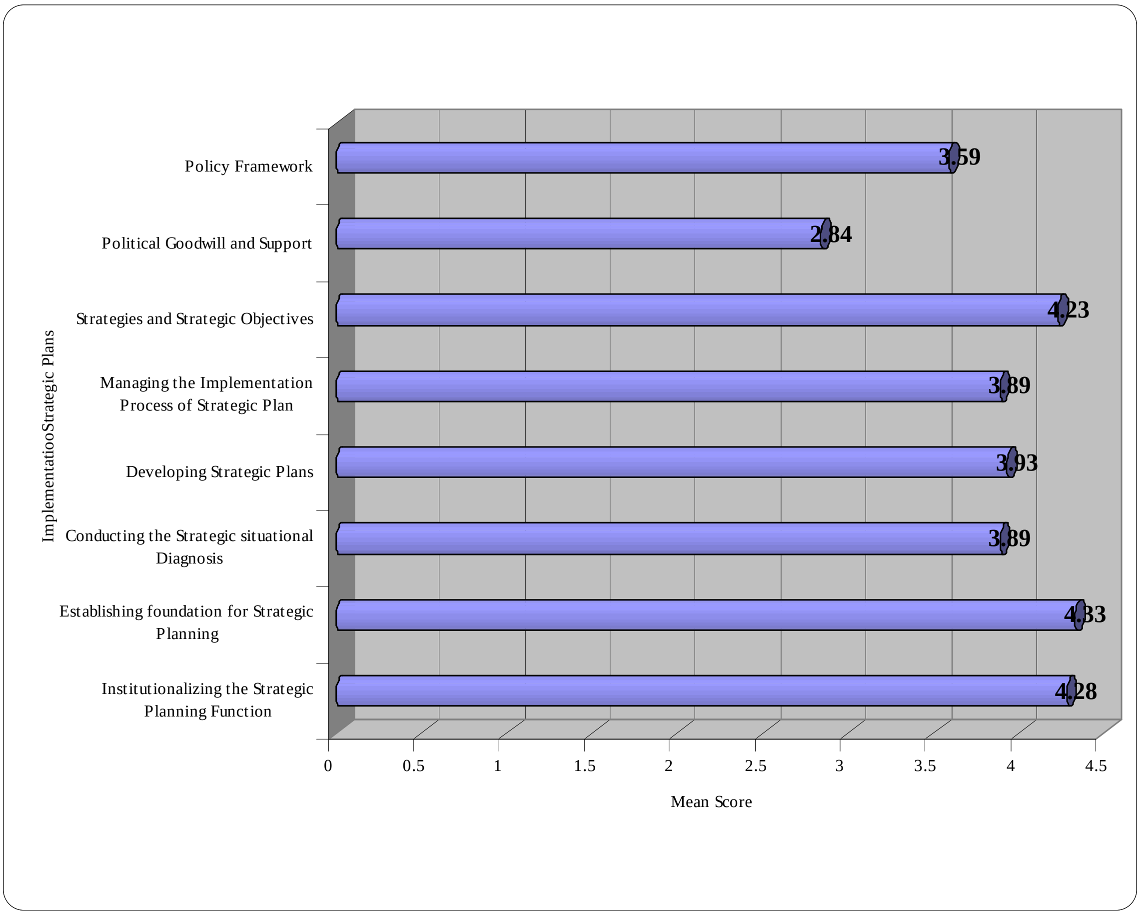

Figure 4.10: Summary of Factors Considered During Implementation of Strategic Plans

4.5 Implementation of Strategic Plans in State Corporations

This section provides the analysis of the status of the process of implementation of strategic plans among the state corporations. It shows how the implementations were carried out, what objectives had been realized so far, the status of the environment under which the state corporations operated and the level of performance of the state corporations. The implementation process, strategic objectives, and environmental conditions were measured on a five-point Likert-type scale, indicating the extent to which the various statements applied to the implementation process. In the Likert-type scale, '1' represented no agreement at all with the statement; '2' represented agreement with the statement to just a little extent; '3' represented moderate agreement with the statement; '4' represented agreement to a great extent; and '5' represented agreement to very great extent.

4.5.1 Level of Implementation of Strategic Plans

Implementation of strategic plans happens in stages and there are clear milestones which act as indicators of progress in the implementation process. Between the milestones, there are also certain activities or best practices which must be undertaken in a sound implementation plan.

Table 4.7: Institutionalizing the Strategic Planning Function

	N = 83	
Items	**Mean**	**Std. Dev**
Top executive take formal responsibility for the organization's strategic business planning	4.44	0.812
Strategic planning is a top priority activity, performed on regular basis e.g., each year	4.23	0.923
The organization provides resources (managers' time, money, staff support, etc) earmarked specifically for strategic planning activities.	4.20	0.929
The organization follows a defined set of procedure in its strategic planning process	4.19	0.925
All managers whose work might be affected significantly by strategic planning participate in the planning process	4.36	0.952
Grand Mean and Standard Deviation	**4.28**	**0.771**

According to the statistics in Table 4.7, all the indicators of institutionalization of strategic planning functions had mean scores ranging from 4.19 to 4.44, with a grand mean of 4.28 and standard deviation of 0.771. The Likert-type scale used indicated that a mean score of 4, with a standard deviation less than 2, implies that the strategic planning functions had been implemented to a great extent. Therefore, the findings show that on average all the corporations had institutionalized strategic planning functions during the implementation of their strategic plans.

Table 4.8: Establishing Functions for Strategic Planning

Items	N = 83	
	Mean	**Std. Dev**
The organization has a written mission statement	4.79	0.660
All management and higher level staff are aware of the mission and understand it	4.38	0.849
Organization has written long-term (3-5years) and short-term (1 year) goals	4.38	0.849
Organization's goals list quantified, measurable targets (e.g., volume, market share, growth rate profitability)	4.28	0.954
Where appropriate, the goals specify targets by location or geographic area	4.06	1.029
When appropriate, the goals list quality, timeframe and cost targets and are observable and measurable	4.17	0.940
The organization systematically measures actual performance vs. set goals	4.23	0.992
Grand Mean and Standard Deviation	**4.33**	**0.703**

The findings in Table 4.8 show that on average all the corporations had established a written mission statement and that all top management staff were aware of the respective mission statement, and had clearly defined measurable long-term and short-term goals with specified targets by location and geographical area. On average, the organizations to a great extent carried out systematic measurements of actual performance against their set goals and had well established foundations for strategic planning. All the indicators of establishment of foundation for strategic planning had mean scores ranging from 4.06 to 4.79, with a grand mean score of 4.33 and standard deviation of 0.703. This means that on average the corporations to a great extent had well established foundations for the strategic planning in their implementation processes. The overall standard deviation is well within the acceptable range of two standard deviations, considering that a five-point Likert-type scale was used.

The results suggest that a majority of corporations are formal planners involved in rational planning as indicated by the extensiveness of the planning process and formally written documentation (Burnside, 2002; Andrews *et al*, 2011). Also emphasis was placed on tracking actual performance implying those state corporations have gone beyond planning and incorporated evaluation and control mechanisms in the implementation of strategies.

Table 4.9: Conducting the Strategic Situational Diagnosis

	N = 83	
Items	**Mean**	**Std. Dev**
The organization periodically gathers and analyzes data about market and other external factors, which affect the business	3.87	1.084
The business performance and operational characteristics are compared with those of competitors	3.57	1.181
The organization assesses the industry as a whole in terms of new competitors and concepts, new technologies, procurement practices, price trends and labour practices	3.68	1.023
The organization assesses institutional factors such as cost and availability of capital, government regulations and the economy	4.35	0.803
The organization regularly collect information about the industry, markets and other external factors	3.96	1.017
The organization analyzes to identify key strength and weakness in the organization	4.00	1.048
We conduct regular internal analysis to identify key strengths and weaknesses in the organization	3.98	0.929
The organization regularly assesses its human resources development and management programs	3.88	1.041
Grand Mean and Standard Deviation	**3.89**	**0.808**

Table 4.9 shows that the indicators of strategic situational diagnosis had mean scores ranging between 3.57 and 4.35, with a grand mean of 3.89 and standard deviation of 0.808. This grand mean can be approximated to 4, which, in the Likert-type scale, implies that during the

implementation of strategic plans the organizations conducted strategic situational diagnosis. The overall standard deviation of 0.808 indicates that the true mean is within the range between 3.082 and 4.698, which is within the acceptable range for the five-point Likert-type scale. The findings confirm that state corporations carry out an internal analysis in line with the strategic planning process, key of them being the identification of strengths and weaknesses in the organization.

Table 4.10: Developing Strategic Plans

	N = 83	
Items	**Mean**	**Std. Dev**
Strategic (situational) diagnosis considers market penetration options, e.g., pricing / promotion , market expansion, segmentation	3.74	1.163
Strategic (situational) diagnosis considers organization and management options e.g., restructuring, purchasing competitive business	3.81	1.109
The organization decides its strategic plan(s) based on the feasibility and risk return criteria	3.98	1.036
The organization uses the strategic (situational) diagnosis to formulate strategic plans options	4.20	0.823
Grand Mean and Standard Deviation	**3.93**	**0.893**

The findings show that before the implementation of strategic plans, certain considerations such as market penetration options, organization and management options, feasibility and risk returns, and formulation of strategic plan options, were taken into account. The findings further show that indicators of development of strategic plans had scores ranging between 3.74 and 4.2, with a grand mean of 3.93 and standard deviation of 0.893, as is given in Table 4.10. The overall standard deviation is within the acceptable range of two standard deviations. This implies that all the above development options were analyzed with a nexus depicted in the strategic planning process where a majority of the corporations utilized the results of the situational diagnosis to develop their strategic plans and provides further proof that strategic planning was actually executed.

4.5.2 Process of Implementation of Strategic Plans

Table 4.11 presents the summary scores for the management of the implementation process. It shows that the indicators had mean scores ranging between 3.02 and 4.24, with a grand mean of 3.89 and standard deviation of 0.818, the latter being within the acceptable range of two standard deviations for a five-point Likert-type scale. This implies that during the implementation, rewarding individuals who performed their responsibilities successfully was given moderate attention, while all the other implementation process indicators (such as strategic decision making, assigning lead responsibilities to individuals, allocating sufficient resources, setting clearly defined and measurable performance standards, and regular reviews of monitoring data and revision of strategic decisions) were given greater emphasis.

The performance-reward linkages are not clear as the parameter had the least mean score of 3.02 followed by limited resources with a mean of 3.76. These findings are consistent with previous researches that indicate high level of dependencies of public agencies on government due to lack of autonomy among public sector managers to acquire funding. This eventually forces managers in public institution to engage in political practices so as to receive resources in light of budgetary conditions set by government. In addition lack of appraisal systems also points to the poor reward systems within the public sector (Kovach and Mandell, 1990; Backoff *et al*, 1993; Fleming *et al*, 2005).

Table 4.11: Managing the Implementation Process of Strategic Plan

Items	N = 83	
	Mean	**Std. Dev**
The organization makes strategic decision(implementation of action plans) based upon the strategic plan	4.23	0.883
The organization clearly assigns lead responsibility for action plan implementation to a person or alternately, to a team	4.21	0.893
Sufficient resources are allocated for implementation each year	3.76	1.071
The organization sets clearly defined and measurable performance standards for each plan element	4.24	0.913
The organization has an organized system for monitoring how well performance standards are met	4.00	1.082
The organization reviews monitoring data regularly, and revise strategic decisions as appropriate from time to time	3.79	1.203
Individual responsibility for strategic planning and implementation get rewarded for successful performance	3.02	1.251
Grand Mean and Standard Deviation	**3.89**	**0.818**

Table 4.12 gives the findings of the level of implementation of strategies and their derived strategic objectives. It can be seen that a grand mean of 4.23 with a standard deviation of 0.694 was achieved, which, according to the Likert-type scale, implies that these strategies had been implemented to a great extent by the state corporations. All the individual indicators for strategies and strategic objectives had a mean of at least 4.01, meaning all were implemented to a great extent by the corporations. From the findings it can be confirmed that implementation of strategic plan is done in a rational and systematic manner.

Table 4.12: Implementation of Strategies

Items	N = 83	
	Mean	**Std. Dev**
Strategy planning cycle one	4.32	1.183
Strategy planning cycle two	4.50	1.291
Strategy planning cycle three	4.80	1.344
Information and communication technology (ICT)	4.11	1.019
Institutional capacity development	4.08	0.886
Governance, leadership and management	3.99	0.981
Financial sustainability	3.68	1.132
Integrated regional development planning	3.93	1.480
Resources mapping and data bank development	3.90	1.411
Natural resources conservation and management	4.40	1.489
Integrated community development programs	4.01	1.526
Regional co-ordination, monitoring and evaluation	4.11	1.473
Investment promotion and resource mobilization	4.29	1.329
Enhancement of partnership with customers and stakeholders	4.17	1.034
Creation of an enabling environment and policy framework that promotes research, development and other value adding services	4.20	1.276
Educate and conduct outreach programs to industry	4.34	1.319
International and regional co-operation	4.31	1.189
Expansion of information technology and institutional infrastructure	4.28	1.108
Improvement of corporate image	4.33	0.938
Expansion of the industry	4.35	0.993
Benefit maximization	4.20	1.145
Market penetration	4.33	1.228
Product development	4.35	1.301
Cost rationalization	4.08	1.150
Quality service delivery to stakeholders	4.20	0.793
Improvement of internal business process for quality service delivery	4.14	0.939
Grand Mean and Standard Deviation	**4.23**	**0.694**

4.5.3 Proportions of Strategies Implemented

This sub-section provides the analysis of the level of implementation of strategic plan, captured by the proportion of strategies implemented, among the state corporations. It gives the average numbers and percentages of strategies implemented in the various strategy planning cycles undertaken by the state corporations under study.

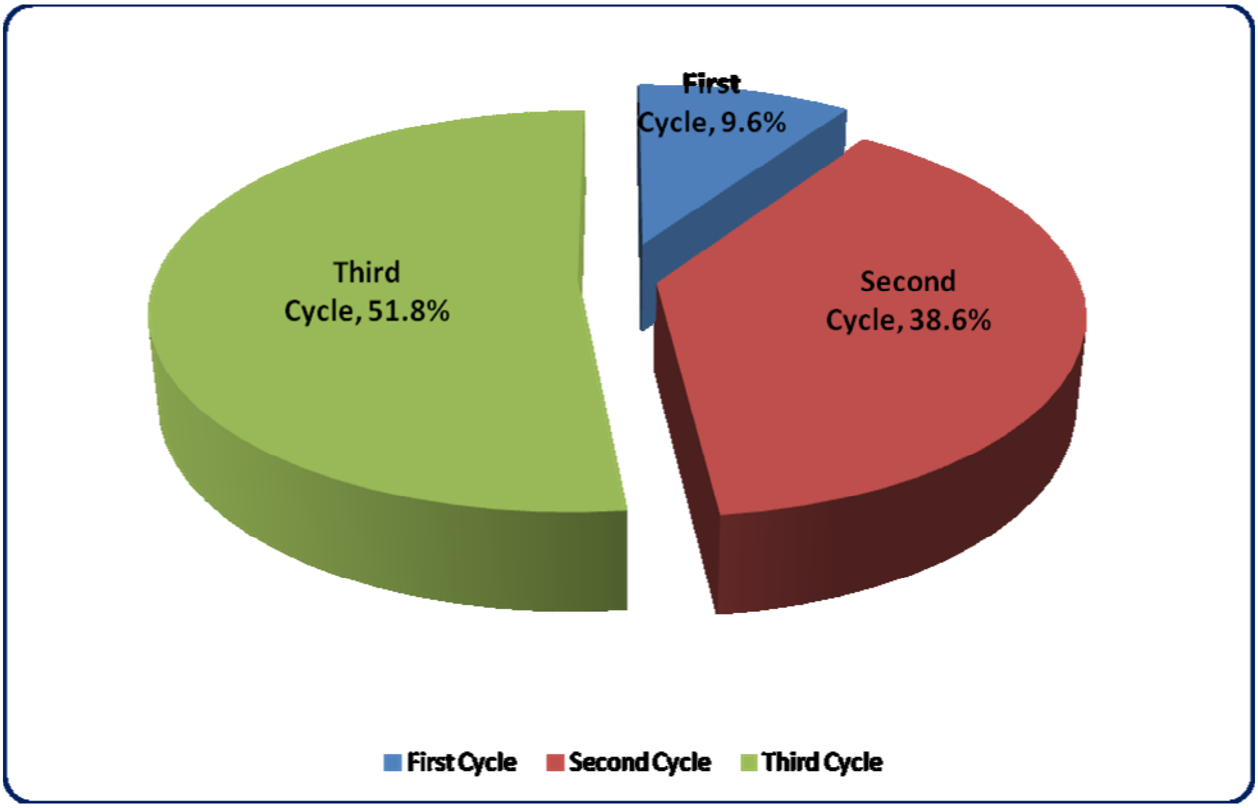

Figure 4.11: Stages of the Planning Cycles Undertaken

Figure 4.11 shows that at the time the survey was conducted, 9.6% of the corporations were still in their first strategic planning cycle and had already implemented an average of 67.3% of the strategies planned for the first cycle, as is reflected in Table 4.13. The findings shown in Figure 4.11 and in Table 4.13 also indicate that 38.6% of the corporations had moved on to the second strategic planning cycle and had, on average, implemented 68.7% of the strategies planned to be undertaken in the second cycle. This was after implementing 79% of the strategies they had formulated in the first cycle, giving them an overall level of implementation of 73.8%. Further, more than half (51.8%) of the organisations were in their third planning cycle and had implemented 80.0% of the strategies in this cycle. These agencies had earlier completed implementation of, on average, 88.1% of the strategies in the second cycle and 83.4% in the first cycle, resulting in an overall implementation average of 83.5%.

Table 4.13: Proportions of Strategies Implemented

Strategy Planning Stage	Corporations		Proportion of Strategies Implemented			
	N	**Percent**	**Cycle 1**	**Cycle 2**	**Cycle 3**	**Overall**
First Cycle	8	9.6	67.3%	-	-	67.3%
Second Cycle	32	38.6	79.0%	68.7%	-	73.8%
Third Cycle	43	51.8	83.4%	88.1%	80.0%	83.5%
Total	83	100.0	-	-	-	-

These findings presented in Figure 4.11 and in Table 4.13 are consistent with those given in Table 4.12 where the respondents rated the three strategy planning cycles as having been implemented to a great extent. All the organisations had implemented or were in the process of implementing the first strategic planning cycle, while more than 90% of them had progressed to the second and third planning cycles.

Table 4.14 summarizes the overall proportions of the strategies implemented by all the corporations and by the two categories of commercial and non-commercial state corporations. In general the average proportion of implementation of strategies among the state corporations was 78.38%. Commercial corporations had done an average of 75.80% while the non-commercial ones averaged at 80.56%.

Table 4.14: Overall Level of Implementation of Strategies

Categories	N	Mean Percentage	Std. Deviation
Combined	83	78.38	18.73
Commercial	38	75.80	19.78
Non-Commercial	45	80.56	17.72

4.6 Performance of State Corporations

The performance of the state corporation was the dependent variable in this study. Performance of the corporations was measured in two ways: Firstly, using financial indicators (Return on Sales and Return on Assets) for commercial state corporations, and secondly, by a non-financial indicator (Customer Satisfaction Index) for those state corporations that are non-commercial. Both the financial and non-financial indicators covered a period of three years (2007 and 2009). Since the study was cross-sectional, the average for the three years was used as the overall measure of performance over that period. The trends of each of the indicators over the three-year period are shown in the charts in the following sub-sections.

4.6.1 Financial Performance of State Corporations

Return on Sales (ROS) was used to measure the financial performance of the commercial state corporations. It is defined as the ratio between net income (before interest and tax) and total sales. ROS provides insight into how much profit is made per unit of sale. It is best to compare a company's ROS over time to look for trends, and compare it to other firms in the industry. An increasing ROS indicates the company is becoming more efficient, while a decreasing ROS could signal looming financial troubles.

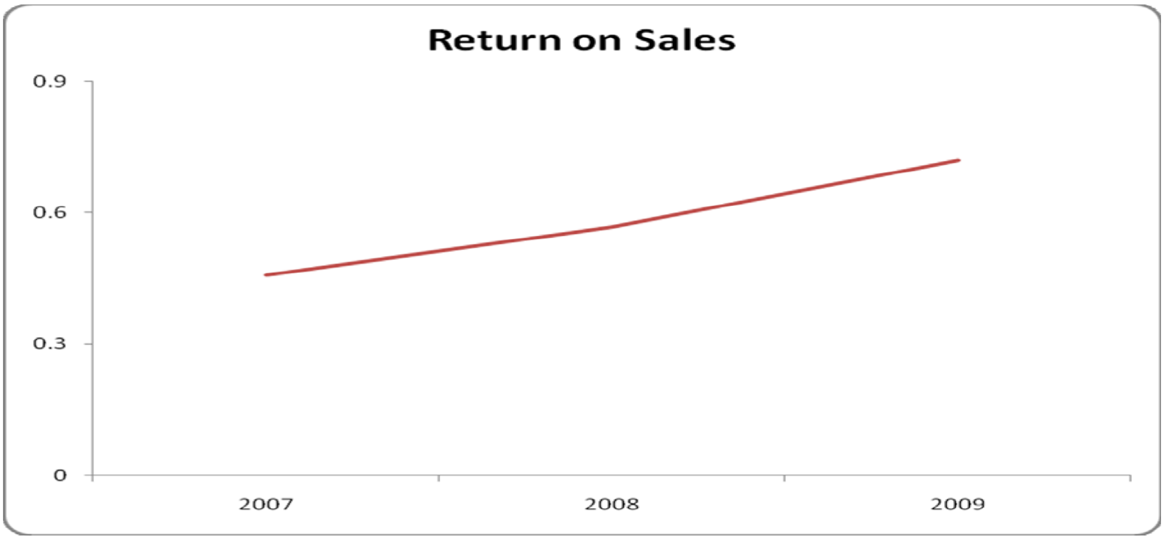

Figure 4.12: Performance of Commercial Corporations as Measured by ROS (Financial Performance)

The findings in Figure 4.12 show that the last three years had been marked with an increase in return on sales, especially between the years 2008 and 2009. The two-year interval from 2008 to 2009 reflects the economic recovery period just after the 2007 General Election.

4.6.2 Efficiency of State Corporations

Return on Assets (ROA) was used to measure the operational efficiency of the commercial state corporations. It is defined as the ratio between an organizations net income (before interest and tax) and its total assets. ROA is a good indicator of the management efficiency in using company assets to generate earnings. It is important to compare an organization's ROA over time to look for trends of growth or decline. An increasing ROA indicates the firm is efficient at using its assets to generate income for growth.

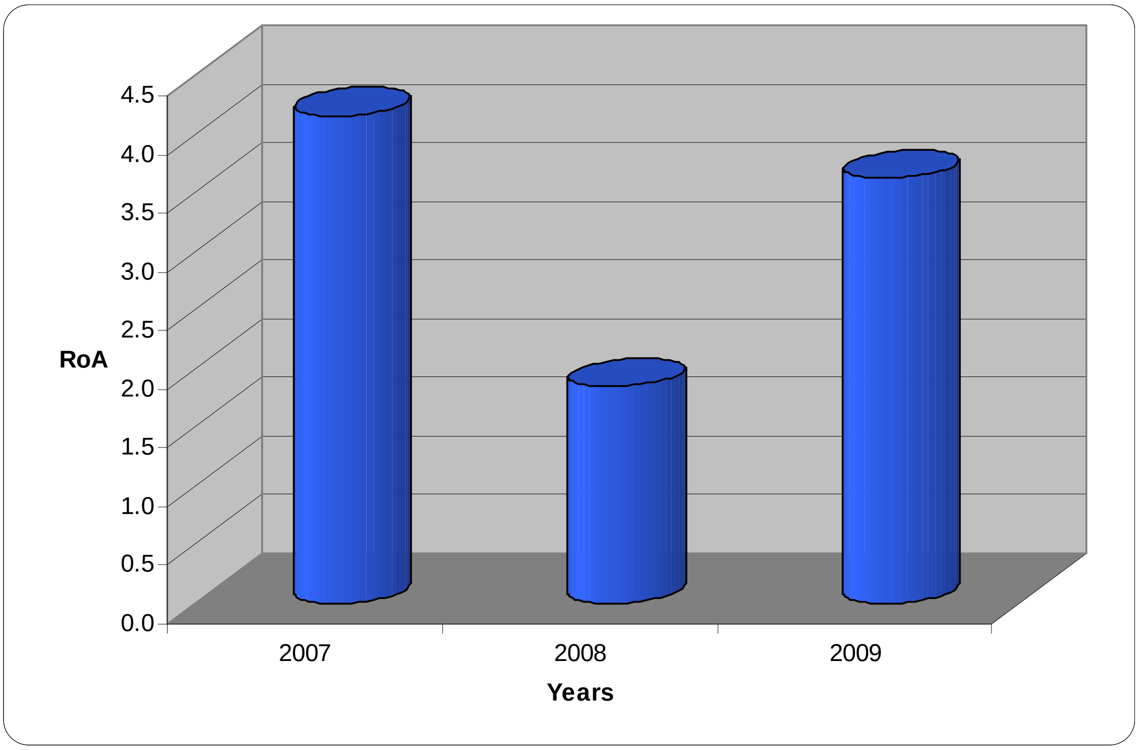

Figure 4.13: Performance of Commercial Corporations as Measured By ROA (Efficiency)

The findings given in Figure 4.13 show that between the year 2007 and 2008, there was a sharp drop in return on assets among the commercial state corporations. This could be attributed to the period immediately before the 2007/8 General Election and the resulting post election violence. In 2009 the return on assets started improving again indicating a gradual recovery by these organizations.

4.6.3 Effectiveness of State Corporations

Customer satisfaction was used to capture the performance of the non-commercial state corporations. Customer satisfaction is critical to any organization's success. Customer satisfaction index provides a yardstick with which to measure the effectiveness of an organization and to benchmark it against its competition. A dropping trend in levels of customer satisfaction is a clear signal of bad management and eminent collapse of an organization because dissatisfied customers will simply walk away.

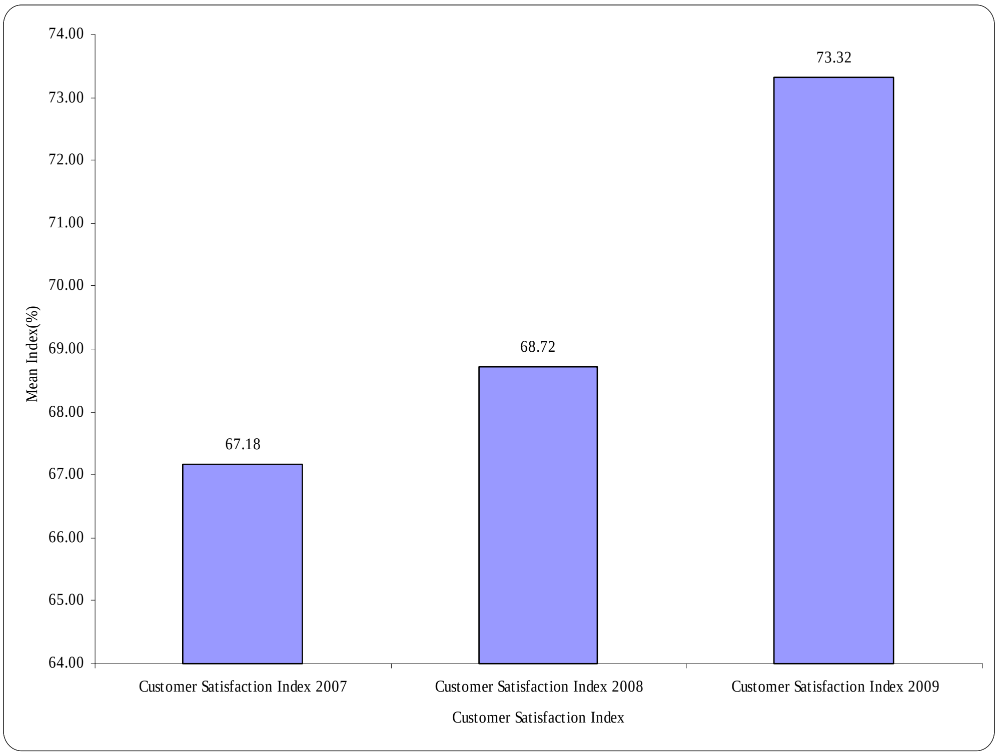

Figure 4.14: Performance of Non-Commercial Corporations as Measured By CSI (Effectiveness)

As is shown in Figure 4.14, there was also a steady increase in mean performance in terms levels of customer satisfaction from 67.18% in 2007 to 73.32% in 2009. The study also found the same trend in employee satisfaction where an increase from 62.92% in 2007 to 67.54% in 2009 was observed. These observed increases in corporate performance could be attributed to the performance contracting and proper implementation of strategic plans by the organizations.

4.7 Test of Hypotheses

In this study the main objective was to examine the nature of the effects of environmental context on the effect of the level of implementation of strategic plans on the performance of the state corporations in the Kenyan public sector. This objective was realized by answering the following research question: how does the environmental context affect the relationship between implementation of strategic plans and performance of state corporations?

The study had several hypotheses, which are discussed in the four sections that follow. The first section introduces the moderating effect of the environmental context that was operationalized by use of political goodwill and support, and policy framework. The state corporations were categorised as either commercial or non-commercial. The commercial category included those organisations involved in income generating activities, allowing them to either make profits or losses. The performance of such organisations was gauged using two financial performance indicators, namely ROS and ROA. On the other hand, non-commercial state corporations are those whose core activities are not-for-profit. This latter category included tertiary education and training institutes, research institutes, public universities, regional development authorities, regulatory authorities and some service corporations. Non-commercial corporations are either funded by the government or rely on levies that they collect from the industries that they regulate. The performance of non-commercial corporations was measured using a non-financial indicator, namely the Customer Satisfaction Index. However, customers satisfaction as a measure of performance, was not applied only to non-commercial corporations, since even the commercial ones have to meet customer needs in order to continue operating.

The second section addresses the hypotheses concerning only commercial corporations and considers their implementation of strategic plans and financial performance. The last two sections provide the results of the hypotheses involving both commercial and non-commercial state corporations; focusing on their implementation of strategic plans versus their effectiveness. For the entire hypothesis testing, statistical tests for significance were done at 95% confidence level; therefore, the threshold for the p-value was 0.05.

4.7.1 Test for Moderating Effects

Multiple regression analyses were used to test the extent to which environmental context (political goodwill and support, and policy framework) moderate the relationships between the level of implementation of strategic plans and performance of state corporations. Linear-by-linear interaction terms were created by multiplying the proposed moderators by the independent variables (Stone and Hollenbeck, 1988). After entering the proposed main effects into the equation, the multiplicative terms were added. The regression weights for the multiplicative terms were then examined for significance. The regression analyses results are discussed in the following sub-sections for each hypothesis.

4.7.1 Environmental Context, Strategic Plans and Financial Performance of Commercial State Corporations

This sub-section presents the testing of hypotheses touching on the relationships between the environmental context, implementation of strategic plans and the financial performance of commercial state corporations only. These are the corporations for which the chosen financial performance indicators of ROS and ROA are applicable.

4.7.1.1 Analysis of the Effect of Political Goodwill and Support on the Relationship between Implementation of Strategic Plans and Financial Performance (ROS)

The first objective of the study sought to determine the effect of political goodwill and support on the relationship between implementation of strategic plans and financial performance of commercial state corporations. The hypothesis tested for this objective was:

H1: The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends on the political goodwill and support.

The H1 hypothesis statement proposes that political goodwill and support have a significant effect on the relationship between the levels of implementation of strategic plans and financial performance of the commercial state corporations. In other words, it suggests that when the political goodwill and support are favourable, the proportions of strategies in the strategic plans of state corporations that get implemented have a significant and positive relationship with the corporations' return on sales. To determine this, a multiple regression analysis was used and the results are shown in the following tables:

Table 4.15: Test of Model Goodness of Fit – PSI, ROS and PGWS

	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Regression	0.495	3	0.165	3.314	0.042
Residual	0.945	19	0.050		
Total	1.440	22			

Predictors: (Constant), Political Goodwill and Support X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Political Goodwill and Support.
Dependent Variable: Return on Sales

Table 4.15 summarizes statistics for the goodness of fit of the model for testing the moderating effect of political goodwill and support. It presents information that can be used to determine whether or not the model can significantly explain the variations in the return on sales of the state corporations. The statistics in Table 4.15 show that there is a perfect model fit with F = 3.314, which is statistically significant with $p < 0.05$. This means that the model specification is correct and that the model can be used to determine the financial performance of state corporations. Table 4.16 shows the predictive power of the model.

Table 4.16: Model Summary – PSI, ROS and PGWS

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df2	Sig. F Change
0.586	0.344	0.240	0.22304	0.344	3.314	19	0.042

Predictors: (Constant), Political Goodwill and Support X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Political Goodwill, and Support

Table 4.16 indicates that R = 0.586, which is also statistically significant since $p < 0.05$. This implies that there is a significant relationship between the proportions of strategies in the strategic plans implemented and financial performance. The table further shows that the adjusted $R^2 = 0.240$ with $p < 0.05$. This indicates that linear combination of the predictors explains 24.0% of the variance in performance of state corporations as measured through their return on sales. This is acceptable given the study only focused on whether the selected indicators are significant predictors of performance, without modelling for performance indicators in general. This also applies to the results of the predictive power of models for the other hypotheses that follow below. The beta coefficients presented in Table 4.17 give the individual significance of the independent variables in the model, including the interaction term.

Table 4.17: Beta Coefficients – PSI, ROS and PGWS

	Non-standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-3.11	1.64	0.00	-2.54	0.04
Proportion of Strategies Implemented	2.84	1.64	0.99	2.33	0.06
Political Goodwill and Support	4.86	1.81	3.12	3.60	0.01
Political Goodwill and support X Proportion of Strategies Implemented	2.88	1.14	3.40	3.39	0.01

Dependent Variable: Return on Sales

Table 4.17 shows that the proportion of strategies implemented variable has $\beta = 0.99$ and $t = 2.33$ at $p = 0.06$; the political goodwill and support variable has $\beta = 3.12$ and $t = 3.60$ at $p < 0.05$; and the interaction term has $\beta = 3.40$ and $t = 3.39$ with $p < 0.05$. These statistics indicate that the proportion of strategies implemented on its own has no significant effect on return on sales since the p-value is greater than 0.05. On the other hand, political goodwill and support as well as the interaction term have significant effects on return on sales. These findings imply that political goodwill and support moderate the relationship between the proportions of strategies implemented and the return on sales of the commercial state corporations.

This finding is consistent with hypothesis number one ($H1_a$) and, therefore, this hypothesis is accepted as it is. In this case, the moderating effect of political goodwill is consistent with previous research conducted by Glaister *et al* (2007), who verified that the relationship between formal strategic planning and firm performance is stronger for firms with high political influence which they measured using environmental turbulence.

4.7.1.1.1 Testing for the Simple Effects of PGWS on PSI and ROS

The foregoing regression results indicate that the interaction term has a significant effect. In order to confirm the moderation effect of political goodwill and support, the simple effect of the interaction term was tested by deriving simple slopes when the moderator is high and when it is low. The following equation was extracted and used to derive the slopes.

$$ROS = 2.84PSI + 4.86PGWS + 2.88(PSI \times PGWS) - 3.11$$

A positive standard deviation of one was used for the “high” critical value and a negative standard deviation of one for the “low” critical value of the respective variables. Therefore, for political goodwill and support, a “high” translated to +0.757 and a “low” to -0.757. Similarly for the proportion of strategies implemented, +0.594 and -0.594 were used for the “high” and “low” values, respectively. Table 4.18 shows the ROS figures calculated from the equation above.

Table 4.18: ROS Figures for Critical Values of PSI and PGWS

	PSI Low	PSI High	Slope
PGWS Low	-7.181	-6.397	0.660
PGWS High	-2.413	3.551	5.020

The simple slopes given in Figure 4.15 were plotted using the figures presented in Table 4.18. The slope of the graph obtained when political goodwill and support is low is 0.660, while the slope for when political goodwill and support is high is 5.020.

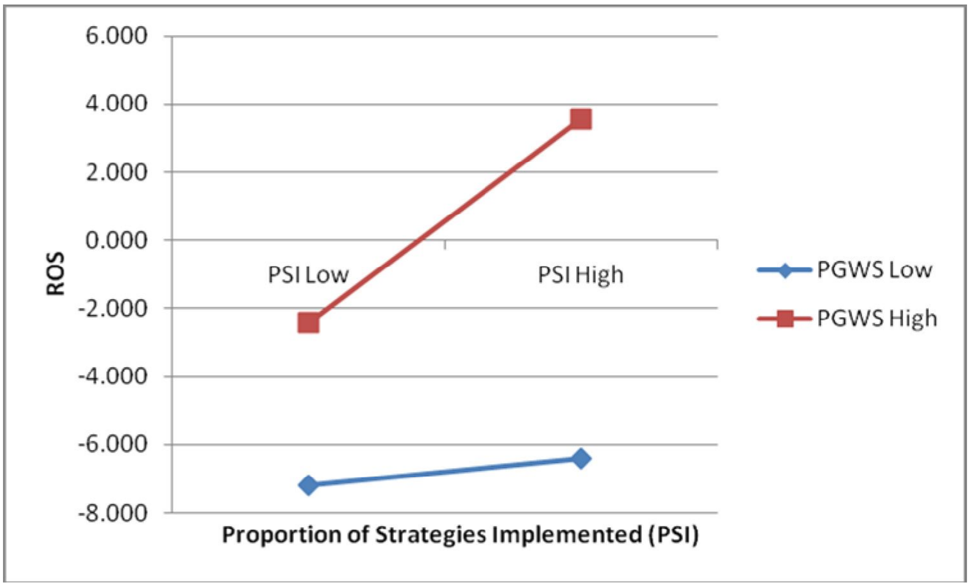

Figure 4.15: Plot of Simple Slopes - PSI, ROS and PGWS

Significant tests of the plots in Figure 4.15 indicated that when political goodwill and support is high the slope is significant, with t=3.02, p=0.01. On the other hand, when political goodwill and support is low, the slope is not significant, with t=0.585, p=0.0.94. These tests imply, therefore, that when political goodwill and support is low there is no moderating effect on the relationship between the proportions of strategies implemented and ROS. However, under conditions of high political goodwill and support, this relationship is strong. Figure 4.15 thus depicts the nature of the relationship between proportions of strategies implemented and ROS as asserted by Glaister *et al* (2007).

4.7.1.2 Analysis of the Effect of Policy Framework on the Relationship between Implementation of Strategic Plans and Financial Performance (ROS)

The second objective of the study sought to determine the effect of policy framework on the relationship between implementation of strategic plans and financial performance of state corporations. The hypothesis tested for this objective was:

H2: The relationship between the proportions of strategies in the strategic plans implemented and return on sales in state corporations depends on the policy framework.

The H2 hypothesis statement proposes that the policy framework governing commercial state corporations has a significant effect on the relationship between the levels of implementation of strategic plans and financial performance of the corporations. Put another way, it means that when the policy framework is favourable then proportions of strategies that get implemented in the strategic plans have a positive relationship with the corporations' return on sales. Multiple regression analysis was used to analyze this relationship. The results are shown in the following tables:

Table 4.19: Test of Model Goodness of Fit – PSI, ROS and PF

	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Regression	0.529	3	0.176	3.683	0.030
Residual	0.910	19	0.048		
Total	1.440	22			

Predictors: (Constant), Policy Framework X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Policy Framework.
Dependent Variable: Return on Sales

Table 4.19 summarizes statistics for the goodness of fit of the model used. It examines whether the model can be used to explain the variations in the return on sales of the state corporations. The table shows that there was a good model fit with F = 3.683, which is statistically significant at p = 0.03. This is an indication of a good model specification and that the data fits the model well. Table 4.20 shows the predictive power of the model.

Table 4.20: Model Summary – PSI, ROS and PF

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df2	Sig. F Change
0.606	0.368	0.268	0.21890	0.368	3.683	19	0.030

Predictors: (Constant), Policy Framework X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Policy Framework

Table 4.20 indicates that R = 0.606 with $p < 0.05$. This means that there is a significant relationship between levels of implementation of strategic plans and financial performance of commercial state corporations. The table further shows that the adjusted $R^2 = 0.268$ with $p < 0.05$. This implies that linear combination of the predictors explains 26.8% of the variance in performance of the state corporations as measured through their return on sales. This is acceptable given that the study only focused on whether the selected indicators are significant predictors of performance, without modelling for performance indicators in general. The beta coefficients, presented in Table 4.21, give the individual significance of the independent variables in the model, including the interaction term.

Table 4.21: Beta Coefficients – PSI, ROS and PF

	Non-standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.146	1.025		-0.142	0.888
Proportion of Strategies Implemented	0.007	0.014	0.550	0.459	0.651
Policy Framework	0.291	0.312	0.906	0.931	0.364
Policy framework X Proportion of Strategies Implemented	-0.004	0.004	-1.706	-0.955	0.351

Dependent Variable: Return on Sales

Table 4.21 shows that all the independent variables used in the model, including the interaction term, have p-values greater than 0.05. This is a confirmation that individually all the independent variables have no significant effect on the financial performance of state corporations. This finding proves that policy framework does not have a moderating effect on the relationship between levels of implementation of strategic plans and return on sales of the state corporations. The finding is inconsistent with hypothesis number two ($H2_a$) and, therefore, the hypothesis is rejected. However, the null hypothesis ($H2_b$), which predicted otherwise, is accepted. This result is consistent with the earlier assertion by Pressman and Wildavsky (1984) that policymakers divorce themselves from the intricacies of implementation, meaning that how commercial state corporations then perform in the process of furthering the objectives of set policies has little bearing with the same policies.

4.7.1.3 Analysis of the Effect of Political Goodwill and Support on the Relationship between Implementation of Strategic Plans and Efficiency (ROA)

The third objective of the study sought to determine the effect of political goodwill and support on the relationship between implementation of strategic plans and efficiency of state corporations. The hypothesis tested for this objective was:

H3: The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends on the political goodwill and support.

The H3 hypothesis statement proposes that the political goodwill and support enjoyed by commercial state corporations significantly affect the relationship between their levels of implementation of strategic plans and efficiencies. This implies that in an environment with favourable political goodwill and support the proportion of strategies in the strategic plans implemented can lead to a positive change in efficiency of the state corporations. To show this, a multiple regression analysis was used and the results are presented in the following tables.

Table 4.22: Test of Model Goodness of Fit – PSI, ROA and PGWS

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.055	3	.018	5.993	.011
Residual	.033	17	.003		
Total	.088	20			

Predictors: (Constant), Political Goodwill and Support X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Political Goodwill, and Support.
Dependent Variable: Return on Assets

Table 4.22 summarizes statistics for the goodness of fit of the model for testing the moderating effect of political goodwill and support. It presents information that can be used to determine whether or not the model can significantly explain the variations in the return on assets of the state corporations. The statistics in the table indicate that the model has F = 5.993 with $p < 0.05$. This means that the model is significant and can be used to predict the efficiencies of state corporations in terms of return on assets. Table 4.23 shows the predictive power of the model.

Table 4.23: Regression Model Summary – PSI, ROA and PGWS

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df2	Sig. F Change
.788	.620	.517	.05511	.620	5.993	17	.011

Predictors: (Constant), Political Goodwill and Support X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Political Goodwill, and Support.

The goodness of fit of the model has been tested and found to be significant. Table 4.23 shows that R = 0.788 at p = 0.011, which implies that there is a very significant (since p-value is less than 0.05) relationship between the proportions of strategies in the strategic plans implemented and efficiencies of state corporations. Table 4.23 further indicates that the adjusted $R^2 = 0.517$ with $p < 0.05$. This means that a linear combination of the predictors explains up to 51.7% of the variance in return on assets. The beta coefficients presented in Table 4.24 give the individual significance of the independent variables in the model, including the interaction term.

Table 4.24: Beta Coefficients – PSI, ROA and PGWS

	Non-Standardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	-.872	.347		-2.516	.029
Proportion of Strategies Implemented	.010	.004	2.523	2.573	.026
Political Goodwill and Support	.352	.108	3.319	3.273	.007
Political Goodwill and Support X Proportion of Strategies Implemented	-.004	.001	-4.158	-3.109	.010

Dependent Variable: Return on Assets

Table 4.24 shows that all the independent variables used in the model, including the interaction term, have significant effects on return on assets since the p-values are less than 0.05 in all cases: the proportion of strategies implemented variable has $\beta = 2.523$ and $t = 2.573$ at $p = 0.026$; the political goodwill and support variable has $\beta = 3.319$ and $t = 3.273$ at $p = 0.007$; and the interaction term has $\beta = - 4.158$ and $t = -3.109$ at $p = 0.01$. These statistics imply that political goodwill has a significant moderating effect on the relationship between the proportions of strategies in the strategic plans implemented and the return on assets. The study, therefore, concludes that political goodwill and support moderate the relationship between the level of implementation of strategic plans and the efficiency of state corporations. Hypothesis number three ($H3_a$) is, therefore, accepted.

4.7.1.3.1 Testing for the Simple Effects of PGWS on PSI and ROA

The regression results obtained indicate that the interaction term has a significant effect. In order to confirm the moderation effect of political goodwill and support, the simple effect of the interaction term was tested by deriving simple slopes when the moderator is high and when it is low. The following equation was extracted and used to derive the slopes.

$$ROA = 0.010PSI + 0.352PGWS - 0.004(PSI \times PGWS) - 0.872$$

Substituting the critical values of +0.757 and -0.757 for political goodwill and support, and +0.594 and -0.594 for proportion of strategies implemented in the equation above produces the ROA figures presented in Table 4.25.

Table 4.25: ROA Figures for Critical Values of PSI and PGWS

	PSI Low	**PSI High**	**Simple Slope**
PGWS Low	-1.146	-1.131	0.013
PGWS High	-0.610	-0.601	0.007

The simple slopes given in Figure 4.16 were obtained from the figures presented in Table 4.25. The slope of the graph obtained when political goodwill and support is low is 0.013, while the slope for when political goodwill and support is high is 0.007.

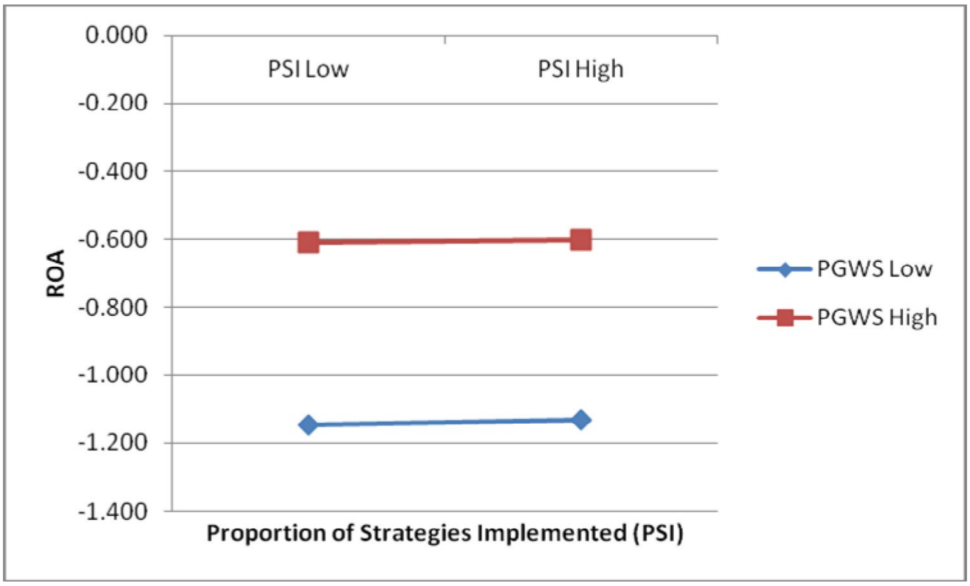

Figure 4.16: Plot of Simple Slopes - PSI, ROA and PGWS

Significant tests of the slopes indicated both are not significantly different from zero with t=0.522, p=0.871 and 0.615, p=0.913. Therefore, the significant interaction captured by the beta coefficients reported in Table 4.24 is likely to be around zero standard deviation. That is, the moderating effect of political goodwill and support on the relationship between the proportions of strategies implemented and ROA is likely to be significant for levels of political goodwill and support that are tightly concentrated around its mean.

4.7.1.4 Analysis of the Effect of Policy Framework on the Relationship between Implementation of Strategic Plans and Efficiency (ROA)

The fourth objective of the study sought to determine the effect of policy framework on the relationship between implementation of strategic plans and efficiency of state corporations. The hypothesis tested for this objective was:

H4: The relationship between the proportions of strategies in the strategic plans implemented and return on assets in state corporations depends on the policy framework.

The H4 hypothesis statement proposes that policy framework has a significant effect on the relationship between the level of implementation of strategic plans and the efficiency of commercial state corporations. This, therefore, implies that a favourable policy framework constitutes a good environment for proper implementation of strategic plans, which should eventually lead to higher efficiencies in the state corporations. To determine this, a multiple regression analysis was employed and the results are shown in Table 4.26.

Table 4.26: Test of Model Goodness of Fit – PSI, ROA and PF

	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Regression	.051	3	.017	5.029	.020
Residual	.037	17	.003		
Total	.088	20			

Predictors: (Constant), Policy Framework X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Policy Framework.
Dependent Variable: Return on Assets

Table 4.26 tests the significance or the goodness of fit of the model. It examines whether the model explains a significant part of the variations in the dependent variable. The statistics in the table show that there is a near-perfect model fit with F = 5.029 at p = 0.02. Since the p-value is less than 0.05, this means that the model fits the data well. Therefore, the specification of the model was correct and the model can be used to predict the efficiencies of commercial state corporations. Table 4.27 presents the predictive power of the model.

Table 4.27: Model Summary – PSI, ROA and PF

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df2	Sig. F Change
.760	.578	.463	.05808	.578	5.029	17	.020

Predictors: (Constant), Policy Framework X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Policy Framework

Table 4.27 shows that R = 0.760 with $p < 0.05$. This implies that there is a significant relationship between levels of implementation of strategic plans and efficiency. The table further shows that the adjusted $R^2 = 0.463$ with $p < 0.05$. This indicates that the model explains up to 46.3% of the variance in the efficiencies of state corporations as measured through the return on assets. The beta coefficients, presented in Table 4.28, give the individual significance of the independent variables in the model, including the interaction term.

Table 4.28: Beta Coefficients – PSI, ROA and PF

	Non- Standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.597	.468		3.415	.006
Proportion of Strategies Implemented	-.019	.006	-4.725	-3.288	.007
Policy Framework	-.408	.140	-3.213	-2.913	.014
Policy Framework X Proportion of Strategies Implemented	.005	.002	5.959	2.975	.013

Dependent Variable: Return on Assets

Table 4.28 provides information in support of the estimates for each independent variable. The table shows that the proportion of strategies implemented variable has β = -4.725 and t = -3.288 at p = 0.007; the policy framework variable has β = -3.213 and t = -2.913 at p = 0.014; and the interaction term has β = 5.959 and t = 2.975 at p = 0.013. Given that the p-values are considerably less than 0.05 in all cases, it can be deduced that policy framework has a strong influence on the relationship between the proportions of strategies implemented and the return of assets of commercial state corporations. This finding is consistent with hypothesis number four ($H4_a$) and, therefore, the hypothesis is accepted as it is.

The marked effect of policy framework on the relationship between the proportion of strategies implemented and ROA could be attributed to apparent separation between policy formulation and implementation, as noted out by Pressman and Wildavsky (1984), and the resulting resentment from implementers of the strategies. The resentment and frustration may lead to misapplication of assets in order to deliver the results desired by the policies.

4.7.1.4.1 Testing for the Simple Effects of PF on PSI and ROA

These regression results indicate that the interaction term has a significant effect. In order to confirm the moderation effect of policy framework, the simple effect of the interaction term was tested by deriving simple slopes when the moderator is high and when it is low. The following equation was extracted and used to derive the slopes.

$$ROA = - 0.019PSI - 0.408PF + 0.005(PSI \times PF) + 1.597$$

Substituting the critical values of +0.799 and -0.799 for policy framework, and +0.594 and -0.594 for proportion of strategies implemented in the equation above resulted in the ROA figures given in Table 4.29.

Table 4.29: ROA Figures for Critical Values of PSI and PF

	PSI Low	**PSI High**	**Simple Slope**
PF Low	1.937	1.909	-0.023
PF High	1.280	1.262	-0.015

The simple slopes given in Figure 4.17 were plotted from the figures shown in Table 4.29. The slope of the graph obtained when policy framework is low is -0.023, while the slope for when policy framework is high is -0.015.

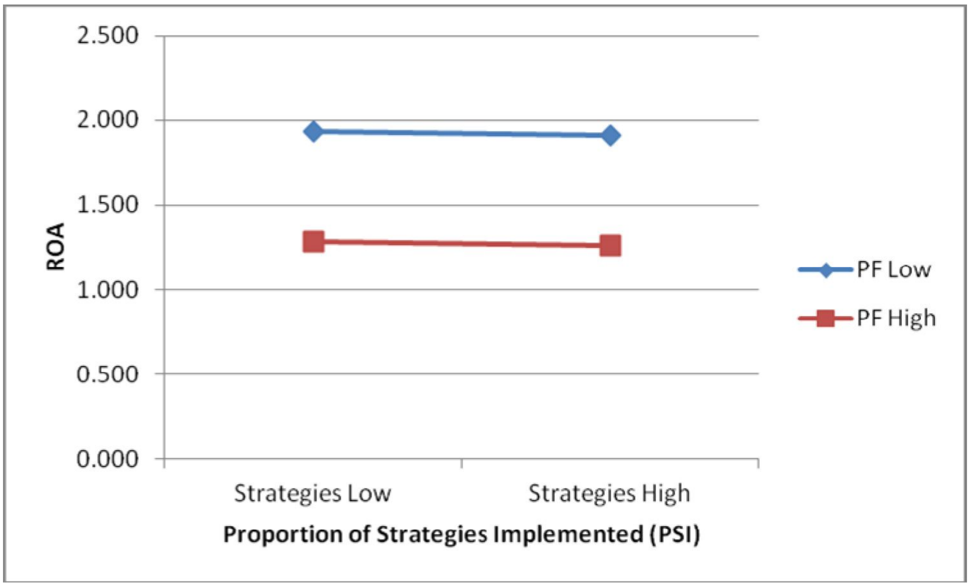

Figure 4.17: Plot of Simple Slopes - PSI, ROA and PF

Significant tests of the slopes indicated that the two slopes have no significant deviation from the zero, with t= -0.423, p=0.824 and t= -0.542, p=0.621. Therefore, the significant interaction captured by the beta coefficients reported in Table 4.28 is likely to be around zero standard deviation. That is, the moderating effect of policy framework on the relationship between the proportions of strategies implemented and ROA is likely to be significant for levels of policy framework that are closely concentrated around its mean.

4.7.2 Environmental Context, Strategic Plans and Effectiveness of Commercial and Non-Commercial State Corporations

4.7.2.1 Analysis of the Effect of Political Goodwill and Support on the Relationship between Implementation of Strategic Plans and Effectiveness (Customer Satisfaction Index)

The fifth objective of the study sought to determine the effect of political goodwill and support on the relationship between implementation of strategic plans and effectiveness of state corporations .The hypothesis tested for this objective was:

H5: The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends on the political goodwill and support.

The H5 hypothesis statement suggests that political goodwill and support have significant influence on the relationship between the proportions of strategies in the strategic plans implemented and the levels of customer satisfaction in the state corporations. It implies that when the political goodwill and support are favourable then proportions of strategies in the strategic plans implemented among the state corporations are positively related to customer satisfaction indices in the corporations. To demonstrate this, a multiple regression analysis with an interaction term added was conducted and the results are presented and discussed in the following paragraphs.

Table 4.30: Test of Model Goodness of Fit – PSI, CSI and PGWS

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	112.470	3	37.490	.184	.906
Residual	7530.533	37	203.528		
Total	7643.003	40			

Predictors: (Constant), Political Goodwill and Support X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Political Goodwill, and Support.
Dependent Variable: Customer Satisfaction Index

Table 4.30 summarizes statistics for the goodness of fit of the model for testing the moderating effect of political goodwill and support. It presents information that can be used to determine whether or not the model can significantly explain the variations in the levels of customer satisfaction at the state corporations. The statistics in the table show that there is no perfect model fit, with F = 0.184 at p = 0.906, a p-value that is considerably greater than 0.05. This means that the model does not fit the data well and, therefore, cannot be used to reliably predict the levels of customer satisfaction in the state corporations. Table 4.31 provides information on the total variation in the dependent variable that was explained by the variations in the independent variables.

Table 4.31: Model Summary – PSI, CSI and PGWS

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df2	Sig. F Change
.121	.015	-.065	14.26632	.015	.184	37	.906

Predictors: (Constant), Political Goodwill and Support X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Political Goodwill, and Support

From Table 4.31 it can be seen that R = 0.121 at p = 0.906. This implies that there is no significant relationship between the proportions of strategies in the strategic plans implemented and the effectiveness of state corporations. The table further shows that the adjusted R^2 = 0.065 with $p > 0.05$. This indicates that the model explains an insignificant amount (6.5%) of variance in the levels of customer satisfaction. The beta coefficients, presented in Table 4.32, give the individual contributions of the independent variables in the model, including the interaction term.

Table 4.32: Beta Coefficients – PSI, CSI and PGWS

	Non-standardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	69.878	56.167		1.244	.221
Proportion of Strategies Implemented	-.049	.659	-.065	-.075	.941
Political Goodwill and Support	1.478	16.238	.073	.091	.928
Political Goodwill and support X Proportion of Strategies Implemented	-.011	.191	-.062	-.057	.955

Dependent Variable: Customer Satisfaction Index

Table 4.32 shows that all the independent variables have betas with all the p-values greater than 0.05, implying that all the variables individually have no significant effect on customer satisfaction index. The study, therefore, concludes that political goodwill and support do not moderate the relationship between proportions of the strategies in the strategic plans implemented and levels of customer satisfaction. This finding is inconsistent with the proposal in hypothesis number five ($H5_a$) and the hypothesis is rejected. However, the null hypothesis ($H5_b$), which predicted otherwise, is accepted.

4.7.2.2 Analysis of the Effect of Policy Framework on the Relationship between Implementation of Strategic Plans and Effectiveness (Customer Satisfaction Index)

The sixth and last objective of the study sought to determine the effect of policy framework on the relationship between implementation of strategic plans and effectiveness of state corporations. The hypothesis tested for this objective was:

H6: The relationship between the proportions of strategies in the strategic plans implemented and levels of customer satisfaction in state corporations depends on the policy framework.

The H6 hypothesis statement suggests that policy framework has a significant effect on the relationship between the levels of implementation of strategic plans and effectiveness of the state corporations. In other words, it implies that when the policy framework is favourable, the proportions of strategies in the strategic plans implemented have a positive relationship with levels of customer satisfaction in state corporations. To establish this, a multiple regression analysis was used and the results are presented in the following paragraphs.

Table 4.33: Test of Model Goodness of Fit – PSI, CSI and PF

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	236.813	3	78.938	.458	.713
Residual	10179.411	59	172.532		
Total	10416.224	62			

Predictors: (Constant), Policy Framework X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Policy Framework.
Dependent Variable: Customer Satisfaction Index

Table 4.33 summarizes statistics for the goodness of fit of the model for testing the moderating effect of policy framework. It examines whether the model can be used to explain the variations in levels of customer satisfaction in the state corporations in Kenya. The table indicates that there is a model failure with F = 0.458 at p = 0.713. This means all the estimations from this model are unreliable.

Table 4.34: Model Summary – PSI, CSI and PF

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df2	Sig. F Change
0.151	0.023	-0.027	13.13516	0.023	0.458	59	0.713

Predictors: (Constant), Policy Framework X Proportion of Strategies Implemented, Proportion of Strategies Implemented, Policy Framework

Table 4.34 shows that R = 0.151 with $p > 0.05$. This implies that there is no significant relationship between the proportions of strategies in the strategic plans implemented and the levels of customer satisfaction. The table further shows that the adjusted $R^2 = 0.027$ also with $p > 0.05$. This indicates that the model explains an insignificant 2.7% of the variance in the levels of customer satisfaction among the state corporations. The beta coefficients, presented in Table 4.35, give the individual significance of the independent variables in the model, including the interaction term.

Table 4.35: Beta Coefficients – PSI, CSI and PF

	Non-standardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	93.855	29.795		3.150	.003
Proportion of Strategies Implemented	-.245	.387	-.360	-.633	.529
Policy Framework	-6.530	8.773	-.393	-.744	.460
Policy Framework X Proportion of Strategies Implemented	.062	.111	.468	.554	.582

Dependent Variable: Customer Satisfaction Index

Table 4.35 shows that the level of implementation variable has $\beta = -0.360$ and $t = -0.633$ at $p = 0.529$; the policy framework variable has $\beta = -0.393$ and $t = -0.744$ at $p = 0.460$; and the interaction term has $\beta = 0.468$ and $t = 0.554$ at $p = 0.582$. Because all the p-values are greater than 0.05, the model fit fails. The individual statistics also imply an insignificant relationship between level of implementation of strategies and customer satisfaction. It can be concluded that policy framework is not a good predictor of customer satisfaction with or without the implementation of strategic plans and, therefore, cannot be a moderator of the relationship between implementation of strategic plans and customer satisfaction. This finding is inconsistent with the suggestions in hypothesis number six ($H6_a$) and, therefore, the hypothesis is rejected. However the null hypothesis ($H6_b$), which predicted no moderation effect, is accepted. The finding confirms the assertion by Pressman and Wildavsky (1984) that implementation and the resulting customer satisfaction is in most instances divorced from policy formulation.

The negation of hypotheses five and six confirms that both dimensions of environmental context (political goodwill and support and policy framework) do not moderate the relationship between the extent of implementation of strategic plans and customer satisfaction. This clearly indicates that environmental context does not have any significant moderating effect on the relationship between level of implementation of strategic plans and effectiveness of state corporations. Secondly, the individual statistics for the proportion of strategies implemented are also insignificant with p-values greater than 0.05, indicating that the effectiveness of the state corporations is not affected by the proportion of strategies implemented on its own.

This finding is supported by the observation by Marcel (1999, p.320), who observed that "effective public institutions are not created out of a pure act of political goodwill, but by the accumulation of experience and capabilities over long periods." In order for these dimensions of the environmental context to have a positive influence on the effectiveness of state corporations, policymakers need to allow the processes of building upon previous experiences and developing strong capabilities to thrive. This can be done by giving the state corporations the resources needed to perform their functions and by these bodies adopting effective management of such resources, which then translate into better service delivery and customer satisfaction.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study in relation to its main objective and the theoretical framework, and draws conclusions. It also covers limitations of the study, direction for future research and implications for policy and practice. The chapter goes further to make recommendations on various ways of improving performance of state corporations in Kenya.

The chapter begins with the summary of findings and then follows with the conclusions from the study findings. Limitations of the study are covered next. The chapter concludes with two sections on implications of the study, first for management policy and practice and then for management theory.

5.2 Summary of Findings

The main objective of the study was to determine the effect of environmental context on the relationship between implementation of strategic plans and performance of state corporations in Kenya. This main objective was broken down into six different objectives which the study addressed through testing six corresponding hypotheses. In this section, the findings are summarized in terms of and in the order of the study objectives.

The first objective of the study sought to investigate the effect of political goodwill and support on the relationship between implementation of strategic plans and financial performance of commercial state corporations. The study found that political goodwill and support fully moderate the relationship between the proportions of strategies implemented and the financial performance of state corporations, measured by their return on sales. This finding is consistent with previous research conducted by Glaister *et al* (2007).

The second objective of the study was concerned with the effect of policy framework on the relationship between implementation of strategic plans and financial performance of commercial state corporations. The study did not identify any significant moderating effect of policy framework on this relationship. This result supports earlier conclusion drawn by Pressman and Wildavsky (1984).

The third objective considered the effect of political goodwill and support on the relationship between implementation of strategic plans and efficiency of commercial state corporations. The study confirmed a relationship between the proportion of strategies implemented by the state corporations and their efficiency, captured by their return on assets.

The fourth objective of the study looked into the effect of policy framework on the relationship between implementation of strategic plans and efficiency of commercial state corporations. The study established an effect of policy framework on this relationship. This finding is in line with earlier results noted by Pressman and Wildavsky (1984).

The fifth objective of the study was to investigate the effect of political goodwill and support on the relationship between implementation of strategic plans and effectiveness of both commercial and non-commercial state corporations. The study did not discover any significant moderating effect of political goodwill and support on the relationship between the proportion of strategies implemented and the level of customer satisfaction, measured by customer satisfaction index.

The sixth and last objective of the study focused on the effect of policy framework on the relationship between implementation of strategic plans and the effectiveness of both commercial and non-commercial state corporations. Again just like for political goodwill and support, the study did not discover any significant moderating effect of policy framework on this relationship.

5.3 Conclusions of the Study

The main purpose of this research was to provide new empirical evidence on the relationship between strategic planning and performance in the public sector, in addition to considering the effect of the environment in the relationship. The inconsistent nature of empirical research findings investigating the relationship between strategic planning and firm performance was the primary motive for conducting this study. The study incorporated environmental factors, which had been pointed as one of the reasons for the inconsistent relationship, and examined the effect of political goodwill and support and policy framework, on the relationship between extent of implementation of strategic plans and both financial and non-financial performance indicators, and arrived at the following conclusions:

The first conclusion is that political goodwill and support are good moderators of the relationship between the extent of implementation of strategic plans and financial performance. Political goodwill and support also moderates the relationship between extent of implementation of strategic plans and efficiency of commercial state corporations.

The second conclusion is that policy framework does not moderate the relationship between the extent of implementation of strategic plans and the financial performance of commercial state corporations as measured by the ROS. However, policy framework does have a significant influence on the relationship between the extent of implementation of strategic plans and the efficiency (measured by ROA) of commercial state corporations.

The third and last conclusion is that both dimensions of the environmental context (political goodwill and support and policy framework) do not moderate the relationship between the extent of implementation of strategic plans and the effectiveness of both commercial and non-commercial state corporations.

5.4 Recommendations of the Study

Though senior managers of state corporations in Kenya can benefit from the study's findings, practical implications resulting from this study are of particular significance to executives who wish to improve the financial performance, efficiency and effectiveness of their organizations. This study, therefore, identifies four recommendations for policymakers and the managers of state corporations, and also considers the implications of its findings for managerial policy and practice and for management theory.

The following specific recommendations are made: (1) that written strategic plans are important as they formalize the agreement between government and a state agency delivering services to the public, wherein objectives and quantifiable targets are explicitly specified and performance measured against agreed targets; (2) that top executives of public institutions taking formal responsibility for the organization's strategic business planning, establishing a foundation for strategic planning, having a written mission statement and ensuring that higher level staff are aware of it are key considerations for institutionalizing the strategic planning function; (3) that policymakers should consider the whole picture, not just the front-end conceptualization but also the reality of actually carrying out the implementation, when formulating policies; and (4) that managers of public institutions establish strong and robust institutional structures and effective management systems to assure the effectiveness of their organizations.

5.4.1 Implications for Managerial Policy and Practice

The study concluded that political goodwill and support moderate the financial performance and efficiency of state corporations, but does not influence the effectiveness of state corporations. Policy framework, on the other hand, does not moderate the financial performance and may have a negative effect on the efficiency of the corporations. In order to ensure that policies have a positive effect on the performance of state corporations, therefore, policymakers should not divorce policy formulation from implementation but instead take into consideration the actual reality of actualizing their policies. This entails appropriately empowering the institutions to implement these policies. This will lead to better communication, understanding and co-operation between the formulators and implementers, and to efficient utilization of resources toward the delivery of the desired results.

Customer satisfaction, which measures the effectiveness of the state corporations, has a strong bearing on the financial performance of the organizations. This implies that managers of state corporations should strive for effectiveness, in terms of service delivery, as this influences their organizations' return on sales. The managers can achieve this by establishing strong and robust institutional structures. Such structures should provide effective human resource management, financial management, operational management and adequate controls to assure the efficient and effective service delivery to the public.

5.4.2 Implications for Management Theory

This study sought to fill the knowledge gaps on the effects of environmental context on the relationship between the implementation of public sector strategic plans and performance, specifically in state corporations. These knowledge gaps were summarized in Section 2.7. It also set out to provide empirical evidence on the relationship between strategic planning and performance in the public sector.

The study considered two indicators of the environmental context, namely political goodwill and support on one hand, and policy framework on the other hand. An important fact that was established was that political goodwill and support positively moderate the relationship between level of implementation of strategic plans and the financial performance and efficiency of state corporations. This provides additional empirical evidence to support the theory that effective strategic planning within a positive environment of political goodwill and support leads to higher performance.

A second fact that the study established was that policy formulation only becomes effective when it also integrates the implementation process by taking into account the actual reality of implementing such policies. This finding also provides empirical evidence of the importance of integrating strategy implementation into strategy formulation.

Finally, when considering the success of public sector reforms in Kenya, the study confirmed that political goodwill and support and policy frameworks *per se* do not assure the effectiveness of public institutions. Policymakers must integrate implementation in their formulation process and managers must should establish robust institutional structures and nurture the political goodwill and support in order to build institutions that meet the needs of their citizenry. Such institutional structures should include effective management systems that cover human resources, finances, operations and internal controls, which ensure service is delivered to the public as planned.

5.5 Limitations of the Study

The first limitation of this study is that it was cross-sectional in nature. Cross-sectional studies are fairly quick, easy to perform and less expensive but have limited capacity to document causality between observed phenomena. Moreover, cross-sectional studies tend to assume model parameters are constant across firms and over time (Bowen and Wiersema, 1999).

The second limitation of the study is that it generalized across industries and thus did not take into consideration the competitive factors that may be unique to certain industries. This second limitation applies especially to the commercial state corporations. The prevailing environment marked by a shift to market economies and private sector-led economic development, places varying competitive pressures on different industries, which the study did not account for.

The third limitation of the study is that in investigating predictive power of the models used to determine the effect of the moderators on the relationship between the independent variable and dependent variables, it only focused on whether the selected indicators were significant predictors of performance. It should have modelled for the performance indicators in general.

The fourth and last limitation of the study is that, in terms of the effectiveness of both commercial and non-commercial state corporations, it did not investigate the other factors other than the environmental context and the level of implementation of strategies that might impact customer satisfaction. Such factors like speed and quality of service might be crucial in this respect.

5.6 Directions for Future Research

Arising from the first limitation, this study recommends that future research should attempt to gather longitudinal data on the process of the implementation of strategic plans, environmental context and performance of state corporations. This will enable the determination of causal inferences regarding the interrelationship among these variables. This approach will also uncover the true effects of the public sector reforms that the government has undertaken in the recent past.

A second recommendation for future research would be to analyze the effect of the environmental factor on the relationship between the implementation of strategic plans and performance of commercial state corporations, with these commercial corporations segregated according to the sector of the industry in which they operate. Such research should also cover private sector firms operating in similar industries and compare their performance to the respective commercial state corporations. This will allow for the isolation of the effects of public sector policies and governance structures on the performance of commercial state corporations, *vis á vis* the performance of private firms.

Lastly, the third recommendation for future research would be to investigate other factors that might have a bearing on the effectiveness of public institutions. This study only concentrated on the environmental context and level of implementation of strategic plans. Other operational and human factors might be crucial in determining the customer satisfaction levels in both commercial and non-commercial state corporations.

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APPENDICES

Appendix I: Introduction Letters

UNIVERSITY OF NAIROBI
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NAIROBI, KENYA

OUR REF: D80/P/8226/99

29th June 2010

The executive Secretary
National Council for Science and Technology
Ministry of Higher Education Science and Technology
P. O. Box 30623 – 00100
NAIROBI

Dear Sir/Madam

RE: APPLICATION FOR RESEARCH PERMIT – MR. EDWARD O. ODUNDO

This is to confirm that the above mentioned person is a bonafide student of this institute duly registered and taking courses and research leading to the award of Ph.D in Business.

Mr. Odundo has completed his course work and has been cleared to conduct research.

Any assistance accorded to him will be highly appreciated.

ODERA S. O. (MR.)
FOR: DIRECTOR, BOARD OF POSTGRADUATE STUDIES

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Date:

19th August 2010

Mr. Edward Owino Odundo
University of Nairobi
P. O. Box 30197
NAIROBI

Dear Sir,

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *"Environmental context, implementation of strategic plans and performance of state corporations in Kenya"* I am pleased to inform you that you have been authorized to undertake research in Nairobi Province and other Districts for a period ending *30th April 2011.*

You are advised to report to the **Chief Executive Officers** of the selected State Corporations in Kenya before embarking on the research project.

On completion of the research, you are expected to submit two copies of the research report/thesis to our office.

P. N. NYAKUNDI
FOR: SECRETARY/CEO

Copy to:

The Chief Executive Officers
State Corporations in Kenya

Appendix II: Research Questionnaire

PART 1: GENERAL INFORMATION

1. Name of the corporation: ____

2. When was the corporation established (indicate year i.e. '1945'): ______________________

3. What is the core function of your corporation? (Tick appropriately ☑)

- Commercial [ ]
- Industry regulator [ ]
- Both commercial and regulatory [ ]
- Others (Please specify below):

  …………………………………………………..

4. In which sector does your corporation operate? (Tick appropriately ☑)

- Finance [ ]
- Health [ ]
- Telecommunications [ ]
- Transport [ ]
- Social welfare [ ]
- Energy [ ]
- Agriculture [ ]
- Trade [ ]
- Tourism [ ]
- Education [ ]
- Others (Please specify below):

  ……………………………………………………………

PART 2: LEVEL OF IMPLEMENTATION OF STRATEGIC PLAN

5. Does your organization have a written strategic plan? Yes [ ] No [ ]

6. When was the plan developed? (Tick Appropriately☑)

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

7. Has your corporation started implementing the strategic plan? Yes [ ] Not Yet [ ]

8. IF YES to question 7 above, when was it first implemented? (Indicate year i.e. '1945')_________

9. To what extent does each of the following statements apply to how strategic planning and implementation are carried out in your organization? Use a five-point scale where:
1 = Not at all 2 = Little Extent 3 = Moderate Extent 4 = Great Extent
5 = Very Great extent.

Circle the number according to the extent to which it is carried out in your organization

Institutionalizing the Strategic Planning Function	**Extent**				
Top executive take formal responsibility for the organization's strategic business planning	1	2	3	4	5
Strategic planning is a top priority activity, performed on a regular basis, e.g. each year	1	2	3	4	5
The organization provides resources (manager's time, money, staff support, etc.) earmarked specifically for strategic planning activities	1	2	3	4	5
The organization follows a defined set of procedures in its strategic planning process	1	2	3	4	5

All managers whose work might be affected significantly by strategic planning participate in the planning process	1	2	3	4	5
Establishing the Foundation for Strategic Planning	**Extent**				
The organization has a written mission statement	1	2	3	4	5
All management and higher-level staff are aware of the mission and understand it	1	2	3	4	5
Organization has written long-term (3-5 years) and short-term (1 year) goals	1	2	3	4	5
Organization's goals list quantified, measurable targets (e.g. volume, market share, growth rate, profitability)	1	2	3	4	5
Where appropriate, the goals specify targets by location or geographic area	1	2	3	4	5
When appropriate, the goals list quality, timeframe and cost targets and are observable and measurable	1	2	3	4	5
The organization systematically measures actual performance vs. set goals	1	2	3	4	5
Conducting the Strategic Situational Diagnosis	**Extent**				
The organization periodically gathers and analyzes data about market and other external factors, which affect the business	1	2	3	4	5
The business' performance and operational characteristics are compared with those of competitors	1	2	3	4	5
The organization assesses the industry as a whole in terms of new competitors and concepts, new technologies, procurement practices, price trends and labour practices	1	2	3	4	5
The organization assesses institutional factors such as cost and availability of capital, government regulations and the economy	1	2	3	4	5
The organization regularly collects information about the industry, markets and other external factors	1	2	3	4	5
The organization analyzes its own business objectively	1	2	3	4	5

We conduct regular internal analysis to identify key strengths and weaknesses in the organization	1	2	3	4	5
The organization regularly assesses its human resource development and management programs	1	2	3	4	5
Developing Strategic Plans	**Extent**				
Strategic (situational) diagnosis considers market penetration options, e.g. pricing/ promotion, market expansion, segmentation	1	2	3	4	5
Strategic (situational) diagnosis considers organization and management options, e.g. restructuring, purchasing competitive businesses	1	2	3	4	5
The organization decides its strategic plan(s) based on the feasibility and risk/ return criteria	1	2	3	4	5
The organization uses the strategic (situational) diagnosis to formulate strategic plans options	1	2	3	4	5
Managing the Implementation Process of Strategic Planning	**Extent**				
The organization makes strategic decisions (implementation action plans) based upon the strategic plan	1	2	3	4	5
The organization clearly assigns lead responsibility for action plan implementation to a person or alternately, to a team	1	2	3	4	5
Sufficient resources are allocated for implementation each year	1	2	3	4	5
The organization sets clearly defined and measurable performance standards for each plan element	1	2	3	4	5
The organization has an organized system for monitoring how well performance standards are met	1	2	3	4	5
The organization reviews monitoring data regularly, and revises strategic decisions as appropriate from time to time	1	2	3	4	5

Individuals responsible for strategic planning and implementation get rewarded for successful performance	1	2	3	4	5

10. To what extent would you consider the following to have been realized in the implementation of strategic plans in your organization?

Use a five-point scale where:

1 = Not at all 2 = Little extent 3 = Moderate extent 4 = Great extent

5 = Very great extent.

Circle the number according to the extent to which it has been implemented in your organization. If an item is not relevant to your strategic plan, please circle the last column labelled N/A. If items relevant to your strategic plan are not on this list, please write them on the space availed below and rate them by circling accordingly depending on the extent of implementation:

Strategies and Strategic Objectives	**Extent**					
Strategy planning cycle one	1	2	3	4	5	**N/A**
Strategy planning cycle two	1	2	3	4	5	**N/A**
Strategy planning cycle three	1	2	3	4	5	**N/A**
Information and Communication Technology (ICT)	1	2	3	4	5	**N/A**
Institutional capacity development	1	2	3	4	5	**N/A**
Governance, leadership and management	1	2	3	4	5	**N/A**
Financial sustainability	1	2	3	4	5	**N/A**
Integrated regional development planning	1	2	3	4	5	**N/A**
Resources mapping and data bank development	1	2	3	4	5	**N/A**
Natural resources conservation and management	1	2	3	4	5	**N/A**
Integrated community development programs	1	2	3	4	5	**N/A**

Strategies and Strategic Objectives	Extent					
Regional co-ordination, monitoring and evaluation	1	2	3	4	5	**N/A**
Investment promotion and resources mobilization	1	2	3	4	5	**N/A**
Enhancement of partnership with customers and stakeholders	1	2	3	4	5	**N/A**
Creation of an enabling environment and policy framework that promotes research, development and other value adding services	1	2	3	4	5	**N/A**
Nurture academic programmes to world class status	1	2	3	4	5	**N/A**
Educate and conduct outreach programs to industry	1	2	3	4	5	**N/A**
International and regional co-operation	1	2	3	4	5	**N/A**
Expansion of Information Technology and institutional infrastructure	1	2	3	4	5	**N/A**
Protection of individual and property rights	1	2	3	4	5	**N/A**
Improvement of corporate image	1	2	3	4	5	**N/A**
Expansion of the industry	1	2	3	4	5	**N/A**
Enhancing regulatory and supervisory framework	1	2	3	4	5	**N/A**
Benefit maximization	1	2	3	4	5	**N/A**
Market penetration	1	2	3	4	5	**N/A**
Product development	1	2	3	4	5	**N/A**
Cost rationalization	1	2	3	4	5	**N/A**
Maximization of revenue collection	1	2	3	4	5	**N/A**
Quality service delivery to stakeholders	1	2	3	4	5	**N/A**
Improvement of internal business processes for quality service delivery	1	2	3	4	5	**N/A**

11. The number of strategic objectives planned and the number that were actually implemented in each of your organization's planning cycles?

i. Number of strategies in each cycle of the strategic plan:

Number of Strategies in the Strategic Plan	Number
Number of strategies in strategy planning cycle one	
Number of strategies in strategy planning cycle two	
Number of strategies in strategy planning cycle three	

ii. Number of strategies implemented in each cycle of the strategic plan:

Number of Strategies Implemented in the Strategic Plan	Number
Number of strategies implemented in strategy planning cycle one	
Number of strategies implemented in strategy planning cycle two	
Number of strategies implemented in strategy planning cycle three	

PART 3: ENVIRONMENTAL CONTEXT

12. Which of the following best describe the composition of the board of directors of this corporation? (Tick appropriately ☑)

Over 50% Government representatives [ ]

Over 50% Private sector representatives [ ]

50% Government representatives and 50% Private sector representatives [ ]

100% Government representation [ ]

100% Private sector representation [ ]

Other (Please specify)…………………………………………….

13. To what extent does each of the following statements apply to the political environment in which your organization operates? Use a five-point scale where:

1 = Not at all 2 = Little Extent 3 = Moderate Extent 4 = Great Extent

5 = Very Great extent.

Circle the number according to the extent to which it is carried out in your organization

Political Goodwill and Support	**Extent**				
The chief executive officer is answerable to the minister and permanent secretary in the parent ministry.	1	2	3	4	5
The chief executive must consult with the ministry before making important business decision on behalf of the corporation.	1	2	3	4	5
Most of the senior management officers in this corporation are either appointed or seconded by more senior government officials within the ministry.	1	2	3	4	5
All strategic decisions taken by the board of directors of this corporation must always take into considerations the opinion of the minister or permanent secretary in the parent ministry	1	2	3	4	5
All decisions made by the board must be approved by the ministry	1	2	3	4	5
The ministry monitors closely all key processes in the implementation of the strategic plan of the corporation.	1	2	3	4	5
The corporation faces difficulties in the implementation of its strategic plan due to insufficient allocation of funds from the parent ministry.	1	2	3	4	5
Sometimes important decisions are made at the ministry level and the board and top management only ensure that they are implemented whole.	1	2	3	4	5
The chief executive, the board and top management of this corporation operate entirely independently from any influence from any quarter whatsoever	1	2	3	4	5
The Chief executive of this corporation has security of tenure	1	2	3	4	5

14. To what extent does each of the following statements apply to the policy framework under which your organization operate? Use a five-point scale where:

1 = Not at all 2 = Little Extent 3 = Moderate Extent 4 = Great Extent

5 = Very Great extent.

Circle the number according to the extent to which it is carried out in your organization

Policy Framework	**Extent**				
The ministry provides a written policy document which governs the core functions of this corporation	1	2	3	4	5
The organization has its own policy guidelines which govern all its business activities	1	2	3	4	5
The changes in policy document from the parent ministry affect the operation of our organization	1	2	3	4	5
The policies of our organization are frequently revised based on circulars from the parent ministry	1	2	3	4	5
Government policies often influence our strategic planning process	1	2	3	4	5

PART 4: ORGANIZATIONAL PERFORMANCE

Financial Performance and Efficiency of the Corporation

15. As per the previous annual reports, please indicate the following measures of performance.

Performance Indicators	**2007**	**2008**	**2009**
	Kshs'000'	**Kshs'000'**	**Kshs'000'**
Sales / Revenue			
Net Profit Before Interest & Tax			
Corporate Taxes			
Total Assets			

Effectiveness of the Corporation

16. What was your corporation' Customer satisfaction Index and Employee Satisfaction Index according to the last survey report your organization conducted? (Indicate the index in percentages i.e. 42%)

Performance Indicators	**2007**	**2008**	**2009**
Customer satisfaction Index			
Employee Satisfaction Index			

17. Please circle a choice in each line, which best indicates how your organization currently compares to peers in your primary industry.

	Characteristic	**Lowest 20%**	**Next 20%**	**Middle 20%**	**Next 20%**	**Top 20%**
1	Overall profitability/financial performance	1	2	3	4	5
2	Overall firm performance/success	1	2	3	4	5

18. Your general comment on the strategic planning process and performance of your organization

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-Thank you-

Appendix III: State Corporations List

PC 1: TERTIARY EDUCATION AND TRAINING CORPORATIONS		
	STATE CORPORATION	**PARENT MINISTRY**
1	Co-operative College of Kenya	Cooperative Development and Marketing
2	Masinde Muliro University College	Education, Science and Technology
3	Moi Teaching and Referral Hospital	Health
4	Kenya National Examination Council	Education, Science and Technology
5	Kenya Education Staff Institute	Education, Science and Technology

PC 2: REGIONAL DEVELOPMENT AUTHORITIES		
	STATE CORPORATION	**PARENT MINISTRY**
1	Ewaso Ngiro North Development Authority	Regional Development Authorities
2	Ewaso Ngiro South Development Authority	Regional Development Authorities
3	Kerio Valley Development Authority	Regional Development Authorities
4	Lake Basin Development Authority	Regional Development Authorities
5	Tana and Athi River Development Authority	Regional Development Authorities
6	Horticultural Crops Development Authority	Agriculture

PC 3: SERVICE CORPORATIONS		
	STATE CORPORATION	**PARENT MINISTRY**
1	Agricultural Development Corporation	Agriculture
2	Higher Education Loans Board	Education, Science and Technology
3	Kenya National Library Services	Culture, Social Services Gender and Sports
4	Kenya National Trading Corporation	Trade and Industry
5	National Council for Science and Technology	Education, Science and Technology
6	Teachers Service Commission	Education, Science and Technology
7	Kenya Accountants and Secretaries National Examination Board	Finance
8	National AIDS Control Council	Office of the President
9	National Campaign Against Drug Abuse Advisory	Office of the President
10	Kenya Defence Forces	Office of the President
11	National Commission on Gender and Development	Office of the President
12	National Council for Disability	Office of the President
13	Kenya National Bureau of Statistics	Planning and National Development
14	Kenya Tourist Board	Tourism and Wildlife
15	Kenya Wildlife Service	Tourism and Wildlife
16	Coast Water Services Board	Water and Irrigation
17	Kenya Water Institute	Water and Irrigation
18	Lake Victoria North Water Services Board	Water and Irrigation
19	Rift Valley Water Services Board	Water and Irrigation
20	Tana Water Service Board	Water and Irrigation
21	National Sports Stadia Management Authority	Water and Irrigation
22	Northern Water Services Board	Water and Irrigation
23	Water Resources Management Authority	Water and Irrigation
24	Poverty Eradication Commission	Planning and National Development
25	Water Services Trust Fund	Water and Irrigation

PC 4: TRAINING AND RESEARCH CORPORATIONS		
	STATE CORPORATION	**PARENT MINISTRY**
1	Coffee Research Foundation	Agriculture
2	Kenya Agricultural Research Institute	Agriculture
3	Kenya Sugar Research Foundation	Agriculture
4	Tea Research Foundation	Agriculture
5	Kenya Marine Fisheries Research Institute	Livestock and Fisheries Development
6	Kenya Institute of Administration	Office of the President
7	National Museums of Kenya	Office of the President
8	Kenya Institute for Public Policy Research & Analysis	Planning and National Development
9	Catering Training and Tourism Development Levy Trustees	Tourism and Wildlife
10	Kenya Industrial Property Institute	Trade and Industry
11	Kenya Industrial Research and Development Institute	Trade and Industry

PC 5: PUBLIC UNIVERSITIES		
	STATE CORPORATION	**PARENT MINISTRY**
1	Kenyatta University	Education, Science and Technology
2	University of Nairobi	Education, Science and Technology
3	Egerton University	Education, Science and Technology
4	Jomo Kenyatta University Of Technology	Education, Science and Technology
5	Maseno University	Education, Science and Technology
6	Moi University	Education, Science and Technology

PC 6: REGULATORY AUTHORITIES		
	STATE CORPORATION	**PARENT MINISTRY**
1	Coffee Board of Kenya	Agriculture
2	Kenya Plant Health Inspectorate Services	Agriculture
3	Kenya Sugar Board	Agriculture
4	Pyrethrum Board of Kenya	Agriculture
5	Tea Board of Kenya	Agriculture
6	Energy Regulatory Commission	Energy
7	National Environment Management Authority	Environment and Natural Resources
8	Capital Markets Authority	Finance
9	Insurance Regulatory Authority	Finance
10	Kenya Dairy Board	Livestock and Fisheries Development
11	Kenya Meat Commission	Livestock and Fisheries Development
12	Anti-Counterfeit Agency	Trade and Industry
13	Export Process Zones Authority	Trade and Industry
14	Export Promotion Council	Trade and Industry
15	Betting Control And Licensing Board	Trade and Industry
16	Kenya Investment Authority	Trade and Industry
17	Kenya Civil Aviation Authority	Transport
18	Kenya Maritime Authority	Transport
19	Kenya Roads Board	Transport
20	Kenya Urban Road Authority	Transport
21	Athi Water Services Board	Water and Irrigation
22	National Irrigation Board	Water and Irrigation
23	Retirement Benefits Authority	Finance
24	Sacco Societies Regulatory Authority	Cooperatives
25	Kenya Bureau of Standards	Trade and Industry
26	Water Services Regulatory Board	Water and Irrigation

PC 7: COMMERCIAL/ MANUFACTURING CORPORATIONS		
	STATE CORPORATION	**PARENT MINISTRY**
1	Kenya Seed Company Limited	Agriculture
2	Pests Control Products Board	Agriculture
3	Chemilil Sugar Company	Agriculture
4	Kenya Coconut Development Authority	Agriculture
5	National Cereals &Produce Board	Agriculture
6	Nyayo Tea Zones Development Corporation	Agriculture
7	Nzoia Sugar Company	Agriculture
8	South Nyanza Sugar Company	Agriculture
9	Jomo Kenyatta Foundation	Education, Science and Technology
10	Kenya Institute of Education	Education, Science and Technology
11	Kenya Literature Bureau	Education, Science and Technology
12	Kenya Yearbook Editorial Board	Education, Science and Technology
13	School Equipment Unit Production Unit	Education, Science and Technology
14	Geothermal Development Company	Energy
15	Kenya Electricity Generating Company	Energy
16	Kenya Petroleum Refinery	Energy
17	Kenya Pipeline Company	Energy
18	Kenya Power and Lighting Company	Energy
19	National Oil Corporation of Kenya	Energy
20	Kenya Electricity Transmission Company	Energy
21	National Housing Corporation	Lands, Settlement and Housing
22	New KCC Limited	Livestock and Fisheries Development
23	Kenya Ordinance Factory Corporation	Office of the President
24	Kenyatta International Conference Centre	Tourism and Wildlife
25	Kenya Wines Agencies	Trade and Industry
26	East Africa Portland Cement	Trade and Industry
27	Kenya Ports Authority	Transport
28	Kenya Railways Corporation	Transport
29	National Water Conservation and Pipeline Corporation	Water and Irrigation
30	Kenya Veterinary Board	Livestock and Fisheries Board
31	Sugar Arbitration Board	Agriculture

PC 8: FINANCIAL CORPORATION		
	STATE CORPORATION	**PARENT MINISTRY**
1	Agricultural Finance Corporation	Agriculture
2	Coffee Development Fund	Agriculture
3	Consolidated Bank	Finance
4	Deposit Protection Fund Board	Finance
5	Industrial Development Bank	Finance
6	Kenya National Assurance Co. (2001)	Finance
7	Kenya Post Office Savings Bank	Finance
8	Kenya Re-insurance Corporation	Finance
9	Kenya Revenue Authority	Finance
10	National Hospital Insurance Fund	Health
11	National Social Security Fund	Labour and Human Resource Development
12	Kenya Tourist Development Corporation	Tourism and Wildlife
13	Industrial and Commercial Development Corporation	Trade and Industry
14	Kenya Industrial Estates Ltd	Trade and Industry
15	Kenya Accountants and Secretaries National Examination (KASNEB)	Finance

Appendix IV: SPSS Output

Reliability Statistics

Cronbach's Alpha	N of Items
.902	5

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
Top executive take formal responsibility for the organization's strategic business planning	.869
Strategic planning is a top priority activity, performed on regular basis e.g. each year	.894
The organization provides resources (manager's time, money, staff support, etc) earmarked specifically for strategic planning activities.	.874
The organization follows a defined set of procedure in its strategic planning process	.875
All managers whose work might be affected significantly by strategic planning participate in the planning process	.889

Reliability Statistics

Cronbach's Alpha	N of Items
.895	7

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
The organization has a written mission statement	.889
all management and higher level staff are aware of the mission and understand it	.884
Organization has written long - term (3-5years) and short term (1 year) goals	.879
Organization's goals list quantified, measurable targets (e.g. volume, market share, growth rate profitability)	.866
Where appropriate, the goals specify targets by location or geographic area	.886
When appropriate, the goals list quality, timeframe and cost targets and are observable and measurable	.865
The organization systematically measures actual performance vs. set goals	.883

Reliability Statistics

Cronbach's Alpha	N of Items
.899	8

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
The organization periodically gathers and analyzes data about market and other external factors, which affect the business	.895
The business performance and operational characteristics are compared with those of competitors	.885
The organization assesses the industry as a whole in terms of new competitors and concepts, new technologies, procurement practices, price trends and labour practices	.879
The organization assesses institutional factors such as cost and availability of capital, government regulations and the economy	.896
The organization regularly collect information about the industry, markets and other external factors	.883
The organization analyzes to identify key strength and weakness in the organization	.878
We conduct regular internal analysis to identify key strengths and weaknesses in the organization	.887
The organization regularly assesses its human resources development and management programs	.887

Reliability Statistics

Cronbach's Alpha	N of Items
.885	4

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
Strategic (situational) diagnosis considers market penetration option, e.g. pricing / promotion , market expansion, segmentation	.870
Strategic (situational) diagnosis consider organization and management options e.g. restructuring, purchasing competitive business	.841
The organization decides its strategic plan (s) based on the feasibility and risk /return criteria	.845
The organization uses the strategic (situational) diagnosis to formulate strategic plans options	.854

Reliability Statistics

Cronbach's Alpha	N of Items
.897	7

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
The organization makes strategic decisions (implementation action plans) based upon the strategic plan	.884
The organization clearly assigns lead responsibility for action plan implementation to a person or alternately, to a team	.881
Sufficient resources are allocated for implementation each year	.882
The organization sets clearly defined and measureable performance standards for each plan element	.873
The organization has an organised system for monitoring how well performance standards are met	.866
The organization reviews monitoring data regularly, and revises strategic decisions as appropriate from time to time	.881
Individuals responsibility for strategic planning and implementation get rewarded for successful performance	.903

Reliability Statistics

Cronbach's Alpha	N of Items
.927	30

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
Strategy planning cycle one	.925
Strategy planning cycle two	.925
Strategy planning cycle three	.924
Information and Communication Technology (ICT)	.923
Institutional capacity development	.923
Governance, leadership and management	.924
Financial sustainability	.923
Integrated regional development planning	.923
Resources mapping and data bank development	.925
Natural resources conservation and management	.922
Integrated community development programs	.924
Regional co-ordination, monitoring and evaluation	.924

Investment promotion and resource mobilisation	.923
Enhancement of partnership with customers and stakeholders	.923
Creation of an enabling environment and policy framework that promotes research, development and other value adding services	.925
Educate and conduct outreach programs to industry	.925
International and regional co-operation	.926
Expansion of information Technology and institutional infrastructure	.925
Improvement of corporate image	.924
Expansion of the industry	.925
Benefit maximization	.923
Market penetration	.924
product development	.924
Cost rationalization	.924
Quality service delivery to stakeholders	.926
Improvement of internal business process for quality service delivery	.926

Reliability Statistics

Cronbach's Alpha	N of Items
.753	10

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
The chief executive officer is answerable to the minister and permanent secretary in the parent ministry	.717
The chief executive must consult with the ministry before making important business decisions on behalf of the corporation	.710
Most of the senior management officers in this corporation are either appointed or seconded by more senior government officials within the ministry	.735
All strategic decisions taken by the Board of Directors of this corporation must always take into consideration the opinion of the minister or permanent secretary in the parent ministry	.698
All decision made by the Board of Directors must be approved by the ministry	.707
The ministry monitors closely all key processes in the implementation of the strategic plan of the corporation	.705
The corporation faces difficulties in the implementation of its strategic plan due to insufficient allocation of funds from the parent ministry	.725
Sometimes important decisions are made at the ministry level and the board and top management only ensure that they are implemented whole	.719
The chief executive, the Board of Directors and top management of this corporation operate entirely independently from any influence from any quarter whatsoever	.795
The chief executive of this corporation has security of tenure	.793

Reliability Statistics

Cronbach's Alpha	N of Items
.644	5

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
The ministry provides a written policy document which governs the core functions of this corporation	.548
The organization has its own policy guidelines which govern all its business activities	.768
The changes in policy document from the parent ministry affect the operation of our organization	.490
The policies of our organization are frequently revised based on circulars from the parent ministry	.487
Government policies often influences our strategic planning process	.560