COMPETITIVE STRATEGIES, ORGANIZATIONAL AUTONOMY, POSITIONING AND PERFORMANCE OF KENYAN STATE CORPORATIONS

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DECLARATION

I, the undersigned, declare that this thesis is my original work and has not been submitted for examination or the award of a degree at any other college, institution or university other than the University of Nairobi.

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DEDICATION

I dedicate this Thesis to my parents, the Late John Munyoki and Monica Kitwa, my wife Ursula Sabina, daughter Caro Kitwa, sons Steven Kilonzo and Paul Kimanzi. My late father, who rested on 24^{th}August 2015, taught me resilience, perseverance, hard work and honesty. My mother taught me humility, care, faith and love. To the diverse Munyoki's family tree this is to show that it is possible to excel and to motivate you to courageously always aim high.

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ABBREVIATIONS AND ACRONYMS

EBIT: Earnings Before Interest and Tax

GoK: Government of Kenya

RBV: Resource-Based View

SCs: State Corporations

SOEs: State-Owned Enterprises

SPSS: Statistical Package for Social Sciences

VRIN: Valuable, Inimitable and Non-Substitutable

IMF: International Monetary Fund

SAP: Structural Adjustment Programs

ISO: International Organization for Standardization

IT: Information Technology

WB: World Bank

DPM: Directorate of Personnel Management

SCAB: State Corporations Advisory Board

CSDC: Citizen Service Delivery Charters

ABSTRACT

Firms operate within an environment that influences their operations either positively or negatively depending on the nature of their business. Identification of specific competitive strategies in tandem with particular organizational autonomy and positioning strategies may explain variations in organizational performance. The main objective of this study was to determine the role of organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. This study was guided by positivist philosophy. The positivist school of thought is based on the assumption that only one reality exists, though it can only be known imperfectly due to human limitations and researchers can only discover this reality within the realm of probability. The study adopted a descriptive cross-sectional census survey on a population of 187 Kenyan State Corporations across the public sector. The study used primary data collected by questionnaires administered to the Chief Executive Officers of the State Corporations. The study also used secondary data on performance collected from annual performance contract reports for State Corporations for the five performance contracting cycles between 2009 and 2014 from the Department of Performance Contracting in the Ministry of Planning and Devolution. The results indicated that competitive strategies had statistically significant effects on the performance of Kenyan state corporations. The results further indicated that though positioning is an important strategy, it did not mediate between competitive strategies and performance of the Kenyan state corporations but organizational autonomy moderated between competitive strategies and the Kenyan state corporations. The combined effect of the three predictor variables was greater than the individual influence of each predictor variable on the performance of Kenyan state corporations. The stakeholder's theory has gained substantial boost from the study because Kenyan State Corporations are formed to benefit the stakeholders who in this case are Kenyan citizens. Further, RBV theory has benefited from the findings that, the principle should dedicate enough resources for the State Corporations to achieve their obligations. Structural contingency theory benefits from the study because it is clear that performance is determined by environment and that autonomy, positioning and competitive strategies deal with technology, people and work cultures. Strategic conflict model has been supported by the study because some corporations share the same environments and strategies but the outcomes are different because rational thinking is influenced by time and managers' decisions. Agency Theory is supported by the fact that the concept of agency loss is the difference between the best possible outcome for the principle and the consequences of the acts of the agent. At policy level, the Government will benefit from the study by developing guidelines and policies to define the required competitive strategies. Management will benefit from this study because they could use it to formulate internal organizational processes that would guide the positioning of the organization. Performance was tested as a composite score as reported by the Performance Contracting Department. It would be interesting if the individual competitive strategies dimensions were tested against the raw score of each of the six performance areas in the performance contracts. Since the context of the study was Kenyan State Corporations future research could be undertaken to replicate this to compare performance of Kenyan State Corporations with that of public quoted companies at the Securities Exchange or other sectors of the economy to check whether the findings would be the same. Further, a similar study could be replicated but in a different context, such as a private companies in Kenya using the same variables.

CHAPTER ONE

INTRODUCTION

1.1 Background

Organizations, whether for profit or non-profit, private or public, have found it necessary in recent years to engage in strategic thinking in order to achieve their corporate goals (Bryson, 1995). Firms operate within an environment that influences their operations either positively or negatively depending on the nature of their business. The environment comprises of a combination of internal and external factors that influence a company's operating situation, among them being competition.

Competition is the process of rivalry between firms striving to gain sales and make profits; it is the driving force behind markets. As documented by Lewis (2004), for economic growth and development in any industry to happen, efficient and fair markets are essential. The nature of the competitive strategy and firm performance relationships can be associated with the industrial organization framework of industry behaviour, whereby firm profitability is viewed primarily as a function of industry structure.

Barney (1986) noted that characteristics of any industry are the key influences on organizational performance. According to Porter (1980), a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by focusing the organizational efforts on a given segment of the market.

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2003). Sustainable competitive advantage is born out of core competencies that yield long-term benefits to the company. Lewis (2004) defines a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. He further explains that a core competence has three characteristics: first it provides access to a wide variety of markets; secondly it increases perceived customer benefits; and thirdly it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals.

Aosa (1992) notes that inefficiencies within commercially oriented state enterprises have clear national, financial and fiscal implications as their activities impact directly on overall public sector expenditure and resources. Organizations have been challenged to re-think conventional business models and look for new sources of business as a competitive strategy to counter business turbulent environment. Apart from making structural adjustments to their businesses, state corporations have been forced to re-engineer their businesses and put in place some winning strategies to enhance their competitive advantage in the liberalized markets (Atkinson & Brander, 2001).

Stakeholders' theory, resource-based view theory, structural contingency theory, game theory, strategic conflict model theory and agency theory offer the theoretical framework for the study. According to Porter (1980), a business attempting to combine the two approaches invariably ends up stuck in the middle. He further argues that low cost and differentiation strategies are based on incompatible assumptions and thereby create trade-offs within the organization. Game theory can be applied to successfully combine low costs and differentiation strategies to create synergies within a firm that will overcome any trade-offs that may be associated with the combination. As Thompson and Stickler (2007) put it, a strategy reflects a managerial choice among alternatives and signals organization commitment to a particular product using the market competitive approaches and outlines ways of operating them.

The resource-based theory of strategic management is seen as the new shift in paradigm. Unlike structural contingency theory, stakeholders' theory, strategic conflict model theory and agency theory that focus on the industry and market factors as the determinants of competitive advantage, the resource-based theory of the firm (RBV) is viewed as the theory that focuses on unique firm-specific resources and capabilities as the source and driver of competitive advantage and strategies that managers develop to exploit such advantages rather than industry-level phenomena.

Further the resource-based view of the firm (RBV) is viewed as a theory that attempts to explain performance differentials among firms in the same industry by identifying heterogeneous capabilities within the firm. The reviewed theories assume that a firm's ability to achieve and sustain competitive advantage in profitable market position within an industry depends on its ability to attain and protect advantageous position in underlying resources and capabilities necessary to production and distribution (Hatch & Dye, 2004).

It can therefore be inferred that an organization’s overall performance is the function of its unique bundle of unique resources and capabilities that it owns, controls, protects and deploys in the execution of its profitable and competitive strategies. Thus, resources and capabilities that are firm-specific when they interact with appropriate organization’s strategic choices produce above-average returns for an organization (Porter, 1980).

State Corporations play a major role in most economies through the provision of diverse public services such as transport and energy, infrastructure and social amenities like schools and health services to communities. Despite these important socio-economic gains, most of the parastatals in Kenya are characterized by inefficiency, losses and provision of poor products and services. Subsequently, they have caused heavy budgetary burden to the public. Against this background, international organizations such as the International Monetary Fund (IMF) and the World Bank (WB) proposed the privatization of Kenyan parastatals in1994 through the Structural Adjustment Programs (SAPs).The SAPs were aimed at reducing government participation in the economic sector and to increase the productivity of parastatals. Since then, this intervention has led to the popularization of privatization as a solution to the problems of parastatals even though the exercise did not bring the much coveted efficiency gains (Mwaura, 2007).

Several phases public reform in Kenya can be traced as far back as 1992 when a policy paper on public enterprises reform and privatization was mooted. Between 2003 and 2008 privatization proposals were implemented. In 2013 government policies on management of government owned entities and the presidential Taskforce on Parastatals reforms were introduced which have led to Mwongozo which is a code of governance for public entities. This shows the government's realization of the need to realign the operations of state entities with the government's vision to realize performance on their part and service to the Kenyans.

1.1.1 Competitive Strategies

A strategy is the outcome of some form of planning or organized process for anticipating and acting in the future in order to carry out an organization's mission (Baulcomb, 2003). The people who drive strategy in organizations are seen to be visionaries, entrepreneurs and innovators. They are those who take risks and try new ways of doing things. Strategy primarily specifies how a business unit will achieve and maintain competitive advantage within an industry (Bunker & Wakefield, 2006).

According to Porter (1985) competitive strategy refers to how a firm intends to compete in a given business. Further, Porter (1985) contends that competitive strategy is a plan that establishes a profitable and sustainable competitive position against the five forces that drive industry competition: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, rivalry among competitors and threat of new substitutes. It is concerned with how a company can gain a competitive advantage through a distinctive and different way of competing (Porter, 1980).

Thompson and Strickland (2003) posit that competitive strategy deals with management's plans for competing in a particular industry and providing superior and unmatched value to customers. Further, they argue that competitive strategy entails performing activities differently or performing activities that are different from competitors to deliver a unique combination of value. The primary role therefore for developing a competitive strategy is to cope with the competition and relate a firm to its external and internal environment. In other words, competitive strategy entails positioning an organization in its competitive environment and giving a firm a competitive edge over its rivals (Porter, 1980).

Several competitive strategy typologies exist in the strategic management literature. Among the most common and widely used typologies for studying various aspects of organizational behaviour are Ansoff (1965), Miles and Snow (1978) and Porter (1980). Ansoff (1965) developed four different strategies that address product-market growth; market penetration, market development, product development and diversification.

Miles and Snow (1978) also developed four strategic typologies on how to address the product-market decisions in organizations namely: defenders, prospectors, analyzers and reactors. Defenders are organizations which focus on a narrow and limited product-market domain while trying to protect their market share. Such organizations focus more on operational efficiency and processes improvement rather than effectiveness. Prospectors are organizations which search for new market opportunities through process innovation and development of new products. The main focus is on effectiveness rather than operational efficiency.

Analyzers are organizations which combine both the prospectors and defenders strategic orientations. As defenders, they provide stable products and services to customers while as prospectors they develop new products for new markets. However, they do these after analyzing their viability and waiting for an opportunity to emerge. Reactors are organizations that are characterized by perpetual instability and inconsistency because of their incapacity to respond effectively to environment changes. Miles and Snow (1978) contend that defenders, prospectors or analyzers may lead to satisfactory performance, but reactors cannot because of its lack of internal consistency.

According to Mintzberg (1988), market penetration is a situation where firms seek to achieve growth with existing products in its existing markets. The aim is to increase their market share. In market developed strategy, firms seek growth by targeting their existing products in new market segments. Product development strategy involves developing new products and primarily targeting existing markets. In diversification strategy, firms grow by diversification in new business by developing new products for the new markets.

Porter (1980; 1985) identified three generic competitive strategy typologies: low cost leadership, differentiation and focus. From the differentiation and low cost perspective, Porter (1980) contends that firms can view their product-market decisions in terms of how the organization creates or add value to customers. From the focus perspective, this may depend on how firms define their scope of operations, that is, the scope of market coverage. He however, contends that a firm that pursues one of these strategies of either low-cost or differentiation should achieve above-average returns but, firms that pursue low cost and differentiation simultaneously will be stuck-in-the-middle and end up with poor performance. Porter (1980) however, argues that implementation of low cost and differentiation strategies require different investments in resources, control procedure, leadership, culture, organization structure and incentive systems.

While each of these typologies has its own advantages and disadvantages, this study chose to focus on Porter's (1980) generic competitive strategic typologies for the following reasons. According to Porter's (1980) generic strategies were formulated in relation to organization performance. Likewise, the main concern of this study was to establish the overall performance of Kenyan State Corporations. Second, Porter's generic strategies have received more empirical support from previous notions, and although the typology was developed in the 1980, it is still widely used in practice and extant research studies.

Third, the typology has received support on account of its strong theoretical orientation and generalizability (Luo, 2003). Fourth, Porter's typologies have some similarities with other strategy categorizations in the strategy literature. Finally, a generic strategy is a wide classification of strategic choice which is often applied in all settings regardless of industry, size or type of organization (Temporal, 2005).

These reasons justified the importance of using Porter's (1980) generic competitive strategies as a tool for investigating the influence of organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. The three dimensions of generic competitive strategy are namely: low cost leadership, differentiation and focus served as independent variables.

1.1.2 Organizational Autonomy

Autonomy is an element of the structure of an organization. It is related to the division of the decision-making authority between a local unit and an outside organization that controls it. However, neither the structure nor the separation, hence the autonomy, is an end in itself. They are simply instruments that allow the organization to mobilize its resources to solve its various problems in the best possible way and thus to reach the objectives it has set for itself (Garnier, 1982).

Organizational autonomy is explicitly or implicitly recognized when creating state-owned corporations or enterprises as an independent legal body. It is expected to relieve government of some of the burdens of decision-making and overload with technical and specialized issues (Boyne, 2001). Organizational Autonomy or discretion of State-Owned Enterprises (SOE) management vis-à-vis supervising state authorities is a function of the bargaining power of the two sides, which depends on several factors for each side. The State as an owner has formal or regulatory power; it also has resource-based power or power stemming from SOEs output dependence (sales to public sector). Likewise, SOE management may gain power from their past performance, competition, international sales, personal reputation and connections (Baulcomb, 2003).

Studies have demonstrated that an increase in organizational autonomy has been accompanied with an expansion of regulation and control which provides a conducive environment for increased performance in public sector organizations (Roger, 2009). Generally one could say that the more autonomous the organization, the more senior managers can be considered as residual claimants of their organization. This makes it more important for senior managers to have their organization performing well. Organizational autonomy increases the extent to which quality management techniques are used in the business undertakings, resulting in optimization of resource utilization and therefore high performance of the public sector organizations.

The influence of organizational autonomy on performance in public organizations uses a diverse and a restrictive conceptualization of autonomy. The popularity of the autonomy concept stems from evolutions in the practice of public management. These evolutions can be linked to theoretical schools which predict certain effects when certain tasks are put at arm's length from the government. Autonomy is the quality of a state being self-governing, especially, the right or power of self-government, existing or capable of existing independently, and, subject to its laws only. In other words, the issue is one of degree of autonomy rather than an absolute autonomous state (Austin, 1984).

Since the 1980s, public sectors around the world have come under intense scrutiny in policy circles due to the bureaucratic complexity of these institutions, the heavy burden they impose on public funds, and the perceived difficulties in ensuring their efficient and effective functioning under centralized government control. One policy option that has found particular favour with governments is granting greater autonomy to these state corporations in running their operation. As a result, autonomy initiatives have been proposed as integral part of broader public sector reform process (Govindaraj & Chawla, 1996).

Autonomy is also assumed to increase public accountability and consumer satisfaction. The argument is that autonomous state, corporations, vested with greater authority, can be expected to be better able to respond to local community needs. This, in turn is expected to increase public support and acceptance, and greater community participation in state corporations decision–making. Moreover, the delegation of authority, it is reasoned, "may be accompanied by a matching system of control and supervision to ensure the responsible use of authority," thereby leading to improvements in service provision (Chawla & Berman, 1995).In the case of the Kenyan state corporations, autonomy is expressly granted by virtue of statutory creation of the autonomy whereby the government allows the board and management of the corporations to perform its mandate according to the legal framework establishing the corporations. However autonomy requires checks and balances so that it's not misused and this is the reason why the government should enforce proper controls and regulations in order to ensure proper use of the autonomy.

1.1.3 Concept of Positioning

Positioning is a managerial process within the organization that aims to effectively distinguish the organization from other service providers (Chew, 2003). It is a strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer based on market research, segmentation and supporting data. Positioning may refer to the position an organization has chosen to carry out their marketing and business objectives.

Positioning relates to strategy, in the specific or tactical development phases of carrying out an objective to achieve a business' or organization's goals, such as increasing sales volume, brand recognition or reach in advertising (Roger, 2009). Positioning is outward-focused, recognizes market environment and defines specific niche. With strong positioning, the organization achieves sustainability and competitive advantage (Hendrick, 2003).

Positioning is a useful approach when an organization needs to clearly distinguish itself or to have a greater impact. It is imperative when an organization has outgrown the market or has the capacity to expand. Positioning is a systematic objective process based on perceived quality of products and service delivery, perceived levels of innovation, corporate image and responsiveness to customer expectations (Ries & Trout, 2000).

It is critical to emphasize that positioning is not necessarily about taking an organization into a whole new era, nor does it suggest that the organization become too diverse or unfocused. Positioning is based on distinctive competence and clarity about mission, method, and skills. Being deliberate about the position goes beyond organizational identity to strategic advantage. It goes beyond organizational description to clear distinction in the market place and in the minds of the constituents.

Hooley et al (2004) caution that positioning may occur at three distinct levels: the organization level, product/service level and brand level. Kotler and Andreasen (2006) argue that a positioning strategy is a key component of the strategic marketing planning process and is aligned with organizational goals/objectives, internal resource capabilities and external market opportunities. The positioning strategy comprises three major inter-related components: the choice of target audience, the choice of generic positioning strategy and the choice of positioning dimensions that the organization uses to distinguishing itself and to support its generic positioning strategy (Chew, 2003).

Strategic positioning is outward-focused, more fully recognizing the competitive and market environment within which an organization operates (Hooley et al., 2004). Positioning defines an organization's specific niche within its sphere of influence. With a strong strategic position, the organization is poised for continuous success, sustainability, and distinct competitive advantage. Positioning more fully defines the organization's identity and helps to create distinction in a competitive environment.

Organizations that are well positioned have a presence which allows them to achieve strategic goals in a seemingly effortless manner. A firm that positions itself favourably within a particular marketplace, relative to competitors, can earn high profits irrespective of average profitability within the market. Competition and profitability pressures mean that firms must be increasingly responsive to market considerations in terms of their positions.

1.1.4 Organizational Performance

Fundamental purpose of every organization is to consistently outperform the competition and deliver sustained, superior returns to the owners while satisfying other stakeholders. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (Ongeti, 2014).

According to Richardet et al. (2009), organizational performance encompasses three specific areas of firm outcomes: Financial and stewardship, which includes utilization of allocated resources, appropriation in aid, cost reduction, development index service delivery; Non-Financial which includes compliance with strategic plan, disposal of idle assets, ISO certification, statutory obligations, competency development; and service delivery which includes customer satisfaction, compliance with statutory obligations, IT, ISO 9001 certification. Performance has been defined as organizational effectiveness, efficiency, financial viability and relevance (Javier, 2002; IDRC, 1999).

Mahapatro (2010) observes that organizational performance is the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results. Measurement of organizational performance continues to be a contentious subject among organizational researchers (Barney, 1997), both in terms of definition and measurements (Keats & Hitt, 1985) because of its multifaceted and multidimensional nature (Ongeti, 2014). However despite this argument, organizations with defined measurable performance indicators perform better than those without.

Organizational performance comprises the actual output or results of an organization as measured against its intended goals and objectives. According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes namely financial performance, product market performance and shareholder return, in some cases; production capacity performance may be analyzed. Specialists in many fields are concerned with organizational performance including strategic plans, operations, finance, legal, and organizational development.

As noted by Porter (1998) the traditional control-oriented performance measurement system in the industrial era is losing its relevance in today's fast changing environment where organizations are re-shaped into flat multi-functional hierarchies. The diversity and unique requirements of different enterprises have made performance measurement tougher and no one-size-fits-all approach will ever do the job. Several performance measurement systems that have been in use to determine how well an organization performs, these are shareholder wealth maximization, the balanced scorecard, the triple bottom line and the sustainable balanced scorecard. For the purposes of this study, Financial and Stewardship, Non-financial and Service delivery will form the basis of performance measurement of the Kenyan state corporations.

1.1.5 Linkages of the Key Variable of the Study

Competitive strategies, organizational autonomy and positioning have a strategic impact and contribute to organization performance. The competitive strategy view focuses on the influence of industry structure on firm performance. Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company's position and by choosing a strategy for competitive balance prior to opponents' movement (Kipley & Lewis, 2009). In this view, the strategic positioning of a firm reflects the firm's ability to generate competitive advantage. According to Reilly and Brown (2009), a company can either position itself to deflect the effect of the competitive forces in the industry (defensive strategy) through investing in technology that would lower production costs or through increased advertising and creating a strong brand; or it would use its strengths to affect the competitive forces in the industry (offensive strategy). Both, the defensive and offensive competitive strategies can incorporate low cost and differentiation strategy.

The competitive strategy view maintains that resources are the results obtained from the implementation of strategy and/or purchase from the environment (Porter, 1991). Consequently, resources cannot achieve an independent status in relation to firm performance. The importance of resources is understood only in conjunction with the capability of those resources to support the strategy pursued or the fitness of those resources for a particular industry structure (Spanos & Lioukas, 2001).

Recent studies have demonstrated (Hodges & Mellett, 2003) that an increase of organizational autonomy has been accompanied with an expansion of regulation and control: public sector organizations received more autonomy. Generally one could say that the more autonomous the organization, the more senior managers can be considered as residual claimants of their organization.

Day and Wensley (2008) posit that strategic positioning and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. According to Barney (1991), improved organizational performance occurs when the firm's resources are valuable (the resources help the firm create valuable products and services), rare (competitors do not have access to them), inimitable (competitors cannot easily replicate them) and appropriate (the firm owns them and can exploit them at will). Acquiring and preserving sustainable competitive advantage and superior performance are a function of the resources and capabilities brought to the competition (Barney, 1995). In the case of the Kenyan state corporations, performance has of late been emphasized through performance contracting. For the state corporations to realize optimal performance they have to choose sustainable strategies which would propel them in positioning themselves for potential customers and stakeholders to have positive perception about their operations while at the same time balancing between extreme autonomy and government control so that the outcome results in proper use of autonomy in executing the corporations mandate.

1.1.6 Kenyan State Corporations

State corporations (also known as government Parastatals or public corporations) are quasi-government agencies linked to government ministries or departments. The state corporations in Kenya are established by a statute or an Act of Parliament in pursuance of government policy or various Acts with reference to the State Corporation Act Cap.446. They extend performance of certain services of central government to the nation. These corporations make a surplus in order to sustain themselves while meeting their objectives which are to correct market failure, exploit socio-political objectives, provide education, provide health, redistribute income and develop marginal areas (DPM, 2006).

The overall responsibility for coordination of state corporations is under the Inspectorate of State Corporations, (Directorate of Personnel Management, 2006). Comprehensive reviews on Public Enterprise Performance were carried out in 1979 (the Report on the Review of Statutory Boards), and 1982 (the Report of the Working Party on Government Expenditures). According to Taskforce on Parastatals Reform Report (2013), there are 187state corporations in Kenya.

The Kenya government forms state corporations to meet both commercial and social goals. State corporations exist for various reasons including: to correct market failure, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. At independence in 1963, parastatals were retooled by the Sessional Paper No. 10 of 1965 into vehicles for the indigenization of the economy. Thus majority of key parastatals that exist today were established in the 1960s and 1970s (Odundo, 2012).

The core functions of the corporations are: promoting fair trade practices and protecting consumers, promoting innovation and enforcing intellectual property rights; promoting industrial development, research and appropriate technologies; creating an enabling environment for sustainable trade, tourism, investment and employment creation; formulating, reviewing coordinating and implementing policies and programmes geared towards effective human resources development and utilization; wildlife conservation and management; development, promotion and diversification of products and services geared towards making Kenya a destination of choice for trade, tourism, and investment and sports activities; empower marginalized groups to participate fully in national and international standards; preservation and development of diverse cultures into a national culture; rehabilitating and promoting training institutions and youth friendly resources centres, enhancing programmes for the National Youth Service (NYS); implementing various Acts of Parliament addressing issues on the youth, persons with disabilities, gender, labour and settle trade disputes (Mwema, 2008).

The Parastatals reform initiatives which have been and continue being implemented by the GoK, is a testimony to the importance of the Kenyan State Corporations especially because their failure to implement competitive strategies, lack of autonomy and non-positioning has resulted in some of them being a burden to the exchequer. The study therefore hoped to propose guidelines for Kenyan State Corporations to apply private sector business management with anticipation of recording the anticipated performance in line with their mission and vision, which is the very essence of their establishment in the first place (Awino & Mutua, 2014). Due to the varying responsibilities and different nature of Kenyan state corporations, each corporation has its mandate and responsibilities spelled out in the enabling legislations. However due the diversity of the operations, none has the same function as the other. It’s then therefore left to the board and management of each corporation to interpret and implement their mandate within closer supervision by the government.

1.2 Research Problem

Organizations globally are now seeking to actively differentiate themselves from their competitors in terms of competitive strategies and positioning (Ghalayini & Noble, 1996). Apart from making structural adjustments to their businesses, organizations have been forced to re-engineer their businesses and put in place some winning strategies to enhance their competitive advantage in the liberalized markets (Atkinson and Brander, 2001). In order to achieve their goals and objectives, it is necessary for organizations to adjust to their environment (Pearce & Robinson, 1997).

Factors such as competitive strategies, organizational autonomy and positioning strategies in which organizations operate have a significant effect on their performance (Javier, 2002). Studies have demonstrated that an increase in organizational autonomy has been accompanied with an expansion of regulation and control (Roger, 2009). Identification of specific competitive strategies in tandem with particular organizational autonomy and positioning strategies may explain variations in organizational performance.

Public sector organizations and government departments are created to fulfil responsibilities of government and are expected to cooperate in the policy development and the delivery of services (Hodges & Mellett, 2003). However, despite this vital role, it has been identified that most public corporations do not fully apply competitive strategies in their operations as opposed to organizations in the private sector. This less application of competitive strategies is identified as one of the major reasons for many of the problems faced by public organizations in their performance (Johnson & Scholes, 1999).

Competitive strategies are important determinant of performance of state corporations in Kenya. Studies have found that there is a direct linear relationship between competitive strategies and organizational performance (Johnson & Scholes, 1999). Various studies have been done on competitive strategies and organizational performance. However, these studies have provided contradictory and inconclusive evidence on the relationship between these variables. Internationally Li (2007) studied organizational autonomy, incentives and performance of state corporations in China. He found that organizational autonomy dampens and boosts firm performance. Jia et al. (2005) studied the effect of privatization on organization performance. He found that organization autonomy has a negative relationship with firm performance while Tian and Estrin (2005) studied the relationship between retained state shareholding and organization performance in Chinese state corporations and found that organization autonomy is positively related to firm performance. Luo (2003) studied how government ownership affects firm performance. He found that state ownership has a non-significant relationship with firm performance.

Locally, a study by Mwema (2008) concluded that 78% of the Kenyan Public Corporations were unable to self-sustain their operations due to internal inefficiencies that required pragmatic restructuring. He specifically related the anomalies to poor work ethic, rigidity in management, misallocation of resources, and structural inefficiencies. Odundo (2012) in his study on Environmental context, implementation of strategic plans and performance of state corporations in Kenya 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 performance of state corporations. Okumus (2001) studied the role of strategy implementation in organizational development and strategy implementation framework. He found that strategy formulation and implementation links to organizational outcomes. Oyugi (2005) in his study Public service reforms in Kenya found that appropriate political goodwill and support are necessary for the success of public sector reforms. He however did not empirically examine the exact nature of the interaction between political goodwill and support, level of implementation of strategic plans and performance of state corporations.

Review of literature on this area reveals knowledge gaps that this study sought to address. There are conceptual, methodological and contextual research gaps which this study addresses. At methodological level, most of the studies used different measures of the research variables. In addition, none of the studies used hierarchical regression analysis to examine the moderating and intervening effects of organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan state corporations and also none of the reviewed studies have used an integrative model to examine the joint effects of the study variables (competitive strategies, organizational autonomy and positioning) on performance of Kenyan state corporations and how interactions among the variables influence performance. At contextual level, very few of the studies focused on the Kenyan State Corporations. This study takes cognizance of the fact that firm performance may be a function of many factors, key among them being competitive strategies, organizational autonomy and positioning. The study therefore seeks to interrogate the various relationships between the predictor variables and the dependent variable.

However, this relationship is affected by a host of moderating and intervening factors such as the organizational autonomy and positioning. Unlike the current study, none of the studies identified and examined the intervening effects of positioning and the moderating effects of organizational autonomy on the relationship between competitive strategies and performance of Kenyan State Corporations. Globalization, liberalization, a New Constitution and the drive for accountability are reasons why Parastatal reforms are being undertaken in Kenya. Based on the aforementioned study gaps the study therefore sought to answer the question how do organizational autonomy and positioning strategy influence the relationship between competitive strategies and performance of Kenyan state corporations?

1.3 Research Objectives

The general objective of the study is to determine the influence of organizational autonomy and strategic positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. The specific objectives are to:

i. Establish the effect of competitive strategies on performance of Kenyan State Corporations.
ii. Determine the influence of organizational autonomy on the relationship between competitive strategies and performance of Kenyan State Corporations.
iii. Determine whether positioning mediates the relationship between competitive strategies and the performance of Kenyan State Corporations.
iv. Establish whether competitive strategies, organizational autonomy and positioning have a significant joint influence on the performance of Kenyan State Corporations.

1.4 Value of the Study

The study is of value to several areas of theory testing. It offers significant testing to the already existing theories like Stakeholders' theory, Resource-Based View theory, Structural Contingency theory, Game theory, strategic conflict model theory and agency theory which offer the theoretical framework for the study. The research findings should contribute to a better understanding of competitive strategies and the associated theoretical arguments.

The study also builds on the existing methodology since it applies a census survey research design as opposed to an exploratory design, cross-sectional survey design or rational study design as used by previous researchers. This should provide an insight and understanding of the competitive strategies and organization performance practices adopted by Kenyan state corporations.

The research also provides an opportunity for researchers to investigate the effectiveness of the competitive models adopted by Parastatals. In so doing, they can contribute to the available body of knowledge. This study should enable top management to devise strategies of integrating learning into the wider Parastatals reform initiatives such as Performance Contracting, Citizen Service Delivery Charters, and Institutional Capacity Building. This will hopefully lead to good governance, improved creativity and innovativeness, and improved performance.

To Policy Makers (State Corporation Advisory Board, Inspectorate of State Corporations, and Board of Governors in State corporations) this study may help improve the policy-making capacity and also apply innovation in policy implementation in areas of training and capacity building, financial management, performance management, remuneration and benefits. Improved policies would be geared towards removing bureaucracy and decentralization which are global and information technology driven.

This study will also hopefully benefit managers of all cadres by making contributions to the competitive strategies in public corporations. State corporations generally lack best competitive strategies as well as good responses to the turbulent environment. The findings of this study offer suggestions that could be beneficial to management practices in Kenyan state corporations.

1.5 Chapter Summary

This chapter offers introduction of the study by discussing the key variables and their linkages to the study. Competitive strategies, organizational autonomy and positioning were each linked to their importance to organizational performance. The nature of the Kenyan state corporations was discussed. A discussion of the research problem follows and it elaborates on the conceptual, contextual and methodological gaps that the study intended to fill.

The general objective was presented together with four specific objectives which involved the determining of the influence of the organizational autonomy and positioning on the relationship between competitive strategies and the performance of Kenyan state corporations. The value of the study was explained as theory testing, building on existing methodology, use to policy makers and to board and management of Kenyan state corporations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter presents the review of pertinent literature. It covers both theoretical and empirical literature. Theoretical literature focuses on the competitive strategies and the capacity to adapt to the rapid changes in the environment on time. On the other hand, empirical literature lays emphasis on findings of empirical studies on the performance of entities.

2.2 Theoretical Foundation

This study reviews the following theories, pertinent to competitive strategies, organizational autonomy, positioning and performance: Resource-Based View Theory, Agency theory, Structural contingency theory, game theory and strategic conflict model.

2.2.1 Resource-Based View

Penrose (1959) provided initial insights of the resource perspective of the firm. However, "the resource-based view of the firm" (the RBV) was put forward by Wernerfelt (1984) and subsequently popularized by Barney's (1991) work. Many authors (Zollo & Winter, 2002; Zahra & George, 2002; and Winter, 2003) have made significant contribution to its conceptual development. The essence of the RBV lies in the emphasis of resources and capabilities as the genesis of competitive advantage: resources are heterogeneously distributed across competing firms, and are imperfectly mobile which, in turn, makes this heterogeneity persist over time (Mahoney & Pandian, 1992).

The resource-based view (RBV) suggests that competitiveness can be achieved by innovatively delivering superior value to customers. The extant literature focuses on the strategic identification and use of resources by a firm for developing a sustained competitive advantage (Barney, 1986). International business theorists also explain the success and failures of firms across boundaries by considering the competitiveness of their subsidiaries or local alliances in emerging markets (Luo, 2003). Local knowledge provided by a subsidiary or local alliance becomes an important resource for conceptualizing value as per the local requirements (Johnson, 1987).

According to the Resource Based View theory, resources are inputs into a firm's production process; can be classified into three categories: physical capital, human capital and organizational capital (Crook, 2008). A capability is a capacity for a set of resources to perform a stretch task of an activity. Each organization is a collection of unique resources and capabilities that provides the basis for its strategy and the primary source of its returns.

In the 21st-century hyper-competitive landscape, a firm is a collection of evolving capabilities that is managed dynamically in pursuit of above-average returns. Thus, differences in firm's performances across time are driven primarily by their unique resources and capabilities rather than by an industry's structural characteristics (Crook, 2008). The Resource Based View theory can be used to explain how Kenyan state corporations can gain competitiveness through innovatively delivering superior value to customers, they focus on the strategic identification and use of resources for developing a sustained competitive advantage.

Fundamentally, it is the valuable, rare, inimitable and non-substitutable resources of the firm that enable or limit the choice of markets it may enter, and the levels of profit it may expect (Wernerfelt, 1984). The Kenyan State Corporations are under pressure to perform and for them to do so resources and their utilization is inevitable. Therefore Resource-Based View theory will help this study in investigating adequacy or otherwise of the resources and optimization of their utilization.

2.2.2 Agency Theory

Agency Theory explains how best to organize relationships in which one party determines the work while another party does the work (Jensen & Meckling, 1976). In this relationship, the *principal* hires an *agent* to do the work, or to perform a task the principal is unable or unwilling to do. For example, in state organizations, the principal is the government, delegating to the agents, who are the management of the state organization to perform tasks on their behalf.

To determine when an agent does (and does not) act in their principal's interest, the standard of "Agency Loss" has become commonly used. Agency loss is the difference between the best possible outcome for the principal and the consequences of the acts of the agent (Jensen & Meckling, 1976). For instance, when an agent acts consistently with the principal's interests, agency loss is zero. The more an agent's acts deviate from the principal's interests, the more agency loss increases. When an agent acts entirely in their own self-interest, against the interest of the principal, then agency loss becomes high.

It is acknowledged that the principal-agent theory is generally considered the starting point for any debate on the issue of corporate governance emanating from the classical thesis on ‘The Modern Corporation and Private Property’ by (Heracleous, 2001). According to this thesis, the fundamental agency problem in modern firms is primarily due to the separation between shareholders and management. Modern firms are seen to suffer from the separation of ownership and control and therefore are run by professional managers (agents) who cannot be held accountable by dispersed shareholders.

In this regard, the fundamental question is how to ensure that managers follow the interests of shareholders in order to reduce costs associated with principal-agency theory? The principals are confronted with two main problems. Apart from facing an adverse selection problem in that they are faced with selecting the most capable managers, they are also confronted with a moral hazard problem; they must give agents (managers) the right incentives to make decisions aligned with shareholder interests.

Jensen and Meckling (1976) describe agency relationship as a contract under which “one or more persons (principal) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent.” In this scenario, there exists conflict of interests between managers or controlling shareholders, and outside or minority shareholders leading to the tendency that the former may extract “perquisites” (or perks) out of a firm’s resources and be less interested to pursue new profitable ventures. Agency costs include monitoring expenditures by the principal such as auditing, budgeting, control and compensation systems, bonding expenditures by the agent and residual loss due to divergence of interests between the principal and the agent. The share price that shareholders (principal) pay reflects such agency costs. To increase firm value, one must therefore reduce agency costs.

The following are the key issues towards addressing opportunistic behaviour from managers within the agency theory: Composition of board of directors; the board of directors is expected to be made up of more non-executive directors (NEDs) for effective control. It is argued that this structure reduces conflict of interest and ensures a board's independence in monitoring and passing fair and unbiased judgment on management. CEO duality meaning that it is also expected that different individuals occupy the positions of CEO and board chairperson as this reduces the concentration of power in one individual and thus greatly reduces undue influence of particular management and board members. This theory is relevant to the study since it outlines the role state corporations' managers' play as agents in relation to provision of products/services to the public as the key role of the principal/government as outlined in the service delivery charter of different state corporations.

2.2.3 Stakeholder Theory

Stakeholder theory begins with the assumption that value is necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically what kinds of relationships they want and need to create with stakeholders to deliver on their purpose (Drazin& Howard, 1984).

It has previously been suggested by scholars that stakeholder theory holds the potential for understanding the financial performance – autonomy relationship stakeholder theorists argue that the organization's FP is determined by their stakeholders' provision of resources in response to the organization's actions (Fooman, 1999). A stakeholder's decision to either provide or cease to provide resources to the organization is the culmination of complex considerations that coalesce within an overall evaluation of the organization's reputation. Stakeholders are uniquely positioned to affect the FP of the organization whether through withholding or providing efforts through employees, infrastructure through government or cash flow through customers, among other things (Rowley & Berman, 2000).

Jones and Wicks (1999) critique the Stakeholders theory for assuming a single-valued objective (gains that accrue to a firm's constituencies). The argument of Valdes (1997) suggests that the performance of a firm is not and should not be measured only by gains to its stakeholders. Other key issues such as the flow of information from senior management to lower ranks, inter-personal relations, working environment, etc are all critical issues that should be considered. Some of these other issues provided a platform for other arguments as discussed later. An extension of the theory, called an enlightened stakeholder theory, was proposed. However, problems relating to empirical testing of the extension have limited its relevance (Jones & Wicks, 1999).

The focus of stakeholder theory is articulated in two core questions (Dessler, 2003). First, it asks: what is the purpose of the firm? And second, what is the benefit to stakeholders? This encourages managers to articulate the shared sense of the value they create, what brings its core stakeholders together. This propels the firm forward and allows it to generate outstanding performance, determined both in terms of its purpose and market place financial metrics (Eisenhardt & Brown, 1998). The purpose of the Kenyan State Corporations and the means of achieving that purpose which is supported by stakeholders theory fits well in this study as it interrogates their worth and their performance.

2.2.4 Game Theory

The game theoretic model is a simulation model for strategic interaction in a rivalry situation between two players, each focussing on the rival behaviour in an attempt to anticipate their likely action to determine their own (Furrer & Thomas, 2000). The model is built on the assumption of rational behaviour, which is common to most microeconomic models. However, game theory models go beyond the limiting rationality presumption of microeconomic models to encompass a wide variety of strategic intent (Saloner, 1991).

In a typical game of finite number of strategies, the perceptions of individual payoffs, can be mapped in a matrix of different combinations of response choice. Amongst the various alternatives, a dominant strategy may exist, which is the one that offers the optimal payoff to a player irrespective of the rival action especially where agent action is required and lead to information is available (Parkhe, 1993).

Game theory is a mathematical theory of decision making by participants in conflicting or cooperating situations. Its goal is to explain, or to provide a normative guide for, rational behaviour of individuals confronted with strategic decisions or involved in social interaction (Netessine & Shumsky, 2001). The theory is concerned with the optimal strategic behaviour, equilibrium situations, stable outcomes, bargaining, coalition formation, equitable allocations, and similar concepts related to resolving group differences. Game theory has a profound influence on methodologies of many different branches of sciences, especially those of economics, operations research and management sciences.

In the case of Kenyan State Corporations, dilemma and rivalry are the order of the day and therefore the anticipated performance by the corporations must be analysed in line with differentiating their performance depending on how well opportunities are exploited and challenges overcome as suggested by Game theory. Not all state corporations perform the same functions and therefore the difference will lie within the managerial tactics and focus to the ultimate goals that are, as to every action there is a reaction and therefore the success of the corporations will depend on shaping the game they play.

2.2.5 Strategic Conflict Model

Strategic conflict model is based on the scope of rational-choice analysis, which has long been fundamental to strategic management. It emphasizes that practical insights into global conflict can be gained by viewing management adversaries as intelligent rational decision-makers and by logically analyzing management rational decisions in a common framework that takes account of how customers preferences and information may differ (Richard et al., 2009).

The general framework for such analysis of interdependent decisions is the subject of strategic conflict model, and its development was significantly accelerated and redirected after 1960 by the impact of Schelling's book (Roger, 2009). Schelling's focal-point effect enables the organization management to better understand how the environment can affect rational economic behaviour, even when different organizations have the same goals and desires. Different kinds of strategic relationships, organizational reputations and strategic positions can be understood as alternative equilibria in a strategic conflict model (Avinash, 2006). In the case of Kenyan state corporations, strategic conflict model applies as it analyses that some corporations share same environment and strategies but the outcomes are different because rational thinking is not fixed but influenced by time and other factors.

2.2.6 Structural Contingency Theory

The study applies structural contingency theory to explain the contingent factors that influence the differences in autonomy between types of organizations and their performance. Structural contingency theory posits that environment, strategy, technology, people, work-orientation culture and management determine organizational forms (Baulcomb, 2003).

The contingency theory of organizational structure provides a major framework for the study of organizational design (Donaldson, 2001). The contingency hypothesis postulates that effective organizations shape their design parameters in accordance with the characteristics of their environment (Boyne, 2001). Good performance is "contingent" on congruence between structural properties and contingency variables (Bryson, 1995), where the better the match the higher the performance (Miller, 1982). It holds that the most effective organizational structural design is where the structure fits the contingencies.

The principal research problem is to identify structural designs which are efficient, effective and viable under conditions of changing environments (Roger, 2009). As well as compatibility with their situational factors, effective organizations achieve an internal consistency among their design parameters, a complementary alignment among the internal interdependent structural elements appropriately to maximize organizational performance (Dessler, 2003). Most combinations should not and do not occur because they would hurt performance (Miller, 1982).

Structural contingency theory is often considered an equilibrium theory, in that organizations are depicted as attaining fit and then being in equilibrium and so remaining static (Donaldson, 2001). Organizations overwhelmingly continue to use traditional macro-structures such as the divisional type, with innovations such as information technology or teams being incremental, not radical changes within this broader traditional framework (Miller, 1982). Similarly, a study of organizations from many European countries found that organizations are not radically flattening their structures. In recent developments relating to contingency theory, there is a clear concern for dynamic disequilibrium.

The theory further proposes that the fit between such determinants will lead to organizational performance. However, structural contingency has a limitation in explaining misfit phenomenon. Structural Contingency theory is relevant in this study as Kenyan state corporations are affected by turbulent environment that is, both internal and external environmental factors, managed by people of diverse management styles, work orientation culture and also influenced by politics.

2.3 Overview of Competitive Strategies

Most economic texts classify competition as consisting of four key forms: pure or perfect competition, monopolistic or imperfect competition, oligopolistic competition and monopolies (Reynolds, 2005). Pure competition and pure monopoly environments are the more extreme forms of competition but rarely occur in the real world (Reynolds, 2005). A pure monopoly is characterized by a single seller who controls the supply of a good or service and prevents other businesses from entering the field (Reynolds, 2005).

According to Johnson (1987), pure competition exists when a large number of sellers produce a certain type of product or service that is slightly differentiated. These sellers have low barriers of entry into the market and easily enter or leave it as they choose. No attempt is made in this study to further expound on these extreme forms of competition as it is believed that they present a hypothetical market structure (Reynolds, 2005). For this reason, focus is accorded mainly to the imperfect forms of competition, namely, oligopolistic and monopolistic competition.

If there are a few sellers in a certain industry, with a high level of interdependence between each other, selling products that are identical or slightly differentiated, then the industry is considered oligopolistic (Reynolds, 2005). Products can be differentiated based on price, quality, image, or some other feature. An alternative market structure is the monopolistic competitive environment where there are many producers and consumers in a market (Wikipedia, 2008). Consumers in this market perceive there to be no price difference among the competitor's products with few barriers of entry for firms. However, these firms do have some degree of control over price.

Porter (2004) identifies competitive strategy actions as positioning, taking an offensive, exploiting change and diversification. Galliers (2006) argues that as it becomes harder to sustain operational advantages in a competitive market, firms turn to strategic positioning in order to gain a cost advantage or premium pricing by competing in a distinctive way. In positioning, the company determines areas where it should confront competition and where it should avoid it, whereas in taking an offensive, the company attempts to cope with competitive forces or alter their causes.

In exploiting change, the company attempts to take advantage of structural changes in the sources of competition whereas in diversification, the company assesses the future potential of the business. This study proposed to elaborate on whether these strategies are also evident within firms in the software industry in Kenya.

Porter (2004) argues that in order to attain competitive advantage in an industry, it is critical to understand the process of its evolution in order to be able to predict change and strategically react to this change. He suggests that his model developed with help from Miller (Porter, 1980) of structural analysis of industries be used as a framework for this. By combining this with the product life cycle model (Kotler, (1972) as referenced by Porter, 2004) one may be adequately able to analyze and forecast the evolution of any industry.

Porter (2004) identifies evolutionary forces such as changes in buyer's segments served, diffusion of proprietary knowledge, accumulation of experience, product innovation, process innovation, structural change in adjacent industries and government policy change. Johnson, Scholes and Wittington (2006) cite three key methods of sustaining competitive advantage, namely, by collaborating with competitors, through lock-in strategies, by repositioning a firm's competitive strategy over time and by attempting to anticipate competitor moves using game theory as suggested by Javier (2002).

Depending on the nature of the market, the competitive advantage of any firm may be long term in the case of stagnant markets or short term in the case of hypercompetitive markets. According to Johnson, Scholes and Wittington (2006), firms must therefore adopt strategies that comply with the nature of their competitive environment. Repositioning and overcoming competitor's market-based moves using Game Theory are suitable strategies for hypercompetitive markets, whereas collaboration between potential competitors or between organizations may be more suitable in pure markets. Porter (1990) identifies four key prerequisites to gaining competitive advantage in a global context amid intense competition: the maximum use of endowed resources, the forming of domestic networks, the exploitation of domestic demand, and a suitable industry and environment structure.

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires considerable market share advantage or preferential access to raw materials, components, labour or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. However, low cost leadership is attached to a disadvantage which is less customer loyalty (Temporal, 2005). Relatively low prices will result in creating a negative attitude towards the quality of the product in the mindset of the customers (Luo, 2003).

Customer's impression regarding such products will enhance the tendency to shift towards a product which might be higher in price but projects an image of quality. With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980).

It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choose the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

2.4 Porters Generic Competitive Strategies

This section discusses Porters generic competitive strategy which includes cost leadership, differentiation and focus.

2.4.1 Cost Leadership Strategy

This strategy emphasizes efficiency. By producing high volumes of standardized products, a firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills good that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features (Javier, 2002).

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. When a firm designs, produces and markets a product more efficiently than its competitors such a firm has implemented a cost leadership strategy (Allen et al. 2006). Cost reduction strategies across the activity cost chain will represent low cost leadership (Javier, 2002). Attempts to reduce costs will spread through the whole business process from manufacturing to the final stage of selling the product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining a low cost base (Akan et al., 2006).

Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share (Porter, 1980). These writings explain that cost efficiency gained in the whole process will enable a firm to mark up a price lower than competition which ultimately results in high sales since competition could not match such a low cost base. If the low cost base could be maintained for longer periods of time it will ensure consistent increase in market share and stable profits hence consequent in superior performance (Tuminello, 2002). However all writings direct us to the understanding that sustainability of the competitive advantage reached through low cost strategy will depend on the ability of a competitor to match or develop a lower cost base than the existing cost leader in the market.

A firm attempts to maintain a low cost base by controlling production costs, increasing their capacity utilization, controlling material supply or product distribution and minimizing other costs including R&D and advertising (Dessler, 2003). Mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, work force dedicated for low cost production, reduced sales force, less spending on marketing will further help a firm to maintain a low cost base (Tuminello, 2002). Decision makers in a cost leadership firm will be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy. For low cost leadership to be effective a firm should have a large market share (Gongera, 2007).

New entrants or firms with a smaller market share may not benefit from such strategy since mass production, mass distribution and economies of scale will not make an impact on such firms. Low cost leadership becomes a viable strategy only for larger firms. Market leaders may strengthen their positioning by advantages attained through scale and experience in a low cost leadership strategy. But is there any superiority in low cost strategy than other strategic typologies? Can a firm that adopts a low cost strategy outperform another firm with a different competitive strategy? If firms costs are low enough it may be profitable even in a highly competitive scenario hence it becomes a defensive mechanism against competitors (Roger, 2009). Further they mention that such low cost may act as entry barriers since new entrants require huge capital to produce goods or services at the same or lesser price than a cost leader. As discussed in the academic framework of competitive advantage raising barriers for competition will consequent in sustainable competitive advantage and in consolidation with the above writings we may establish the fact that low cost competitive strategy may generate a sustainable competitive advantage.

Further in consideration of factors mentioned above that facilitate a firm in maintaining a low cost base, some factors such as technology, may be developed through innovation (mentioned as creative accumulation in Schumpeterian innovation) and some may even be resources developed by a firm such as long term healthy relationships built with distributors to maintain cost effective distribution channels or supply chains (inimitable, unique, valuable non-transferable resource mentioned in RBV (Cross, 1999).

Similarly economies of scale may be an ultimate result of a commitment made by a firm such as capital investments for expansions (as discussed in the commitment approach). Also raising barriers for competition by virtue of the low cost base that enables the low prices will result in strong strategic positioning in the market (discussed in the IO structural approach). These significant strengths align with the four perspectives of sustainable competitive advantage mentioned in the early parts of this literature review (Galliers, 2006).

Low cost leadership could be considered as a competitive strategy that will create a sustainable competitive advantage. However, low cost leadership is attached to a disadvantage which is less customer loyalty (Yakhlef, 2001). Relatively low prices may create a negative attitude towards the quality of the product in the mindset of the customers (Roger, 2009). Customer's impression regarding such products will enhance the tendency to shift towards a product which might be higher in price but projects an image of quality.

2.4.2 Differentiation Strategy

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980). It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

Differentiation is aimed at the broad market. It involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customer service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers’ loyalty can also serve as an entry barrier – new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully (Porter, 2004).

Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Apple Computer, and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier. A low-cost strategy is more likely, however, to generate increases in the market share. This may or may not be true (Johnson, 1987).

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive (Kotler, 1972).

Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Pennathur, 2001). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals products.

Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choosing the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand. Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Huber, 2004).

Kotler (2001) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of actions performed anywhere in the activity cost chain. The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

2.4.3 Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

2.5 Competitive Strategies and Organizational Performance

Porter (1995) discussed the basic types of competitive strategies firms' possess (low-cost, Differentiation and focus) to achieve sustainable competitive advantage. Sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by current or potential competitors along with the inability to duplicate the benefit of this strategy. According to Porter (1980), a business attempting to combine more than two approaches invariably ends up stuck in the middle. He argues that the competitive strategies and positioning are based on incompatible assumptions and thereby create trade-offs within the organization.

A creative and distinctive strategy that sets a company apart from its rivals and yields a competitive advantage is the company's most reliable ticket for earning above average performance. Thompson et al. (2007) stressed that without this, a company risked being out competed by stronger rivals and/or being locked into the mediocre financial performance. Organizations around the world are bracing themselves for stiffer competition emerging in the market place fuelled by increasingly uncertain environments. As such there is need for establishing clear organizational strategy, focused on narrow objectives of what is at stake in the current moment, and aligning those strategies with the entire organization. Despite much debate on strategy, there is little consensus as to whether organizational capabilities or market competition are more important in shaping firms' actions and performance. According to Huber (2004), reciprocal interactions at multiple levels of analysis between the market environment and firm capabilities shape business strategy and performance, while interactions between strategy and performance, in turn; shape both organizational capabilities and competitive environments.

In an effort to improve organizations profitability, and the overall performance, Barney (1986) noted that managers continuously make decision whether to launch new strategic initiatives as well as how to respond or counter other competitors' moves. He however points out that managers are able to make more effective decisions if they fully understand the firm's competitive environment.

Kotler et al. (2008) noted that the quest for improved performance often leads managers to consider market entry opportunities. Such opportunities involve either pioneering a market or entering a market that is already occupied by others. High and comprehensive knowledge of the market is needed because there are many crucial factors to consider including whether a first move can create a competitive advantage. It is however noted by Thompson et al. (2007) that this does not create sustainable competitive advantage because second comers often perfect the product and erode the advantage earlier enjoyed by the pioneers. Specifically, sales and profits are enjoyed at an average period of 5 years, which is the reason why firm executives should develop thorough strategies that enhance performance of the firm in the competitive environment.

The concept of competition pointed out by Reuer (2004) is gaining popularity among firms in a bid to improve efficiency. This is through joint ventures, strategic alliances and organizational networks that enable an organization to avoid duplication of resources. However, cooperation exposes the firm to certain risks including loss of control over key operations and potential exploitive behaviours by partners. Therefore, focusing on competition with other firms avoid such risks and enables a firm to be innovative and efficiently manage resources.

Pearce et al. (2003) note that the application by organizations of concepts such as strategic fit between resources and opportunities, generic strategies low cost versus differentiation versus focus and the strategy hierarchy of planning goals, strategies, and tactics often abets the process of competitive decline. There are two contrasting models of strategy which are meant to entrench a competitive advantage over firm's rivals: one is for maintaining strategic fit while the other focuses on leveraging resources. The two are not mutually exclusive, but they represent a significant difference in emphasis that deeply affects how competitive battles get played out over time.

Porter (1998) acknowledged that both models recognize the problem of competing in a hostile environment with limited resources, but while the emphasis in the first is on trimming ambitions to match available resources, the emphasis in the second is on leveraging resources to reach seemingly unattainable goals. Both models recognize that relative competitive advantage determines relative profitability. The first emphasizes the search for advantages that are inherently sustainable; the second highlights the need to accelerate organizational learning to outpace competitors in building new advantages.

Porter (1980) suggested that there are three types of competitive advantages through strategic positioning a company can own: low cost, differentiation and focus. The domination through costs strategy is specific to organizations which produce and sell standardized products. The aimed market is vast, with numerous segments. Adopting this strategy implies intensifying the investments, which afterwards implies a productivity growth, a better organization of the production processes, rationalizing the products gamut, and so on. This strategy is generally used by organizations with a big financial power.

The domination through differentiation strategy is adopted by organizations which offer strongly individualized products. This strategy gives the organization a domination power exactly because of the uniqueness of the product's characteristics or services. It also implies a growing attention to maintain this advantage in front of the competitors (Boyne, 2001). The focusing strategy implies the firm to concentrate over a narrow market segment on which they will try to obtain superior advantages from the ones obtained by the industry in its ensemble, by optimizing the differentiating cost. This strategy is generally adopted by small and medium companies, in order to avoid direct confrontation with stronger competitors.

2.6 Organizational Autonomy and Performance

Organizational autonomy is the capacity of organizations to govern themselves. This is a characteristic that only a few government agencies can have and it is difficult for other organizations to imitate since it needs supporting laws**.** Gongera (2007) concluded that organizations with autonomy were more likely to be effective than those with little or no autonomy. In general, government agencies tend to have defensive strategies in implementing their works. Proactive strategy is related to organizational awareness of environmental changes and searching new ideas or ways of achieving objectives.

The influence of organizational autonomy on financial performance in public organizations uses a diverse and a too restrictive conceptualization of autonomy. The popularity of the autonomy concept stems from evolutions in the practice of public management. These evolutions can be linked to theoretical schools which predict certain effects when some tasks are put at arm's length from the government. Autonomy is the quality or state of being self-governing, especially, the right or power of self-government, existing or capable of existing independently, and subject to its laws only. In other words, the issue is one of "degree of autonomy rather than an absolute autonomous state" (Austin, 1984). Nor is this issue merely one of semantics. Since the 1980's, the public sectors around the world have come under intense scrutiny in policy circles due to the bureaucratic complexity of these institutions, the heavy burden they impose on public funds, and the perceived difficulties in ensuring their efficient and effective functioning under centralized government control. One policy option that has found particular favour with governments is granting greater autonomy to these state corporations in running their operation. As a result, autonomy initiatives have been proposed as an integral part of broader public sector reform process (Govindaraj & Chawla, 1996).

Governments must implement the necessary institutional arrangements required to enhance public sector financial management transparency and accountability. An integral and essential part of these arrangements is the use of accrual-based accounting; through the adoption and implementation of International Public Sector Accounting (IPSAs) which promotes greater transparency and accountability in public sector finance and allows for enhanced monitoring of government debt and liabilities for their true economic implications. Part of the process of recent public sector reform has involved replacing traditional cash-based accounting, similar to those found in the private sector (Hodges & Mellett, 2003).

Non-routine technology needs innovative thinking which is rare in the public sector since the bureaucracy encourage people to obey orders than question what they are doing. Self-actualization culture is the beliefs that have massive commitments to the works and people are motivated in an organic way. Decentralization management involves participation and empowerment. The government agencies tend to limit rather than mobilize the development of human capacities. Employees lose opportunities for personal growth, and organizations lose the creative and intelligent contributions (Burnes, 1996). Therefore, a government organization possessing high level of autonomy, proactive strategy, non-routine technology, self-actualization culture, and decentralization will have high performance.

2.7 Positioning and Organizational Performance

Positioning is a powerful tool that allows a firm to create an image. It reflects how consumers perceive the product's or organization's performance on specific attributes relative to that of the competitors (Kotler, 1994). Positioning is a competitive marketing tool that goes beyond image-making. It is an attempt to distinguish an organization from its competitors, in order to be the most preferred firm for a certain market segment. It is establishing and maintaining a distinctive place and image in the market for product offerings so that the target market understands and appreciates what the organization stands for in relation to its competitors (Ries & Trout, 1986). A firm that positions itself favourably within a particular marketplace, relative to competitors, can earn high profits irrespective of average profitability within the market.

Temporal (2005) stated that strategic positioning is a planned initiative that convinces or persuades people to think about why they are different or better from what the competition has to offer. Temporal (2005) believed that positioning represents uncertain imitability and its effect is to reduce competition within part of the market. Temporal (2005) asserted that positioning depends on perceptions, and perceptions are the result of a filtering process. Whatever someone says or communicates to people passes through filters' that affect the way in which they eventually think about one's brand/organization. He insists that great care must be taken to ensure they are not misinterpreted or forgotten. They must make long lasting vivid impressions. But more than that, strategic positioning attracts minds and brings about positive changes in behaviour of the target audience.

Temporal (2005) posited that the strategic positioning process involves four steps which include: Knowing the current position of the organization; knowing where you want the organization to be i.e. the desired position in terms of where you want to take the organization, what you want the organization to be, what you want the organization to achieve and what you want the organization to have; taking action to get there and finally deciding whether you have made it by assessing the results.

Johnson (1987) identified three main advantages of the positioning strategy: positioning may help to create a barrier to entry of competition and once established and successful, it provides a retailer with a unique image in the market place; market positioning may also facilitate fine tuning of strategy as the experience gained by being close to the customers helps in determining precisely what retail offering is required; positioning may increase the power of the retailers and reduce that one of its suppliers because the retailer will have understood his customers so much that he is the one who will be telling the manufacturer what is needed by the consumers.

For a public corporation to become profitable it must put in place strategies that position itself in market dominance and improve the firm's overall performance. Positioning has been recognized as a vital tool to confront the competitive pressure in the public corporation market environment and also as a tool of improving the performance of these firms (Ries & Trout, 2000). Though the positioning concept and its effect on firm performance has received considerable attention, there is limited empirical literature on its practice and effects on firm performance in the Kenyan context.

2.8 Competitive Strategies, Organizational Autonomy, Positioning Strategy and Organizational Performance

Competitive strategies, organizational autonomy and strategic positioning have a strategic impact and contribute to organization performance. The organization is shown as one of a number of competitors in an industry; and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others. These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction (Burnes, 1996). Day and Wensley (2008) posit that strategic positioning and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the skills and resources is the consequence of former investments made to improve the competitive position. And in order to make the positional advantage sustainable, the company must continue to invest into the sources of advantage (Day & Wensley, 2008). According to Barney (1991), improved organizational performance arises when the firm’s resources are valuable (the resources help the firm create valuable products and services), rare (competitors do not have access to them), inimitable (competitors cannot easily replicate them) and appropriate (the firm owns them and can exploit them at will). Acquiring and preserving sustainable competitive advantage and superior performance are a function of the resources and capabilities brought to the competition (Barney, 1995).

The resource-based theory (Barney, 1991), stressed the importance of the intangible resources and capabilities of the firm in the context of the competitive environment. In this way, the firms that devote their internal forces to exploit the opportunities of the environment and to neutralize threats while avoiding weak points are most likely to improve its performance than those that do not do the same and they are able to build a good reputation. The company's positioning strategies are its response to the situation in the competitive environment. These are important, as with the implementation of the right positioning strategies, the company can sustain its positive growth and high rates of return, the two most important value drivers (Kolleretet et al., 2010).

According to Reilly and Brown, (2009), a company can either position itself to deflect the effect of the competitive forces in the industry (defensive strategy) through investing in technology that will lower production costs or through increased advertising and creating a strong brand; or it will use its strengths to affect the competitive forces in the industry (offensive strategy). Both, the defensive and offensive competitive strategies can incorporate low cost and differentiation strategy.

The competitive strategy view and the resource-based view emphasize different sides of the same coin (Wernerfelt, 2004). The competitive strategy view focuses on the influence of industry structure on firm performance, whereas the resource-based view maintains the role of firms' heterogeneous resources in determining firms' sustainable competitive advantage. Strategic fit is a core concept in strategy formulation, and the pursuit of strategic fit has traditionally been viewed as having desirable performance implications. Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company's position, and by choosing a strategy for competitive balance prior to opponents' movement (Kipley & Lewis, 2009). In this view, the strategic positioning of a firm reflects the firm's ability to generate competitive advantage.

The competitive strategy view maintains that resources are the results obtained from the implementation of strategy and/or purchase from the environment (Porter, 1991). Consequently, resources cannot achieve an independent status in relation to firm performance. The importance of resources is understood only in conjunction with the capability of those resources to support the strategy pursued or the fitness of those resources for a particular industry structure (Spanos & Lioukas, 2001).

Recent studies have demonstrated (Hodges & Mellett, 2003) that an increase of organizational autonomy has been accompanied with an expansion of regulation and control: public sector organizations received more autonomy. Generally one could say that the more autonomous the organization, the more senior managers can be considered as residual claimants of their organization.

The strategic positioning of an organization includes the devising of the desired future position of the organization on the basis of present and foreseeable developments, and the making of plans to realize that positioning (Boyne, 2001). Mahapatro (2010) observed that organizational performance is the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results.

2.9 Knowledge Gaps

Having a competitive advantage is necessary for a firm to compete in a market. But what is important is whether the competitive advantage is sustainable. Many authors have attempted to define the term sustainable competitive advantage. Gongera (2007) came close to a formal definition by offering the following definition: "A firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate benefits of this strategy (Goold, 1991). These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction. This is as summarized in Table 2.1.

Table 2.1: Summary of Knowledge Gaps

Author	Focus	Methodology	Findings of the study	Knowledge Gaps	Focus of the current study
Kotter (1996)	Role of strategic planning process in repositioning and transforming private organization.	The study adopted an exploratory design covering a stratified sample of 215 respondents drawn from a population of 1230 (staff and customers). A semi-structured survey questionnaire was used to collect data which was analyzed using descriptive and inferential statistics.	Strategies help marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and anticipated changes in the environment.	Empirical knowledge exists in Kenyan public sector on the role of strategic planning process in repositioning and transforming the public corporations	Empirical evidence to show competitive strategies application within positive state influence and strong managerial leads to higher performance
Boyne (2001)	Relationship between planning and performance in public service	The analysis and conclusions are based on close and regular reading for 25 years of the core UK journals in the field (Local Government Studies, Policy and Politics, Public Administration, Public Money and Management, Public Policy and Administration),relevant journals in related fields (e.g. Government and Policy, Political Studies),and major books.	Formality and completeness as the basis for measuring strategy by most researchers	Effect of level of implementation in strategic planning	Show level of competitive strategies application as it influences Kenyan state corporation performance
Li (2007)	Organizational autonomy, incentives and performance of state corporations in China.	The study is based on a large sample of 1,154 firms from the financial year 2004, and 1,255 firms from 2005 of companies traded on China's two stock exchanges in the two years 2004 and 2005. The data is obtained from the China Stock Market and Accounting Research Database (CSMAR) of the Shenzhen GTA Information Technology Company Ltd	Organizational autonomy dampens and boosts firm performance.	Empirical knowledge of relationship between organization autonomy and incentives and performance in the Kenyan public sector	The influence of organizational autonomy can also be measured in the performance of state corporations in the context of Kenya.
Oyugi (2005)	Public service reforms in Kenya	This paper critically analyzes the efficacy of the Rapid Results Initiative methodology in local service delivery using current literature on the subject matter, the author's experience and anecdotal evidence from the public sector staff, and other stakeholders.	Appropriate political goodwill and support are necessary for the success of public sector reforms.	Empirical knowledge on the exact nature of the interaction between political goodwill and support, level of implementation of strategic plans and performance of state corporations.	Organizational autonomy must consider State influence in Kenya state corporation

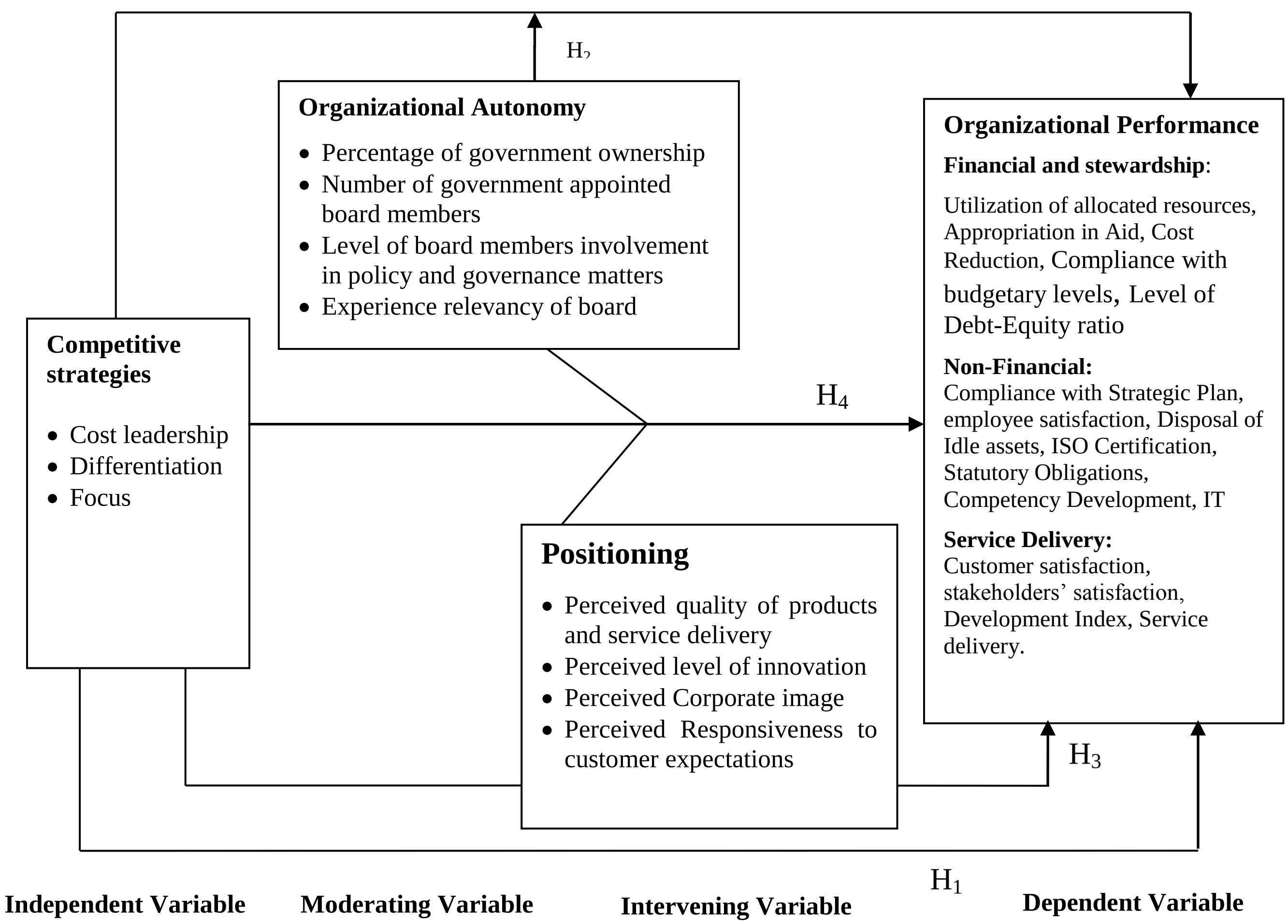
Author	Focus	Methodology	Findings of the study	Knowledge Gaps	Focus of the current study
Okumus (2001)	The role of strategy implementation in organizational development and strategy implementation framework	This study involved hypotheses testing to examine the strength of relationship between the variables being Investigated. The data-collection method was a self-administered, close-ended questionnaire	Strategy formulation and implementation links to organizational outcomes	focussed on strategy formulation and its links with organizational outcomes with little attention to the moderating and intervening effect of other factors	Managerial autonomy and positioning effect must be considered as moderating and intervening effect on the relationship between competitive strategy formulation and performance of state corporations
Mwema (2008)	A strategic model of Kenyan Public Corporation Self-sustainability	The study focused on Kenyan local authorities in Eastern province The study adopting an exploratory design. A semi-structured survey questionnaire was used to collect data which was analyzed using descriptive and inferential statistics.	He found that 78% of the Kenyan public corporations were unable to self-sustain their operations due to internal inefficiencies that required pragmatic restructuring	He specifically affiliated anomalies to poor work ethics, rigidity in management, misallocation of resources, and structural inefficiencies but failed to take in to account the external environment influence	Internal environment relies on external environment and competitive strategies for Kenyan state corporations performance
Odundo (2012)	Environmental context, implementation of strategic plans and performance of state corporations in Kenya	A combination of cross-sectional survey design and rational study design was employed in the study covering 83 state corporations drawn from different sectors of the economy charged with various functions. Required data was mainly quantitative; therefore a full questionnaire was used as 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 performance of state corporations	Empirical evidence exists between effective strategic planning and implementation and organization performance	Both external and internal environmental factors must be supplemented by competitive strategies to result in maximum Kenyan State corporations performance

Source: Researcher, (2015)

2.10 Conceptual Framework

A conceptual framework is a combination of concepts that integrate and interpret information. In the framework, competitive strategies are represented by cost leadership, differentiation and focus. This relationship is influenced by organizational autonomy as moderating variable and positioning strategy playing an intervening role. Organizational performance is the dependent on relationship between these variables. The measures of performance includes financial and stewardship, non-financial and service delivery. This emerging proposition, knowledge gaps has led to the formulation of the conceptual model as an area for further research in Figure 2.1.

Figure 2.1: Conceptual Framework



The conceptual framework in Figure 2.1 explains the relationship between competitive strategies and the performance of Kenyan state corporations, the mediating effect of organizational autonomy on the relationship between competitive strategies and performance of Kenyan state corporations, the intervening effect of positioning on the relationship between competitive strategies and performance of Kenyan state corporations and the combined effect of competitive strategies, organizational autonomy and positioning on the performance of Kenyan state corporations.

2.11 Research Hypotheses

Emerging from the relationship in the conceptual model in Figure 2.1 the following hypotheses were formulated:

H_1: Competitive strategies have significant influence on the performance of Kenyan State Corporations.

H_2: Organizational autonomy moderates the effect of competitive strategies on the performance of Kenyan State Corporations.

H3: Positioning mediates the relationship between competitive strategies and performance of Kenyan State Corporations.

H_4: Competitive strategies, organizational autonomy and positioning jointly have significant influence on the performance of Kenyan State Corporations

This section has summarized the major hypotheses formulated from the research objectives. The major objectives of the study were to determine the influence of competitive strategies on performance of Kenyan State Corporations, the effect of Organizational autonomy on the relationship between competitive strategies and performance of Kenyan State Corporations, the effect of positioning strategy on performance of Kenyan State Corporations and the joint effect of competitive strategies, organizational autonomy and positioning strategy on the performance of Kenyan State Corporations. The study therefore seeks to test the hypotheses and determine the nature of the interactions.

2.12 Chapter Summary

This chapter was devoted to a detailed literature review. The review was important to help the study appreciate what previous studies on the study variables existed. The chapter provided a detailed description of various theories that guided the study and which formed the foundation of the study. The main theories anchoring the study are Resource-Based View, Agency Theory, Stakeholder Theory, Game Theory, Strategic Conflict Model and Structural Contingency Theory.

The literature review on the relationships between the variables brought to fore the gaps in literature that needed to be addressed by the study. A conceptual framework demonstrating the relationship among the variables of this study was then schematized along arguments in literature which was followed by the stating of the hypotheses of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter describes the research methodology and the approaches that were used in conducting this study. It describes the research philosophy, research design, sampling design and the population of the study. The Chapter further describes the manner in which data was collected from the field. Additionally, the operationalization of study variables is discussed in detail and finally the techniques used in data analysis are presented.

3.2 Philosophical Orientation

Scientific inquiry has been guided by two broad research paradigms namely the positivist (quantitative) and Phenomenology (qualitative) paradigms (Saunders, Lewis & Thornhill, 2007). Phenomenological research focuses on the immediate experience where the researcher draws meanings by interpreting experiences that are observed during his/her involvement in the phenomena (Blau, 1964). Phenomenological research enables the researcher to gain understanding of the situation under study. Phenomenon observation, such as case studies, provides qualitative data that describes and explores phenomenon in-depth thus providing more solid results (Zikmund, 2003).

Research philosophy relates to the development of knowledge. The nature of knowledge contains important assumptions in which researchers view the world (Saunders et al, 2007). Knowledge is a set of beliefs about specific segment of reality or phenomenon (Mugenda & Mugenda, 2003). This leads to what is reality (ontology) and how knowledge about reality can be made available (epistemology). Ontology deals with different views about reality and hence it influences the way knowledge is constructed. Epistemology is the study of theories of knowledge. Epistemology helps to understand what it means to know and how one comes to a state of knowledge and complete knowledge about a given phenomenon (Mugenda & Mugenda, 2003).

The two philosophical stances of epistemology are positivism and intrepretivism. Positivism seeks facts of social phenomena with little regard for subjective status of individuals and adopts a stance that is objective in nature. The researcher is independent from that which is being researched (Nachmias & Nachmias, 2004; Saunders et al., 2007). Positivists argue that there exists a single tangible reality and observable parts as concepts inferred from behaviour (Mugenda & Mugenda, 2003). Interpretivists on the contrary, believe that reality and the individual who observes it cannot be separated (Cooper & Schindler, 2011; Saunders et al., 2007). Phenomenology approaches knowledge creation through theory building while positivism approaches it through theory testing.

This is based on the positivist philosophy point of view. The positivism school of thought is based on the philosophy that only one reality exists though it can only be known imperfectly due to human limitations and researchers can only discover this reality within the realm of probability (Reichardt & Ralli, 1994). This school also holds that the researcher and the subjects were independent; did not influence each other or outcome. This study is anchored in the positivism paradigm because it sought to objectively establish facts by empirically establishing relationships among variables. Also, it is based on the theory from which hypothesis are drawn. The hypotheses were tested, accepted or rejected leading to what could lead to further research.

3.3 Research Design

The study adopted a descriptive cross-sectional census survey. In such surveys data is collected from the entire population to help answer research questions of interest. Information about the subjects that will be gathered represents what is going on at only one point in time. Such surveys provide the researcher the opportunity to capture a population's characteristics and test the hypothesis quantitatively (Cooper & Schindler, 2006). Census survey research design collects data from every member of the population being studied rather than choosing a sample.

This design is considered appropriate because of the purpose of the current study, scope, nature of the data to be collected and the type of analysis to be performed. Further, the researcher would collect descriptive data to be accorded statistical analysis for hypotheses testing in order to come up with objective conclusions (Cooper and Schindler, 2006). Such survey has been used by in similar studies by Aosa, (1992), Ongeti, (2014), Machuki, (2011) and Murgor, (2014) Census survey is completely accurate with no element of probability and is exhaustive. Survey research is often used to assess thoughts, opinions, and feelings. A census survey is ideal in this study because data is being collected at one point in time involving all Kenyan State Corporations.

3.4 Population of the Study

The study population were all Kenyan state corporations. As at January 30th 2015 there were 187 Kenyan State Corporations across all the ministries (GoK, 2015). These corporations are classified into: revenue collection; cultural and social services; development or promotional agencies; commercial; regulatory; educational, professional; and research institutions. The government of Kenya is currently dissolving, transferring functions and merging 70 state corporations in an attempt to promote and accelerate economic growth and development.

According to the PTPR (2013), seventy (70) state corporations had been earmarked for either dissolution or merger had been earmarked for either dissolution or merger, and the process had already commenced when data collection of this study was on course. These were eliminated from the study leaving a total of one hundred and forty seven (147) state corporations.

This context was chosen because state corporations play a critical role in enabling the government achieve her constitutional obligation of bringing about social economic development in the country by the provision of efficient services to the citizens. The government would achieve these objectives through improved performance of its ministries, state corporations and other government departments and agencies. In order to achieve high performance, state corporations must have system in place that would enable them interpret the needs of the environment correctly and develop competitive strategies for their organizations.

3.5 Data Collection

The study used primary data which was largely qualitative, quantitative and descriptive in nature. The questionnaire was designed to solicit data on competitive strategies, organizational autonomy and positioning. Gall et al. (1996) pointed out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. They further observed that questionnaires have the added advantage of being less costly and consuming less time as instruments of data collection. Respondents were presented with descriptive statements in a rating scale on which they were required to rate the extent to which they perceived a particular statement as descriptive of the situation in the corporations.

A five point Likert scale ranging from not at all (1) to a very large extent (5) was used to construct most of the items on the questionnaire. This tool was successfully used by Irungu (2007) and Mutuku (2012) who undertook similar studies. The questionnaire was divided into five sections. Section A collected data on the characteristics of Kenyan state corporations. Section B collected data on competitive strategies, Section C was dedicated to data on organizational autonomy, Section D was dedicated to positioning and Section E was dedicated to organizational performance.

The questionnaires were administered through drop and pick method targeting Chief Executive Officers of these state corporations or with their permission departmental managers in charge of strategic planning, finance and corporate affairs. The study also used secondary data. Secondary data on performance was collected from annual performance contract reports for State corporations for the five performance contracting cycles of 2009/2010, 2011/2012 and 2013/2014, from the department of performance contracting in the ministry of Planning and Devolution.

3.6 Test of Reliability

The internal consistency of the research instrument was assessed using Cronbach's alpha coefficient which is commonly used when there are multiple in the rating scales. Cronbach's Alpha (α) ranges from 0 to 1 and is a reliability coefficient that reflects how well the measurements items positively correlate to one another. In line with Nunnaly (1978) recommendation, only constructs with cut off of 0.7and greater were considered for further analysis in the study. To enhance the reliability of the survey instrument for this study, a pilot study was conducted on ten organizations which were not used in the final study. The pilot study provided data used to generate Cronbach's Alpha coefficients. The coefficients were used to assess the consistency of the instrument.

3.7 Tests of Validity

Validity is the ability of the research instrument to measure what it is supposed to measure (Cooper & Schindler, 2006). It is a criterion used to show the extent to which conclusions drawn in a study provide an accurate description or explanation of what happened (Ericksson & Kavalainen, 2008). If the instrument contains a representative sample of the universe subject matter, then the validity is good. There are various types of validity including: construct, content, face and criterion related validity. To ensure content validity, the researcher went through a review of literature and identified items to ensure that questions covered all aspects of each variable. The researcher also piloted the questionnaire in 10 state corporations not included in the study which were chosen randomly before commencing the main data collection. This enabled the researcher to establish the respondents" ability to respond without difficulties. Any ambiguous, double edged and unclear questions were identified and corrected.

3.8 Operationalization of Study Variables

This section deals with the Operationalization of study variables. The independent variable is represented by competitive strategies of the Kenyan State Corporations. The dependent variables is represented by performance of Kenya State Corporations. The moderating variables is represented by organizational autonomy while mediating variable is represented by positioning as indicated in Table 3.1.

Table 3.1: Operationalization of Study Variables

Variable	Indicators	Operationalization	Supporting Evidence	Measurement scale	Questionnaire items
Dependent Variable (Organizational Performance)	• Financial and stewardship • Non-Financial • Service delivery	**Composite Index of Performance comprising.** **Financial and stewardship**: Utilization of allocated resources, Appropriation in Aid, Cost Reduction, Development Index Service delivery, Compliance with budgetary levels, Level of Debt-Equity ratio **Non-Financial:** Compliance with Strategic Plan, employee satisfaction Disposal of Idle assets, ISO Certification, Statutory Obligations, Competency Development. **Service Delivery:** Customer satisfaction, stakeholders satisfaction	Richard, Devinney, Yip and Johnson, (2009)	Data from GoK 2008/09; GoK 2009/10; GoK 2010/11; GoK 2011/12; GoK 2012/13	Secondary data from the performance contracting department in the Ministry of Planning and Devolution.
Independent Variables (Competitive strategies)	• Cost leadership • Differentiation • Focus	Organization ability to minimize operational costs, differentiate its products and focus on particular products and services.	Porter, (1980) Bunker and Wakefield, (2006) Baulcomb, (2003), Mahapatro, (2010)	Likert-type scale	Section B Questions 7,8,9, 10,11,12
Moderating variable (Organizational autonomy)	• Percentage of government ownership • Number of government appointed board members • Level of government board members involvement in	Percentage of government stake in the organization, the number of government board members on the management committee and the specified level of government board members involvement in policy and governance matters	Boyne, (2001), Baulcomb, (2003), Gongera, (2007)	Likert-type scale	Section C Question13 and 14

Variable	Indicators	Operationalization	Supporting Evidence	Measurement scale	Questionnaire items
	policy and governance matters				
Intervening variable (positioning)	• Perceived quality of products and service delivery • Perceived level of innovation • Corporate image • Responsiveness to customer expectations	Customer satisfaction index on quality of products and service delivery, firms level of innovation, corporate image and firms responsiveness to customer expectations	Kotler, (1994), Ries and Trout, (1986) Hendrick, (2003)	Likert-type scale	Section D Question 15 and 16.

Source: Researcher, (2015)

The independent variable was operationalized by cost leadership, differentiation and focus by the Kenyan State Corporations. The first dependent variable, measured by financial and stewardship was operationalized by Utilization of allocated resources, Appropriation in Aid, Cost Reduction, Development Index Service delivery,, whereas the second dependent variable, captured by non-financial which was operationalized by Compliance with Strategic Plan, employee satisfaction Disposal of Idle assets, ISO Certification, Statutory Obligations, Competency Development. The third dependent variable was operationalized by Customer satisfaction and stakeholders' satisfaction.

3.9 Data Analysis

After data collection, the filled-in and returned questionnaires were edited for completeness, coded and entries made into latest Statistical Package for Social Sciences (SPSS). This ensured that the data was accurate, consistent with other information, uniformly entered, complete and arranged to simplify coding and tabulation. Descriptive and inferential statistical analysis were conducted. Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage); mean and standard deviations were also used as measures of central tendency and dispersion, respectively. The mean captured the general perception of the respondents while the standard deviation showed the consistency of the responses. A higher mean depicted higher rating for the particular variable while a higher standard deviation depicted higher inconsistency among the responses. Frequencies were used in few instances to establish the percentages in terms of scope of operations, year of incorporation, organization category and ownership structure.

Inferential statistics were used to test the hypotheses. Simple linear regression models were used to test the individual influence of the various predictor variables of interest on performance of State Corporations while multiple regression models were used to assess the influence of combination of variables including interactions on performance. Data was normally distributed and no multicollinearity or serial correlation. Based on the conceptual model employed in this study, competitive strategy was conceptualized as the independent variable, positioning was the intervening variable while organizational autonomy was the moderating variable. This was tested for their influence on performance of state corporations.

Multiple regressions were used to test the nature and magnitude of relationships between the variables in the study which are more than one. Hierarchical regression was used to determine how much the extra variable adds to the prediction of the dependent variable over and above the contribution of previously included independent variables. Baron and Kenny (1986) model was employed in the tests of moderation and mediation. Average performance for each corporation for a five year period: 2009/2010; 2010/2011; 2011/2012, 2012/2013 and 2013/2014 was obtained. A summary of the specific regression models and interpretation of results for each hypothesis` is presented in Table 3.2.

Table 3.2: Regression Models, Analysis and Interpretation

Objective	Hypothesis	Analytical techniques	Interpretation
Objective One: To establish the influence of competitive strategies on performance of Kenyan State Corporations.	**H_1**:Competitive strategies have a significant influence on the performance of Kenyan state corporations	Multiple Regression analysis $Y_1 = \alpha + \beta_1 X_{1.} + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ Y_1= performance of Kenyan State Corporations α= constant (intercept) $\beta_1, \beta_2, \beta_3$= coefficients $X_{1=}$ Cost leadership $X_{2=}$ Differentiation $X_{3=}$ Focus ε = Error term	R^2 indicates the fitness of the model and the variation explained in the dependent variable. Coefficients $\beta_1\beta_2$ and β_3 denotes the change in performance of Kenyan State Corporations from a unit increase in each of the competitive strategies. P-value below 0.05 in respect of F-ratio and t-statistic denotes significance of the overall regression model and regression coefficient respectively.
Objective Two: To establish the effect of organizational autonomy on the relationship between competitive strategies and performance of Kenyan State Corporations	**H_2**:Organizational autonomy moderates the effect of competitive strategies on the performance of Kenyan State Corporations.	Stepwise Regression analysis $Y_2 = \alpha + \beta_1 X + \varepsilon$ $Y_3 = \alpha + \beta 1X + \beta_2 Z + \varepsilon$ $Y_4 = \alpha + \beta_1 X + \beta_2 Z + \beta_3 X.Z + \varepsilon$ α =constant (intercept) $\beta_1, \beta_2, \beta_3$= coefficients Y_2, Y_3 and$Y_{4\,=}$ Performance X= competitive strategies Z=organizational autonomy ε= Error term X.Z= competitive strategies and organizational autonomy interaction	R^2 indicates the fitness of the model and the variation explained in the dependent variable. Coefficients β_{1-} β_3 denotes the change in Performance from a unit increase in competitive strategies and organizational autonomy P-value below 0.05 in respect of F-ratio and t-statistic denotes significance of the overall regression model and regression coefficient respectively.
Objective Three: To determine whether the relationship between competitive strategies and performance of Kenyan State Corporations is mediated by positioning	**H_3**: Positioning mediates the relationship between competitive strategies and performance of Kenyan State Corporations.	Stepwise Regression analysis $Y_5 = \alpha + \beta_1 Xs + \varepsilon$ $W = \alpha + \beta_1 Xs + \varepsilon$ $Y_6 = \alpha + \beta 1W + ss\varepsilon$ $Y_7 = \alpha + \beta 1\ Xs + \beta_2 P + \varepsilon$ α =constant (intercept) β_1, β_2, = coefficients Xs= competitive strategies Y_5, $Y_6$and$Y_{7=}$ Performance P = Positioning ε= Error term	R^2 indicates the fitness of the model and the variation explained in the dependent variable. Coefficients β_{1-} β_2 denote change in Performance due to a unit increase in competitive strategies and Positioning. P-value below 0.05 in respect of F-ratio and t-statistic denotes significance of the overall regression model and regression coefficient respectively.
Objective Four: To establish whether the combined effect of competitive strategies, organizational autonomy has influence on performance of Kenyan state corporations.	**H_4:**Competitive strategies, organizational autonomy and positioning jointly have significant influence on the performance of Kenyan State Corporations	Multiple Regression analysis $Y_8 = \alpha + \beta_1 CS_. + \beta_2 OA_. + \beta_3 P_. + \varepsilon$ Y_8= performance of Kenyan State Corporations α= constant (intercept) $CS_=$ competitive strategies $OA_{-=}$ organizational autonomy $P_=$ positioning strategy $\beta_1, \beta_2, \beta_3$are the coefficients ϵ-is the error term	R^2 indicates the fitness of the model and the variation explained in the dependent variable. Coefficients β_{1-} β_3 denote the change in Performance due to a unit increase in competitive strategies, organizational autonomy and positioning P-value below 0.05 in respect of F-ratio and t-statistic denotes significance of the overall regression model and regression coefficient respectively.

Source: Researcher, (2015)

3.10 Chapter Summary

This Chapter dealt with the research methodology used in the study. The research philosophy and research design were discussed. The population of the study, sampling design and the data collection methods were also discussed. Further it was explained that this was a census survey design because the data was collected from all the state corporations.

The operationalization of the study variables was done in detail, culminating into measurable indicators. Literature supporting the operationalization was also presented. The operationalization of the variables is presented in Table 3.1. Finally, data analysis techniques were presented in respect of each objective and corresponding hypothesis. Analytical models are summarized in Table 3.2.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

The broad objective of the study was to establish the influence of organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. To achieve this objective, four specific objectives were set and corresponding hypotheses formulated. This chapter presents preliminary findings of the study on the basis of which further analyses will be undertaken to test the study hypotheses. It lays focus on various tests of data that were gathered as well as the manifestations of the research variables among the studied organizations. Through the use of descriptive and inferential statistics, this chapter provides the premise on which further statistical operations and analyses will be carried out to test the study hypotheses.

The data analyzed was obtained through a structured questionnaire along various operational indicators of the study variables. For each study variable, respondents were presented with descriptive statements in a 5 point Likert scale and were required to indicate the extent to which the statements applied in their organizations. Performance data as measured in Kenyan State Corporations along performance contracting guidelines was also obtained. Findings of the pre-tests reliability and validity are presented. The details of descriptive analysis using frequency distribution tables, descriptive statistics using means was used for ranking responses, Cronbach alpha was used to test for reliability and test of normality was used to ascertain whether the data was normally distributed. The descriptive statistics of respondents as well as response rate are summarized.

4.2 Suitability of the Data for Statistical Analyses

The study established the suitability of the data by examining the response rate for the respondents, reliability test, validity test, tests of regression assumptions, tests of normality as well as test for multicollinearity for the variables. The findings are discussed in the subsequent sections.

4.2.1 Response Rate

Questionnaires were administered to 147 state corporations out of which 134 were filled and returned, representing a 91% response rate. This response rate was considered adequate and therefore representative of the population of study. Awino (2011) suggested that a response rate of 65% is acceptable for studies based on survey design. The study rate was adequate and compares to other studies on the Kenyan State Corporations. For instance, Awino and Mutua (2014) studied business process outsourcing in Kenyan State Corporations and recorded a response rate of 77 percent.

4.2.2 Test of Reliability

Reliability is a measure of the degree to which data collection instruments yield consistent results or data after repeated trials (Mugenda & Mugenda, 2003). It establishes whether the measure is able to yield the same results on other occasions and whether similar observations are reached by other observers. This is therefore a measure of consistency which helps to avoid Type I and Type II errors. Cronbach's alpha coefficient which is used to assess the internal consistency among research instrument items was used to test the internal consistency of the instruments used to measure the variables used in this study.

The closer the Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale and the closer the Cronbach coefficient is to zero (0), the less the internal consistency of the items in the scale. Nunnally (1978) suggests that alpha coefficient greater than 0.7 is acceptable while Sekaran (2000) suggests that any values between 0.5 and 0.8 are adequate for inferring internal consistency. This study adopted the lowest alpha of 0.7. Results of the Reliability tests are presented in Table 4.1.

Table 4.1: Internal Consistency Reliability

Variable	**Number of items**	**Cronbach's Alpha**	**Decision**
Competitive strategies	26	.951	Reliable
Positioning	14	.940	Reliable
Organizational autonomy	17	.748	Reliable
Overall		.879	Reliable

Source: Field Data (2015)

The study used alpha value of 0.70 as the minimum acceptable. As shown in Table 4.1, the alpha coefficients for all the variables are above the 0.7 threshold with overall value for all the variables being 0.879. From these results, it is inferred that the measurement items for each variable are internally consistent.

4.2.3 Validity Test

There are various types of validity including construct, content, face and criterion-related validity. To ensure content validity, the researcher went through a review of literature and identified items that had been used to measure similar concepts and have been found to be valid, and to also ensure that items covered all areas of the study. The researcher also piloted the questionnaire in 10 State Corporations not included in the study which were chosen randomly before commencing data collection. This enabled the researcher to establish if the respondents had no difficulty in completing the questionnaire. Any ambiguous, double edged and unclear questions were identified and modified or replaced. The researcher also used experts to examine and review the instrument for face validity as was done by Munyoki (2007).

4.2.4 Tests of Regression Assumptions

Various assumptions are made about variables during statistical tests. This is to ensure that the correct statistical models are used. Failure to meet these assumptions in respect of the statistical tests used may lead to Type I or Type II error. Testing for assumptions is beneficial because it ensures that analysis meets associated assumptions and helps avoid Type I and Type II errors (Osborne et al, 2001). This study carried out tests of normality and multicollinearity.

4.2.4.1 Tests of Normality

Use of inferential parametric statistical procedures requires that the data to be tested is normally distributed. The test of normality is, therefore, intended to confirm whether the data follows a normal distribution or not. If the normality is not achieved, use of statistical tests that assume normality may not be appropriate. In this study, normality was tested using Kolmogorov-Smirnov Test.

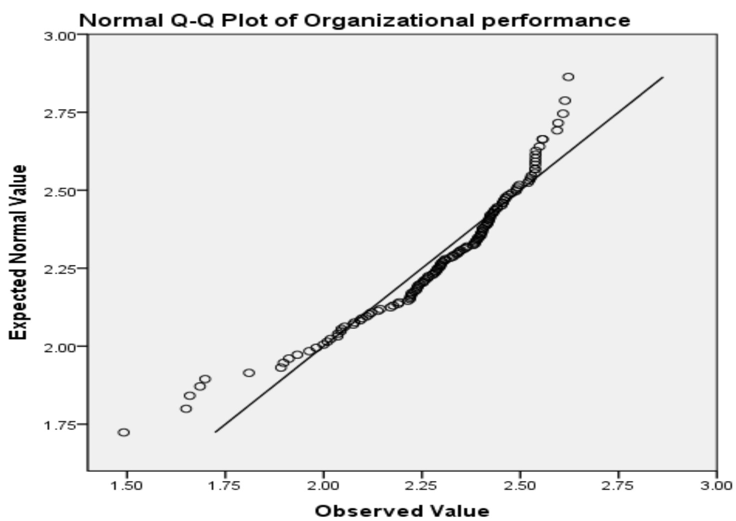
Table 4.2: Kolmogorov-Smirnov Test of Normality

Predictor variable	Kolmogorov-Smirnov[a]		
	Statistic	df	Sig.
Competitive strategies	.072	134	.200
Positioning	.093	134	.200
Organizational autonomy	.085	134	.200

Source: Field Data (2015)

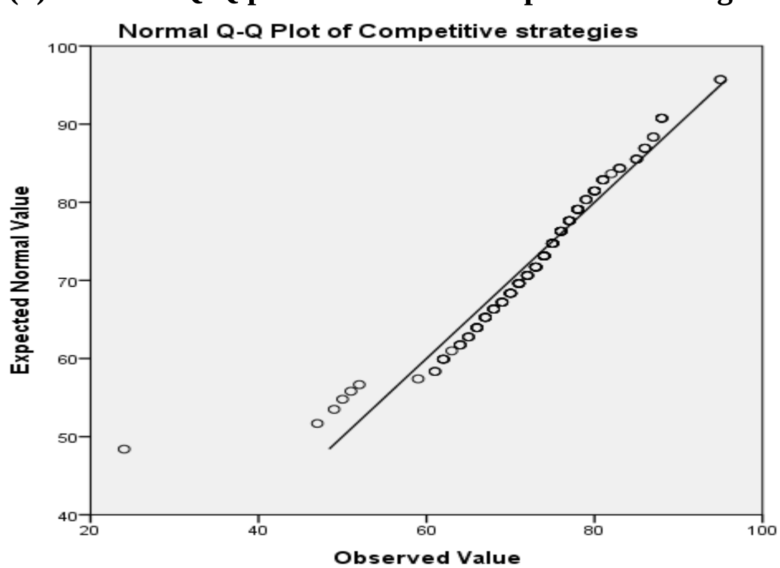
As shown in Table 4.2, the significance values were 0.200 for competitive strategies, positioning and organizational autonomy each. The results of the test of normality using Kolmogorov-Smirnov Test of Normality showed that the p-values (0.200) were greater than the alpha level (0.05) confirming the data was normal. The normality of the data was also demonstrated by plotting a Quantile Quantile (QQ) plot. Q-Q plots are as presented in Figures 4.1(a), 4.1(b), 4.1 (c) and 4.1(d).

Figure 4.1 (a): Normal Q-Q plot of Data on Organizational Performance



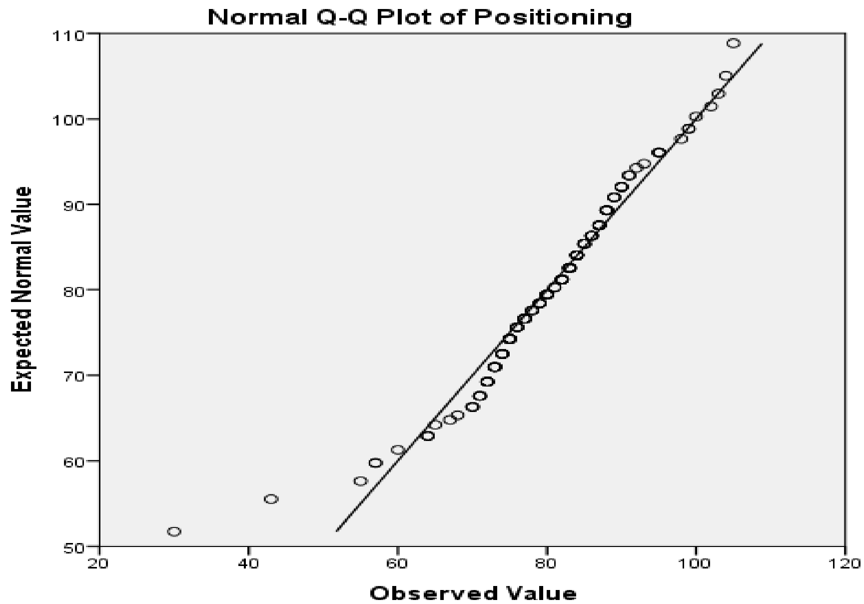
Source: Field Data (2015)

Figure 4.1 (b): Normal Q-Q plot of Data on Competitive Strategies



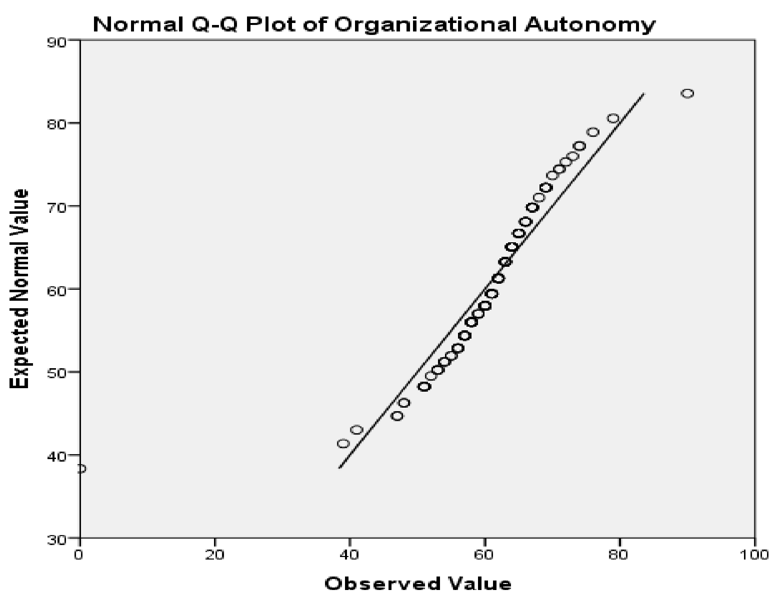
Source: Field Data (2015)

Figure 4.1 (c): Normal Q-Q Plot of Data on Positioning



Source: Field Data (2015)

Figure 4.1 (d): Normal Q-Q Plot of Data on Organizational Autonomy



Source: Field Data (2015)

From Figures 4.1(a), 4.1(b), 4.1 (c) and 4.1(d) we observe that the circles in the Q-Q plots show that all the observed values cleaved along the line of best fit. This demonstrates the data was normal. Therefore all the variables had a good fit, implying that the data is normally distributed. The few cases of the observed values that cleaved away from the straight line can be taken care of by the large sample ($n \geq 30$). According to Mordkoff (2012), the assumption of normality turns out to be relatively uncontroversial, at least when large samples are used, such as $N \geq 30$.

4.2.4.2 Test of Multicollinearity

Multicollinearity is a test that evaluates whether the independent variables are highly correlated. It occurs when two or more predictors in the model are highly correlated leading to unreliable and unstable estimates of regression coefficients hence causing strange results when attempting to study how well individual independent variables constitute to an understanding of the dependent variable. The consequences of Multicollinearity are increased standard error of estimates of the Betas, meaning decreased reliability and often confusing and misleading results. The test for Multicollinearity was conducted to assess whether one or more of the variables of interest is highly correlated with one or more of the other independent variables. The variance inflation factor (VIF) was used to evaluate the level of correlation between variables and to estimate how much the variance of a coefficient was inflated because of linear dependence with other predictors. As a rule of thumb if any of the VIF are greater than 10 (greater than 5 when conservative) then there is a probability of a problem with Multicollinearity and is harmful to the study (Newbert, 2008). The results for tests of Multicollinearity were as presented in Table 4.3. A tolerance of less than 0.2 is cause for concern while a tolerance of less than 0.1 almost certainly indicates a serous Multicollinearity problem (Menard, 1995).

Table 4.3: Test for Multicollinearity

Model	**Collinearity Statistics**	
Variables	**Tolerance**	**VIF**
Competitive strategies	.772	1.295
Positioning	.698	1.433
Organizational autonomy	.873	1.146

Source: Field Data (2015)

The results in Table 4.3 revealed that there was no problem of Multicollinearity. The variance inflation factors for the variables were all below 5 meaning that the variables were not highly correlated and all the tolerance values were above 0.2, hence no Multicollinearity.

4.3 Descriptive Statistics

The study performed descriptive analysis of the data gathered on competitive strategies and organizational performance, positioning and organizational performance as well as organizational autonomy and organizational performance. The findings are discussed in the sections below.

4.3.1 Competitive Strategies and Organizational Performance

The competitive strategies comprised cost leadership, differentiation and focus. The study sought to establish the influence of the three competitive strategies on performance of Kenyan State Corporations.

4.3.1.1 Cost Leadership Strategy

This study sought to establish the extent to which cost leadership strategy had an influence on the performance of Kenyan State Corporations. The descriptive statistics of this study on the influence of cost leadership strategy on organizational performance are presented in Table 4.4.

Table 4.4: Descriptive Statistics for Measures of Cost Leadership Strategy

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our organization has optimum level of personnel	134	3.5224	.89876	26
Our organization continuously trains staff on effective resource utilization	134	3.6343	.94623	26
Our organization maximizes on profitability through cost reduction strategies	133	3.6466	.93091	26
Our organization improves on production/service delivery process to cut on waste and duplication	133	3.7895	.74927	20
Our organization minimizes cost through innovation	133	3.8120	.86296	23
Our organization emphasizes on time management	134	4.1866	.85986	21
Our organization emphasizes on efficiency	134	4.1940	.75072	18
Overall Mean Score		**3.385**	**.8486**	**23**

Source: Field data (2015)

The respondents were asked to rate factors considered during the organizations costing on a Likert scale of 1(strongly disagree) to 5 (strongly agree) in the last five years. The results in Table 4.4 indicate that in general the respondents moderately agreed that cost leadership strategy influences the performance of Kenyan State Corporations(mean= 3.385). The low coefficients of variation ranging from 18% to 26% imply that the influence of cost leadership factors on the performance of Kenyan State Corporations was less varied across the organizations. In addition, most influential cost leadership strategy on the performance of Kenyan State Corporations was the respondents' organization emphasizing on efficiency as depicted by the mean score of 4.194, standard deviation of .7507 and CV of 18%. It was followed by the respondent's organization emphasizing time management as portrayed by the mean score of 4.187, standard deviation of .859

and C.V of 21%. On the other hand the most varied cost strategy that influence the performance of Kenyan State Corporations, according to the respondents, were organization's optimum level of personnel, continuously training staff on effective resource utilization and organization's maximization on profitability through cost reduction strategies (C.V of 26%).

Cost reduction strategies across the activity cost chain will represent low cost leadership (Tehrani 2003, Beheshti 2004). Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. Decision makers in a cost leadership firm will be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy. For low cost leadership to be effective a firm should have a large market share (Gongera, 2007).

4.3.1.2 Differentiation Strategy

Differentiation is aimed at the broad market that involves the creation of a product or service that is perceived throughout its industry as unique. A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competitor. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. In this study these differentiation factors were captured on the extent to which they influence performance. The findings are presented in Table 4.5.

Table 4.5: Means and Standard Deviation for Differentiation

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our organization offers products/services with unique characteristics	132	3.6439	.83009	23
Our organization does research to match products/services with customer needs	133	3.6466	.91449	25
Our organization creates and maintains products/services with appealing features	133	3.6617	.81545	23
Our organization offer products/services at affordable prices	133	3.7519	.84751	23
Our organization always strives to lead in product/service delivery in our sector	133	3.9248	.70307	18
Our organization always keeps our customers always aware of our product/service attributes	133	4.1429	.81782	20
Overall Mean Score		3.795	.8214	22

Source: Field Data (2015)

The respondents were to indicate to on a scale of 1(strongly disagree) to 5 (strongly agree) in the last five years. The results shown in Table 4.5 indicated on overall respondents agreed that differentiation influences performance of state corporations mean score of 3.795. The most influential differentiation factors on the performance of the corporations were; the organization always keeps their customers always aware of their product/service attributes and the organization always strives to lead in product/service delivery in their sector with (Mean score=4.143, standard deviation=0.818,C.V=20%),(Mean score=3.925, standard deviation=0.703, C.V=18%) respectively. All other statements had mean scores above 3.0, that is to say the organization offers products/services with unique characteristics (mean=3.6439, standard deviation of .83009 and variation of 23%), the organization creates and maintains products/services with appealing features (mean=3.6617, standard deviation of .81545 and variation of 23%), the organization does research to match products/services with customer needs (mean=3.6466, standard deviation of .91449 and variation of 25%) and the organization offer products/services at affordable prices (mean=3.7519, standard deviation of .84751 and variation of 23%). On further analysis the C.V depict that the influence of differentiation strategy on the performance was less varied across the organizations.

Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Pennathur, 2001). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals products. Kotter (2001) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain.

4.3.1.3 Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.

Based on this argument, this study sought to evaluate the extent to which focus was important in organizational performance. Various statements depicting the different manifestations of focus were posed and respondents were required to indicate the extent of agreement to which these statements applied to their organization. The results are presented in Table 4.6.

Table 4.6: Descriptive Statistics for Measures of Focus Strategy

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our organization always reviews changes in the niche market	130	3.8923	.73922	19
Our organization always updates its mandate in line with changes in the market	133	4.0150	.74858	19
Our organization always strives to remain in its market	130	4.0231	.78222	19
Our organization specializes on its target market	131	4.0458	.77323	19
Our organization understands its focus and mandate	133	4.3158	.79170	18
Overall Mean Score		**4.058**	.7670	19

Source: Field Data (2015)

The results in Table 4.6 show high agreement with respect to the influence of focus strategy on organizational performance of Kenyan State Corporations generally (Mean scores 4.058, SD=0.767). The C.V of 19% indicates that there was minimal variation of the views on focus strategy amongst the corporations. The most influential and least varied focus strategy on performance according to the respondents was that the organization understands its focus and mandate (Mean=4.3158, SD=.79170 and CV=18%) with the least influential focus strategy on performance was pointed out as that the organization always reviews changes in the niche market (Mean=3.8923, SD=.73922 and CV=19%). The findings imply that focus as a competitive strategy is practiced by the Kenyan State Corporations to high extent in order to enhance the competitive advantage. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly and more importantly other focusers may be able to carve out sub-segments that they can serve even better.

4.3.2 Positioning and Organizational Performance

Positioning is a powerful tool that allows a firm to create an image. It reflects how consumers perceive the product's or organization's performance on specific attributes relative to that of the competitors (Kotler, 1994). Positioning is a competitive marketing tool that goes beyond image-making. It is an attempt to distinguish an organization from its competitors in order to be the most preferred firm for a certain market segment. It is establishing and maintaining a distinctive place and image in the market for product offerings so that the target market understands and appreciates what the organization stands for in relation to its competitors (Ries & Trout, 1986). A firm that positions itself favourably within a particular marketplace, relative to competitors, can earn high profits irrespective of average profitability within the market. In order to establish the influence of positioning on performance, respondents were asked to indicate the extent to which the specific aspects of the positioning dimensions mattered to their organizations to support organizational performance. All positioning dimensions were measured using a five Likert scale. The subsequent subsections present the test of manifestations of the aspects of positioning in Kenyan State Corporations.

4.3.2.1 Perceived Quality of Products and Service Delivery

The study set to establish the importance of positioning in terms of perceived quality of products and service delivery in Kenyan State Corporations. To achieve this, various statements depicting the different manifestations of perceived quality of products and service delivery were presented to respondents on a 5-point Likert scale and they were required to indicate the extent to which these statements applied to their organizations. The results are presented in Table 4.7.

Table 4.7: Perceived Quality of Products and Service Delivery

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our customers rate our products/services as superior	133	3.5564	.90799	26
Our customers perceive our products/services as readily available	133	3.7669	.86065	23
Our customers perceive our products/services as affordable	133	3.7970	.85952	23
Our customers appreciate the quality of products/services we offer	134	3.8284	.72055	19
Our customers have trust in our products/services	134	3.8433	.76438	20
Our customers rate our products/services as reliable	131	3.8550	.77581	20
Overall Mean Score		**3.775**	.8148	22

Source: Field Data (2015)

The findings in Table 4.7 indicate that the overall mean score observed for statements on perceived quality of products and service delivery was 3.775 with standard deviation of .8148 and coefficient of variation of 22%. The results indicate that the Kenyan State Corporations studied handled moderate number of issues on perceived quality of products and service delivery. Customers rating the products/services as reliable had the highest mean score (mean score=3.855, standard deviation=.7758 and coefficient of variation of

20%) followed by customers having trust in their products/services (mean score=3.843) with customers rating products/services as superior registering lowest mean (mean score=3.556). The results also revealed that despite the high mean scores, statistical significant differences and low variations amongst the organizations were observed.

Customers rating their products/services as superior and customers perceiving products/services as readily available were the main concern of most firms with standard deviations of .90799 and .85952 respectively. Most firms concentrated most of their efforts in customers appreciating the quality of products/services offered and customers perceiving their products/services as affordable.

Temporal (2005) asserts that positioning depends on perceptions, and perceptions are the result of a filtering process. Whatever someone says or communicates to people passes through filters that affect the way in which they eventually think about one's brand/organization. He insists that great care must be taken to ensure they are not misinterpreted or forgotten. They must make long lasting vivid impressions. However, more than that, strategic positioning attracts minds and brings about positive changes in behaviour of the target audience.

4.3.2.2 Perceived Level of Innovation

Innovation is important to strategic decision-making of an organization. The level of innovation by organizations has an influence on organizational performance (Newbert, 2008). Statements were presented to respondents and were requested to indicate the extent of agreement to which the statements applied in their organizations. The findings were presented in Table 4.8.

Table 4.8: Perceived Level of Innovation

Attributes	N	Mean	Std. Deviation	Coefficient of Variation
Our organization involves customers in price and promotion rating	132	3.3409	.97940	29
Our organization always conduct research in target markets	132	3.6212	.93719	26
Our customers appreciate our new product initiatives	131	3.7481	.86241	23
The views of our customers are taken seriously in development of new products	133	3.8120	.91412	24
The accessibility of our products/services has increased considerably due to new technology	132	3.8864	.90501	23
Overall mean score		3.6817	.9196	25

Source: Field Data (2015)

To capture data on the various perceived level of innovation statements, descriptive statements derived from literature were presented to respondents on a 5- point Likert scale. The respondents agreed most on statements that the accessibility of their products/services has increased considerably due to new technology (Mean=3.886, SD=.90501 and C.V=23%). The low mean score for the statements that organizations involve customers in price and promotion rating could be attributed to State control where citizens are mere beneficiaries but all other decisions are made at the State level, hence difficulties with having uniform response for the statement.

For a public corporation to become profitable it must put in place strategies that position itself in market dominance and improve the firm’s overall performance. Positioning has been recognized as a vital tool to confront the competitive pressure in the public corporation market environment and as a tool of improving the performance of these firms (Ries & Trout, 2000).

4.3.2.3 Corporate Image

Corporate image refers to a state of mind that stakeholders have about a company or business or an entity. This state is further referred to as the mental picture that the stakeholders have in relation to the way they perceive a company (Bouchet, 2014). This therefore means that the image is never constant. It keeps changing depending on the way a business performs, comments of other major stakeholders like the tax authority as well as comments given by the media. All these circumstances are reported to have an impact on the overall image of a business. This affects all types of entities existing in a particular State (both private and state-owned entities) (Balmer & Greyser, 2006). Statements depicting these aspects were posed to respondents. The findings are presented in Table 4.9.

Table 4.9: Corporate Image Manifestations

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our customers hold us at high repute	134	3.8134	.87718	23
We strive to have our vision, mission and corporate mandate known to all our customers	133	3.9774	.72264	18
Our products/services are easily accessed by our customers throughout the target market	134	3.9851	.79458	20
Our brand image is visible to our customers	134	4.0821	.85882	21
Our CEO always promotes positive corporate image	134	4.1642	.81521	20
Overall Mean Score		**4.004**	**.8137**	20

Source: Field Data (2015)

The results in Table 4.9 show strong agreement with respect to manifestation of corporate image in Kenyan State Corporations (mean scores above 3.0 for most of the corporate image descriptions) and the overall mean score of 4.004. The low coefficients of variation (18% to 23%) depict that the Corporate Image Manifestations were less varied across the organizations.

Overall, CEO always promoting positive corporate image and brand image being visible to customers in Kenyan State Corporations appear to be agreed upon most (high mean scores) 4.164 and 4.082 respectively with customers holding them at high repute having slightly above the moderate agreement (Mean=3.813). Though the concept of corporate image has not been considered as important in state-owned corporations, they are of late considered to be important. This is because of increased awareness of personal rights by customers. There are sectors that have been under state control such as electricity and water in most of the developing countries. Christiansen (2013) despite being under state control (Christiansen, 2013), the need to improve their public image was necessary since the citizens in most of these countries have a choice to make either to be included in the national grid or to find their way out to realize the same or closely equivalent product or service (OECD, 2005). This is not healthy for the development of these State-owned companies necessitating improvement in their corporate image. Considering the reviewed literature, it is evident that the corporate image is indeed important (OECD, 2005) in ensuring that a company gets perceived well in the eyes of the public eventually boosting its sales levels and overall performance. Though the same trends seem to be existing developing countries, it is not evident whether the same is applicable for state owned entities in Kenya.

4.3.2.4 Responsiveness to Customer Expectations

Responsiveness to customer expectations today has become not only the rhetoric of every business enterprise, but also occupies eminent position in every discourse. No business organization can survive without building its customer satisfaction and meeting the needs of its customers (Ojo, 2010). Responding to customer expectations helps in cementing the relationship between customers and the organization and it is a two-way flow of value that ultimately enhances organizational performance. To capture data on the responsiveness to customer expectations, statements regarding their manifestations were presented to the respondents. The results were presented in Table 4.10.

Table 4.10: Responsiveness to Customer Expectations

Attributes	**N**	**Mean**	**Std. Deviation**	**Coefficient of Variation (%)**
Our prices match our customer expectations	132	3.7879	.78176	21
We translate customer feedback to product/service improvement	131	3.8626	.82986	21
Our customers appreciate our timely delivery of products and services	134	3.8657	.78320	20
Our customers complaints are solved as a matter of priority	134	4.0522	.92026	23
Suggestions and complaint boxes are available to our customers	134	4.2537	.97090	23
Overall Mean Score		**3.964**	**.8572**	22

Source: Field Data (2015)

The results in Table 4.10 indicate that the overall mean score for responsiveness to customer expectations was 3.964, which was a strong agreement. The statements with the highest mean scores were: suggestions and complaint boxes are available to the customers and customers complaints are solved as a matter of priority at means of 4.254 and 4.0522 respectively. In today's globally competitive environment, delivering quality service is considered an essential strategy for success and survival (Parasuraman et al., 1985; Zeithaml et al., 1990). Public sector organizations have come under increasing pressure to deliver quality services (Randall and Senior, 1994) and improve efficiencies (Robinson, 2003). Customer needs and expectations are changing when it comes to government services and their quality requirements. However, service quality practices in public sector organizations is slow and is further exacerbated by difficulties in measuring outcomes, greater scrutiny from the public and press, a lack of freedom to act in an arbitrary fashion and a requirement for decisions to be based in law (Teicher et al., 2002). In the recent past there have been significant concerns about service quality in both public and private sectors in Kenya. The Kenya government acknowledges that over the years there has been poor performance in the public sector, especially in the management of public resources which has hindered the realization of sustainable economic growth (Government of Kenya, 2005).

4.3.3 Organizational Autonomy and Performance

Organizational autonomy is the capacity of organizations to govern themselves. Gongera (2007) concluded that organizations with autonomy were more likely to be effective than those with little or no autonomy. To determine the influence of organizational autonomy on performance several questions were formulated as shown in subsequent sections.

State Corporations are entities owned by governments. Kenyan State Corporations are not an exception. However, the Structural Adjustment Programs (SAPs) era of the 1980s in which governments were encouraged to deregulate public enterprises and ensure that they are run like private sector business (World Bank, 1989) also affected Kenya. During this time the government fully privatized some state corporations and partially did to others. This is why there are some Kenyan State Corporations that are partially owned by the private sector.

4.3.3.1 Ownership Structure

The respondents were asked to indicate the percentage of shares owned by government in their respective state corporations. The purpose was to later establish if there is a significant difference in the moderating role of ownership identity on the relationship between competitive strategies and performance. The relevant data was collected and analyzed. The results are presented in Table 4.11.

Table 4.11: Organizational Autonomy and Organizational Performance

Attributes	Mean	Std. Deviation	Coefficient of Variation (%)
Extent of government ownership of state corporations	2.540	1.899	75
Percentage of the organization owned by the Government	3.850	1.431	37
Extent of government involvement in the appointment of directors	3.655	1.448	40
Extent to which Board Members Influence Policy	2.600	1.959	75
Extent to which Board Members influence governance	2.595	1.934	75
Extent to which the experience of board members is relevant to the nature of the corporation	2.475	1.913	77
Extent to which tenure of senior management depends on government	2.445	1.946	80
Extent to which tenure of CEO depends on government	2.800	2.164	77
Extent to which tenure of senior management depends on the board	2.585	2.028	78
Extent to which tenure of CEO depends on the board	2.805	2.154	77
Overall scores	**2.835**	**1.888**	**69**

Source: Field Data (2015)

The results in Table 4.11 show that most Kenyan State Corporations are purely government-owned (mean=2.540). The results revealed that despite efforts to privatize State Corporations, the majority of them remained in the control of the Government of Kenya. Researchers (Ongore, 2011; Shleifer & Vishny, 1994) have argued that state-owned enterprises are political firms with citizens as the shareholders. State ownership has been regarded as inefficient bureaucratic and political firms (Stulz, 1988).

The results also indicate that the majority of the organizations were owned by the government to a great extent (mean=3.850). State ownership of corporations remains pervasive around the world and has been increasing in recent years. Existing literature focuses on the implications of government ownership for corporate governance and performance at the firm level and argues that the presence of the state as a shareholder can impose negative externalities on the corporate law regime available to the private sector.

The study further sought to determine the percentage of board members that are government appointed. This was to determine the level of the influence by the government on the appointment of the Board Members. Board of Directors constitutes people appointed to act as agents and stewards of the owners of capital in State-Owned Enterprises (SOEs). The owners of the capital in SOEs is the Government while the BOD is an agent of the appointing authority, usually the President. An agency relationship arises whenever one individual relies on another and that, the person undertaking the duties is the agent and the affected party is the principal.

The results indicate that most of the respondents were of the opinion that board members were appointed by the government (mean=3.655). This implies that the government mainly does the appointment of board members in Kenyan State Corporations. The aim of the Government in appointing the board is to ensure that Kenyans receive the necessary goods or services at the same time allowing the agent (BOD) to perform their duties (Wicaksono, 2008). Heath and Norman (2004) have shown that an agent may perform tasks that are for their principal's interest and may not be in the agent's interest.

The results also indicated that board members influence policy in Kenyan State Corporations to a low extent (mean=2.600). Some studies have found that there is a relationship between the performance of an organization, various characteristics in its ownership and governance as manifest in terms of ownership concentration, identity, board effectiveness and managerial discretion (Ongore & K'Obonyo, 2011). The study concluded that ownership concentration and the role of Boards were of very little value, mainly due to lack of adherence to Board member selection criteria.

The study findings show that board members influence governance to a low extent (mean=2.595). Drawing on historical and comparative experiments with state ownership, government control of business corporations can have unintended consequences well beyond potential firm mismanagement if the state pursues political goals inconsistent with shareholder wealth maximization—the concern that dominates the large literature on the relative merits of public and private ownership. An important, but so far overlooked, by-product of government ownership stems from the conflict of interest inherent in the state's dual role as shareholder and corporate governance regulator. That is, where the State is a controlling shareholder of major business corporations, its interests as controller may dictate the content of general corporate laws to the detriment of both outside investor protection and efficiency.

The study sought to determine the extent to which the experience of board members is relevant to the nature of the corporation. Board members are crucial in the organization. They determine the nature of decisions that the managers make and consequently influence organizational performance (Hambrick & Mason, 1984; Norburn & Birley, 1988). Board members experience can influence organizational performance. The study findings indicated that the respondents agreed to a low extent that experience of board members is relevant to the nature of the corporation (mean=2.475). In order for decision-makers to manage and provide leadership in a given functional area, it is important to have requisite expertise in the given field because they are able to build competences in those functional areas and organizations benefit from the information base that each member of the board brings to the organization.

The study further sought to determine to what extent the tenure of senior management depend on government. The findings indicated that the tenure of senior management depend on government to a low extent (mean=2.445). The study further determined the extent the tenure of the CEO depend on the government. The study findings indicated that the respondents were of the opinion that the tenure of the CEO depends on government to a moderate extent (mean=2.800). The practice in Kenya since independence has been that the president or the line minister had the power under the State Corporations Act to appoint persons to boards of SOEs. No guidelines existed for such appointments in terms of qualifications and relevant experience. The process was therefore subjected to executive control, creating room for political affiliation, nepotism and tribalism as criteria for appointment to the board.

The study findings also indicated that the respondents agreed, to a low extent, that the tenure of senior management depends on the board (mean=2.585). On the other hand, the study results indicated that the respondents were of the opinion that the tenure of the CEO depends on the board, to a moderate extent (mean=2.805).

Table 4.12: Organizational Autonomy and Performance

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
The appointment of the board is on merit and qualification	132	3.4091	1.04081	31
Our board is gender balanced	133	3.1880	1.05278	33
The CEO is appointed through formal laid down procedures	133	3.9023	.86045	22
The process of hiring/firing staff is controlled by management with board's approval	132	3.7576	.85713	23
Financial resources are independently controlled by top management and the board	133	3.8120	.83621	22
The top management independently implements strategies and policies	133	3.8271	.72646	19
Resource allocations are determined by top management with the board’s approval	133	4.5038	.39460	9
Overall Mean Score		**3.771**	**.8241**	**23**

Source: Field Data (2015)

The results in Table 4.12 indicates that resource allocations are determined by the top management with the board’s approval mean was 4.5038; the CEO is appointed through formal laid down procedures mean was 3.9023; the top management independently implements strategies and policies mean was 3.8271; as well as financial resources being independently controlled by top management and the board mean was 3.8120. Based on relatively high mean scores for these aspects, it can be deduced that organizational autonomy greatly influences the performance of state corporations in Kenya.

4.3.4 Organizational Performance of Kenyan State Corporations

The performance of organizations continues to draw interest in strategic management research because it is the optima for any organization. It is what determines the survival of an organization. Due to the critical position that performance holds in organizations, its measurement is key because it highlights to the owners of the organization on how well the resources were utilized to derive benefits for them. From the foregoing, the composite scores for the state corporations and their rankings were obtained from the performance-contracting department and their means compared using one sample statistics. The findings are presented in Table 4.13.

Table 4.13: Organizational Performance

Item	N	Mean	Std. Deviation
Performance	133	2.6592	0.32017

Source: Field Data (2015)

Kenyan State Corporations performance was rated on a scale of 1.00 to 5.00 where 1.00 represents excellent and 5.00 represents poor. 1-2.4 is excellent, 2.4-3 is very good, 3.0-3.6 is good, 3.6-4.0 is fair and 4.0-5.0 is poor (GoK, 2009). The results in Table 4.13 indicate that State Corporations performance had a mean score of 2.6592 in the financial years 2008/09 to 2013/14. This shows that performance of the organizations were very good across the years.

4.4 Chapter Summary

This chapter presented the research analysis of statistical tests the responses received and showed how the various variables manifested in the Kenyan State Corporations that were studied. The response rate was 91 percent, which was considered as sufficient and representative of the study population. Test of reliability was done where internal consistency of coefficients above 0.7, which is acceptable, was established. Validity was tested for construct, context, face and criterion by piloting ten state corporations. Test of regression assumptions was done by use of normality test.

Multicollinearity was tested where data was found normally distributed. Manifestations of all predictor variables was done using descriptive statistics and use of means, standard deviation and coefficient of variants and their findings presented. Composite scores for state corporations performance was obtained from performance contracting department and their means compared one sample statistics

CHAPTER FIVE

TESTS OF HYPOTHESES, RESULTS AND DISCUSSION

5.1 Introduction

The broad objective of the study was to determine the role of organizational autonomy and strategic positioning in the relationship between competitive strategies and performance of Kenyan State Corporations. To achieve this objective, four specific objectives and their corresponding hypotheses were formulated. A number of inferential statistical operations were performed to test the hypotheses. Both simple and multiple regression analyses were used in the tests. To test for mediation of positioning in the relationship between competitive strategies and organizational performance, four steps comprising four regression models were used. In step one, performance was regressed on competitive strategies. In step two, positioning was regressed on competitive strategies and in step three, performance was regressed on positioning. Finally in step four, performance was supposed to be regressed on competitive strategies while controlling the effect of positioning.

However, the step four procedures were not performed due to the fact that the results at stage three did not satisfy conditions necessary for the process to move to step four. The results of the test of each step must be significant as a condition for the process to move to next step up to step four. The process is discontinued at any of the steps where the results were not significant, implying absence of mediation. Mediation is only confirmed at step four if the effect of competitive strategies on performance is not significant when positioning is controlled for, provided that the tests at the three proceeding steps are all significant. Regression equations for each step are presented in Table 3.2.

To test for the moderation influence, stepwise regression analysis was performed using the following three steps: step one tested the influence of competitive strategies on performance. In step two, performance was regress on competitive strategies and organizational autonomy. In step three, the interaction term was introduced in the equation. The interaction term was computed as the product of the standardized scores of competitive strategies and organizational autonomy. To confirm moderation, the influence of the interaction term should be significant. Regression equations for each step are presented in Table 3.2.

5.2 Competitive Strategies and Organizational Performance

The influence of competitive strategies (cost leadership, differentiation and focus) on the performance of Kenyan state corporations was established through the following hypothesis:

H1: *Competitive strategies have significant influence on the performance of Kenyan state corporations*.

This hypothesis was tested using a multiple linear regression model where the values of performance were regressed on the values of each of the three competitive strategies. The results are presented in Table 5.1.

Table 5.1: Regression Results for Effect of Competitive Strategies on Performance

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494[a]	.244	.198	.52833

a. Predictors: (Constant), Cost leadership, Differentiation, Focus

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.414	3	1.471	5.271	.003[b]
	Residual	13.677	49	.279		
	Total	18.091	52			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Cost leadership, Differentiation, Focus

c) Individual coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	220.527	15.144		14.562	.000
	Cost leadership	.090	.516	.019	.175	.861
	Differentiation	-1.080	.684	-.174	-1.579	.117
	Focus	1.531	.712	.219	2.151	.033

a. Dependent Variable: Organizational performance

d) Combined coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.951	.763		1.247	.218
	Competitive strategies	.787	.243	.416	3.236	.003

a. Dependent Variable: Organizational performance

Source: Field Data (2015)

As shown in Table 5.1 (a) correlation coefficient (R=0.494) is an indication of relatively moderate or average relationship between competitive strategies and performance. The coefficient of determination was significant (R^2 = .244, F=5.271, p<0.05). Competitive strategies explained 24.4% of the performance of Kenyan state corporations. The other unknown variables explained the remaining 75.6%.

The analysis from the model had the F value of 5.271 with p-value<0.05. The findings as reported above provided support for the idea of the influence of competitive strategies, implying that competitive strategies had statistically significant effect on the performance of Kenyan State Corporations. Thus the hypothesis was accepted. The results of the joint effect of competitive strategies showed that a unit increase in competitive strategies causes a .787 (78.7%) increase in the performance of Kenyan State Corporations. Further, on individual effects of the competitive strategies manifestations, a unit increase in cost leadership resulted in 0.090 increase in performance. A unit increase in differentiation results in 1.080 decrease in performance. Similarly, a unit increase in focus leads to 1.531 increase in performance. Based on p-values of individual predictors, cost leadership (t value = 0.175, p-value = 0.861), differentiation (t-value = -1.579, p-value = 0.117) and focus (t-value = 2.151, p-value = 0.033); it is clear that only focus was a significant predictor since it's corresponding p-value is less than 0.05, whereas cost leadership and differentiation were not significant predictors since their corresponding p-values were above 0.05.

The findings are supported by differences in the mean scores and coefficient of variation for the three competitive strategies namely: focus, cost leadership and differentiation. As evident in Table 4.4, 4.5 and 4.6, focus led with an overall mean of 4.058 and coefficient of variation of 19%. It is followed by differentiation with a mean of 3.795 and coefficient of variation of 22% and lastly cost leadership with a mean of 3.385 and coefficient of variation of 23%.

Clearly, focus strategy had the highest mean and lowest variability, which appear to have contributed to the higher level of beta coefficient observed in the regression output. However, the influence of focus strategy appeared to have decline in the presence of the two other strategies, as shown in Tables 4.4, 4.5 and 4.6.

Based on regression coefficients results in Table 5.1 the regression equation can be written as follows:

$Y = 220.527 + 0.090X_1 - 1.080X_2 + 1.531\ X_3$, where Y = Performance of Kenyan State Corporations, X_1= Cost Leadership, X_2 = Differentiation, X_3 = Focus.

5.3 The Influence of Organizational Autonomy on the Relationship between Competitive Strategies and Performance of Kenyan State Corporations

The second objective of the study aimed at establishing the effect of organization autonomy and competitive strategies on performance of Kenyan State Corporations. The data for each individual competitive strategy (Focus, Cost leadership, Differentiation) was transformed and computed as one composite score. The following hypothesis was developed from the conceptual framework and research objectives.

H_2: *Organizational autonomy moderates the effect of competitive strategies on the performance of Kenyan State Corporations.*

This hypothesis was tested using stepwise regression analysis. In step one, competitive strategies were regressed on organizational performance. In step two competitive strategies were regressed on organizational autonomy. In step three the interaction term between competitive strategies and organizational autonomy was introduced. The moderation effect is confirmed when the effect of interaction term is statistically significant. The findings are presented in Table 5.2.

Table5.2: Regression Results Depicting the Effect of Organizational Autonomy on the Relationship between Competitive Strategies and Organizational Performance

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.322	.104	.048	.73989	.104	1.856	3	48	.150
2	.111	.012	-.003	.27553	.281	4.634	2	5	.150
3	.700	.489	.394	.59014	.385	6.490	5	43	.000

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.048	3	1.016	1.856	.030
	Residual	26.277	48	.547		
	Total	29.325	51			
2	Regression	14.961	2	4.980	8.823	.000
	Residual	22.007	31	.446		
	Total	28.967	33			
3	Regression	14.349	8	1.794	6.490	.000
	Residual	14.975	43	.348		
	Total	29.325	51			

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.803	.314		2.559	.013		
	Competitive strategies	.360	. 086	.426	4.192	. 000	.966	1.035
	Organizational performance	.290	.106	.278	2.740	.008	.966	1.035
2	(constant)	.740	.319		2.321	.023		
	Competitive strategies	.357	.086	.421	4.148	.000	.964	1.037
	Organizational autonomy	.314	.108	.301	2.905	.005	.925	1.081
3	Comp. strategy and Organization autonomy interaction	-.675	.068	-.354	-3.957	.046	.958	1.044

a. Predictors: (Constant), organizational autonomy, Competitive strategies
b. Predictors: (Constant), organizational autonomy, competitive strategies, Interaction term between competitive strategies and autonomy
c. Dependent Variable: Organizational performance

Source: Field Data (2015)

Regression results displayed in Table 5.2 show that the regression model was robust and thus fit for analytical task for which it was intended (F=1.86, P<0.05). Both R, R^2 and beta coefficient are significant (R=0.322, R^2=0.104, F = 1.86, P<0.05) suggesting that regression model explains 10.4% of variance in performance of Kenya State Corporations. Further, it is evident in model one in the table that for every unit change in competitive strategies, there is a corresponding 42.6% change in performance (β=0.426, t = 4.192, $P<0.05$). In model two, the variance changes to 42.1% for competitive strategies (β=0.421, t=4.148, $P<0.05$) and 30.1% with respect of autonomy (β=0.301, t=2.905, $P<0.05$.

The findings from the test of hypothesis two imply that autonomy strengthens the effect of competitive strategies on performance of Kenya State Corporations. That is to say, the more autonomous a state corporation is from government control, the more effective are its competitive strategies in influencing its performance

The interaction between competitive strategies and organization autonomy had an influence on organizational performance to support a moderation relationship. This outcome supports a study by Roger (2009) that demonstrated that an increase in organizational autonomy has been accompanied with an expansion of regulation and control, which provides environment for performance in public sector organizations.

The results indicate that competitive strategies and organizational autonomy have significant influence on organizational performance (t=-3.957, $p<0.05$).This implies that competitive strategies depend on organizational autonomy in determining the performance of Kenyan State Corporations, thereby accepting the hypothesis, that organizational autonomy moderates the effect of the relationship between competitive strategies and performance of Kenyan State Corporations.

5.4 Mediating Role of Positioning in the Relationship between Competitive Strategies and Performance of Kenyan State Corporations

The third objective of the study was to establish whether positioning mediates the relationship between competitive strategies and performance of Kenyan State Corporations. Positioning was conceptualized as an intervening variable in the relationship between competitive strategies and performance of Kenya State Corporations. In order to achieve this objective, a corresponding hypothesis was formulated as below:

H3: *Positioning mediates the relationship between competitive strategies and performance of Kenyan State Corporations.*

This hypothesis was tested using Baron and Kenny (1986) four-step method. Linear regression analysis was used in each step. In step one performance was regressed on competitive strategies. It was expected that significant R^2 and beta coefficients would be an indication that mediation is likely. The process would then move to step two. If it is not significant, the process terminates and it would be concluded that positioning does not mediate the relationship between competitive strategies and performance.

Step 2 involved regressing competitive strategies on positioning. If the results were significant, the process would move to step 3 because the necessary condition for mediation exists. In step three the influence of positioning on performance was tested using a simple linear regression model. A statistically significant effect of positioning on performance is a necessary condition in testing for the mediation. The analysis then moves to step 4. Finally, Step four tested the influence of competitive strategies on performance while controlling for the effect of positioning. These tests were done using simple linear regression analysis. The influence of competitive strategies on performance should not be statistically significant when positioning is controlled. This is a necessary condition in testing for mediation. Results from the four steps are presented in Table 5.3, 5.4, 5.5 and 5.6 respectively.

Step One: Performance of state corporations was regressed on competitive strategies. The results are presented in Table 5.3.

Table 5.3: Regression Results for the Effect of Competitive Strategies on Performance of Kenyan State Corporations

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494	.244	.198	.52833

a. Predictors: (Constant), competitive strategies

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.414	3	1.471	5.271	.003
	Residual	13.677	49	.279		
	Total	18.091	52			

a. Dependent Variable: Organizational performance
b. Predictors: (Constant), competitive strategies

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	.951	.763		1.247	.218
	Competitive strategies	.787	.243	.416	3.236	.002

a. Dependent Variable: Organizational performance

Source: Field Data (2015)

The results in Table 5.3 show that the influence of competitive strategies on performance of Kenyan State Corporations was moderate and positive (R=.494). Competitive strategies explained 24.4 percent of performance (R^2=0.244, F=5.271, P<0.05) leaving 75.6 percent unexplained. These results thus confirm the first step of testing for the mediation of positioning in the relationship between competitive strategies and performance.

Step Two: the test for the mediation of positioning in the relationship between competitive strategies and performance involved regressing competitive strategies on positioning. The results of the test are presented in Table 5.4.

Table 5.4: Regression Results for the Effect of Competitive Strategies on Positioning

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671	.451	.446	8.17058

Predictors: (Constant), Competitive strategies

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7229.122	1	7229.122	108.288	.000
	Residual	8812.102	132	66.758		
	Total	16041.224	133			

Dependent Variable: Positioning
Predictors: (Constant), Competitive strategies

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.451	5.507		4.258	.000
	Competitive strategies	.778	.075	.671	10.406	.000

Dependent Variable: Positioning
Predictors: (Constant), Competitive strategies

Source: Field Data (2015)

The results presented in Table 5.4 indicate that competitive strategies had a strong positive relationship with positioning (R=.671). Competitive strategies explained 45.1 percent of the variation in positioning (R^2= 0.451, F = 108.288, p<0.05) leaving 54.9 percent unexplained. The results, therefore are indicative of the mediating role of positioning in the relationship between competitive strategies and Performance and thus permits analysis to move to step 3.

Step Three of the test for the mediation of positioning in the relationship between competitive strategies and performance involved regressing performance on positioning. The results for step 3 are presented in Table 5.5.

Table 5.5: Regression Results for the Effect of Positioning on Performance

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.111	.012	.001	.2989420

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.094	1	.094	1.057	.307
	Residual	7.596	85	.089		
	Total	7.691	86			

(c) Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Positioning	.015	.061	.030	.252	.802

Predictors: (Constant), Positioning
Dependent Variable: Performance

Source: Field Data (2015)

As shown in Table 5.5, positioning had a weak positive relationship with performance (R=.111) which was not significant. Competitive strategies and positioning explained 1.2 percent of the variation in performance (R^2= 0.012, F = 1.057, P>0.05). 98.8 percent of performance is explained by other factors not considered in the model. Regression coefficient was low and not significant (β=0.03, t=0.252, p>0.05). The results therefore did not satisfy the condition in the third step in testing for mediation of positioning in the relationship between competitive strategies and performance.

The statistical results at step three were not significant and thus did not satisfy the necessary conditions for progressing to **step 4** in testing for mediation effect of positioning in the relationship between competitive strategies and performance. Thus, the process terminated at step 3.

Based on the findings reported above, the hypothesis that positioning mediates the relationship between competitive strategies and performance of Kenyan State Corporations is not confirmed. These results could mean that the manifestations of positioning as discussed in the literature (perception of quality of goods and services, perception of innovation, perception of corporate image and perception of responsiveness to customer expectations) might not have been embraced by Kenyan State Corporations. The findings of the test of hypothesis three suggest that, the effect of competitive strategies on performance is direct and not through positioning. In other words, positioning is not a necessary condition in the relationship between competitive strategies and performance of Kenya State Corporations.

This finding may be unique to Kenyan State Corporations due to the fact that majority of them are either monopolies or oligopolies offering services that consumers cannot source anywhere else. In this regard, consumers are at their mercy regardless of how they position them in their minds. This is true of many of them such as Communication Commission of Kenya, National Environmental Management Authority, Competition Authority, Electricity Regulatory Authority and Kenya Revenue Authority to mention but a few.

The above argument does not in any way imply that the concept of positioning is not applicable in the State Corporation sector. Its role depends on the kind of independent and dependent variables whose relationship is supposed to be mediated by positioning.

5.5 Joint effect of Competitive Strategies, Positioning and Organizational Autonomy on Organizational Performance

This study had one broad objective which was intended to determine the effect of organizational autonomy and mediating role of positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. The following hypothesis was formulated and tested.

H_4: *Competitive strategies, organizational autonomy and positioning have a significant joint influence on the performance of Kenyan State Corporations.*

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To test this hypothesis, multiple regression analysis was used. The results are presented in Table 5.6.

Table 5.6: Multiple Regression Results for the Joint Effect of Competitive Strategies, Organizational Autonomy and Positioning on Performance

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.830	.688	.668	.39410	.005	.688	1	47	.411

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	16.116	3	5.372	34.586	.000
	Residual	7.300	47	.155		
	Total	23.416	50			

(c)Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-1.656	.596		-2.778	.008		
	Competitive strategies	.741	.188	.383	3.933	.000	.700	1.429
	Organizational autonomy	.888	.125	.774	7.100	.000	.558	1.791
	Positioning	-.120	.145	-.103	-.830	.411	.430	2.326

Predictors: (Constant), Competitive Strategies, Organizational Autonomy, Positioning
Dependent Variable: Organizational performance

Source: Field Data (2015)

The results presented in Table 5.6 indicate that 68.8% of variation in performance of Kenya State Corporations is explained by the joint effect of the three variables (competitive strategies, autonomy and positioning). (R^2=0.688, F=34.586, P<0.05) The remaining 31.2% is explained by other factors not in the study. It is clear from the value of R^2 and F ratio that the regression model was fit for use in the analysis. Therefore, competitive strategies, organizational autonomy, and positioning have significant joint influence on performance of Kenya State Corporations. These results are supported by the regression coefficients, specifically with respect to competitive strategies and organizational autonomy. As indicated in the table, the results of competitive strategies on performance was positive and significant ($\beta=0.383$, $t=3.933$, $p<0.05$). Equally positive and significant was the effect of organizational autonomy ($\beta = 0.774$, $t = 7.10$, $p < 0.05$). However, the effect of positioning on performance was negative and insignificant ($\beta = -0.103$, $t= -0.830$, $p>0.05$).

Based on the results, the regression model for hypothesis four can be fitted as follows:

The original model: $Y = \boldsymbol{\beta_1}\mathbf{(CS)} + \boldsymbol{\beta_2}\mathbf{(OA)} + \boldsymbol{\beta_3}\mathbf{(P)} + \mathcal{E}$

The new model: $\mathbf{Y= -1.656+0.741\ (CS) +0.888\ (OA) + (-0.120\ P)}$

Where:

$Y =$ Organizational performance

CS= Competitive Strategies

OA= Organizational Autonomy

P= Positioning

$\mathcal{E}$ = error term

Based on the above results, the hypothesis that competitive strategies, organizational autonomy and positioning have significant joint effect on performance of Kenyan State Corporations is accepted.

5.6 Discussion of the Results

This study had four objectives, and each objective had a corresponding hypothesis. This section presents discussion of the findings of the study. The results from the test of hypotheses are compared with the findings of previous studies. Further, the implications of the research findings of the current study for the theories on which the study was founded are explained.

5.6.1 Competitive Strategies and Organizational Performance

The first objective of the study aimed at establishing the influence of competitive strategies on the performance of Kenyan State Corporations. This objective had a corresponding hypothesis, H_1, which stated that competitive strategies have significant influence on the performance of Kenyan State Corporations.

Both the individual and combined effect of competitive strategies on performance of Kenyan State Corporations were tested. The results for the individual influence of the individual competitive strategies on performance were mixed. The influence of competitive strategies on performance was tested with respect to each strategy (cost leadership, differentiation and focus). These were evaluated against organizational performance. Performance scores for the State Corporations studied was obtained as a composite score from the performance contracting evaluation reports from the performance contracting department in the Ministry of planning and devolution for the five year period from 2009/2010 to 2011/14 financial year. The composite include both financial and non-financial measures of performance. First, the individual influence of competitive strategies dimensions on performance was tested and then the influence of the combined effect of competitive strategies on performance was tested.

Overall, the results show that competitive strategies had a moderate but positive relationship with performance which was statistically significant. The individual contribution of each of the variables defining competitive strategy on performance gave mixed results. The results indicate that cost leadership positively influenced performance but the influence was moderately and statistically significant. Differentiation on the other hand had negative influence although it was not significant. Focus had positive effect on performance and was statistically significant. Differentiation strategy is aimed at the broad market that involves creation of a product or service that a perceived throughout its industry as unique. This implies that Kenyan State Corporations have not fully embraced differentiation in terms of design, brand image, technology, features, dealer network, or customers' service. However, Kenyan State Corporations have embraced cost leadership and focus that enable them offer goods and services at a lower price than private organizations. The findings supports the empirical literature of Porter, (1988) who argued that low costs permit the corporations to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices lead to competitive advantage and increase in market share.

From the findings, positive effects were reported for cost leadership and focus but a negative effect was reported on differentiation. This negative change could be attributed to the fact that most State Corporations do not apply differentiation strategy and the fact that private competitors produce same goods and services to the public in a better way. The combined effect of competitive strategies on organizational performance was also tested and the results presented. Results of the study showed a relatively moderate or average relationship. The findings were sufficient to support influence of competitive strategies, implying that competitive strategies had statistically significant effects on organizational performance.

In an effort to improve organizations profitability, and the overall performance, Barney (1986) notes that managers continuously make decision whether to launch new strategic initiatives as well as how to respond or counter other competitors' moves. He however points out that managers are able to make more effective decisions if they fully understand the firm's competitive environment.

5.6.2 The Influence of Organizational Autonomy on the Relationship between Competitive Strategies and Organizational Performance

The second objective of the study was to establish the effect of organizational autonomy on the relationship between competitive strategies and organizational performance. In order to achieve this objective, a corresponding hypothesis H_2 which states that organizational autonomy moderates the effect of competitive strategies on the performance of Kenyan State Corporations was stated and tested. Recent studies have demonstrated (Hodges & Mellett, 2003) that an increase of organizational autonomy has been accompanied with an expansion of regulation and control. Generally one could say that the more autonomous the organization, the more senior managers can be considered as residual claimants of their organization.

Organizational autonomy is the capacity of organizations to govern themselves. This is a characteristic that only a few government agencies can have and it is difficult for other organizations to imitate since it needs the supporting laws**.** Gongera (2007) concluded that organizations with autonomy were more likely to be effective than those with little or no autonomy. In general, government agencies tend to have defensive strategies in implementing their works. Proactive strategy is related to organizational awareness of environmental changes and searching new ideas or ways of achieving objectives.

To test for the moderation influence, stepwise analysis was conducted using the following three steps. In step one, competitive strategies were regressed on performance. In step two, competitive strategies were regressed on organizational autonomy. Then in step three, the interaction term between competitive strategies and organizational autonomy was introduced and its significance evaluated. The interaction term was computed as the product of the standardized scores of competitive strategies and organizational autonomy. The findings for step one indicated that competitive strategies had a statistically significant influence on organizational performance. In the second step, there was a significant relationship between competitive strategies and organizational autonomy and in the third step the effect of interaction term between competitive strategies and organizational autonomy was significant. The significance of the interaction term indicated a possibility of both competitive strategies and organizational autonomy being contributors to influencing organizational performance (Coopey, 2005). The model explaining the relationship was statistically significant.

The findings thus confirmed the hypothesis that organizational autonomy moderates the effect of competitive strategy on the performance of Kenyan State Corporations. The current study thus concluded that competitive strategies and organizational autonomy have significant contribution to influencing organizational performance. This supports the agency theory where the principal is the government and the agent is the management and in order for performance to be maximized, the principal must ensure that the agency is given clear rules and regulations in order to control and regulate their operations. The interaction between the two variables had an influence on organizational performance to support a moderation relationship. The findings therefore confirmed the hypothesis. This concurs with studies that have demonstrated that an increase in organizational autonomy has been accompanied with an expansion of regulation and control which provides environment for performance in public sector organizations (Roger, 2009). This implies that competitive strategies depend on organizational autonomy in influencing performance of the Kenyan State Corporations.

5.6.3 The Influence of Positioning on the Relationship between Competitive Strategies and Organizational Performance

The third objective of the study was to establish the influence of positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. Positioning was conceptualized as an intervening variable in the relationship between competitive strategies and organizational performance. In order to test for this influence, a corresponding hypothesis H_3 which states that positioning mediates the relationship between competitive strategies and performance of Kenyan State Corporations was formulated. Studies on competitive strategies, positioning and performance have reported varied outcomes based on either the relationship between competitive strategies and Performance or positioning and performance. The earlier analysis in this Chapter established the relationship between competitive strategies and organizational performance, the relationship between competitive strategies and positioning and the relationship between positioning and performance (Christiansen, 2013). In light of the contradicting outcomes, this study sought to evaluate whether indeed the influence of competitive strategies on performance was mediated by positioning.

Positioning is a powerful tool that allows a firm to create an image. It reflects how consumers perceive the product or organization’s performance on specific attributes relative to that of the competitors (Kotler, 1994). Positioning is a competitive marketing tool that goes beyond image making. It is an attempt to distinguish an organization from its competitors, in order to be the most preferred firm for a certain market segment. It is the establishment and maintenance of a distinctive place and image in the market for product offerings so that the target market understands and appreciates what the organization stands for in relation to its competitors (Ries & Trout, 1986).

An intervening variable is a hypothetical internal state that is used to explain relationships between observed variables such as independent and dependent variables in empirical research. One occurs between the independent and dependent variables. It is caused by the dependent variable and is itself a cause of the dependent variable. That is, it is causally affected by the independent variable and itself affects the dependent variable. In testing for the intervening effect of positioning on the influence of competitive strategies on performance, the Baron and Kenny (1986) approach was employed. The approach includes a four step process as follows; Step one evaluates the influence of competitive strategies on performance. According to the model, this influence should be statistically significant. Step two evaluates the influence of competitive strategies on positioning and the requirement is that the influence should be statistically significant. Step three evaluates the influence of positioning on performance and the requirement is that this influence should also be statistically significant. Finally, Step four evaluates the influence of competitive strategies on performance while controlling positioning. The influence of competitive strategies on performance should not be statistically significant when controlling for positioning for moderation to be confirmed.

The results indicate that competitive strategies had a moderate but positive relationship with performance. The results thus confirm the first step of testing for the intervening effect of positioning on the relationship between competitive strategies and performance since it was significant. The second step of the test for the intervening effect of positioning on the relationship between competitive strategies and performance involved testing the influence competitive strategies on positioning. The results indicate that competitive strategies had a positive and strong relationship with positioning. The results therefore confirmed the second step of testing for the intervening effect of positioning on the relationship between competitive strategies and Performance because it was also significant. The third step of the test for the intervening effect of positioning on the relationship between competitive strategies and performance involved testing the influence of positioning on performance. The results at the third step indicated that the effect was insignificant and therefore the process stopped at that point. There was no need to proceed to step four.

The results therefore did not support the third step in testing for the intervening effect of positioning on the relationship between competitive strategies and performance. The result thus did not confirm step 4 in testing for the intervening effect and did not support the intervening effect of positioning on the relationship between competitive strategies and performance. The study therefore rejected the hypothesis. Though positioning is a powerful tool connecting the customers perception with the performance of the state corporations, the concept is more practiced than it is in Kenyan state corporations could have led to the rejection of the hypothesis as more practical variables as competitive strategies and organizational autonomy showed that they were more practiced in the Kenyan state corporations.

5.6.4 Joint Effects of Competitive Strategies, Organizational Autonomy and Positioning on Organizational Performance

This study had one broad objective to determine the influence of firm organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. A corresponding hypothesis H_4 stating that the joint effect of competitive strategies, organizational autonomy and positioning has influence on the performance of Kenyan State Corporations was formulated and tested. According to Porter (1980), a business attempting to combine more than two approaches invariably ends up stuck in the middle. He argues that the competitive strategies and positioning are based on incompatible assumptions and thereby create trade-offs within the organization. Game theoretic concept applies in strategy choice whenever the actions of several strategies are interdependent. Game theory can be applied to successfully combine strategies to create synergies within a firm that will overcome any trade-offs that may be associated with the combination (Karnani, 2006).

The results of the joint effect of competitive strategies, organizational autonomy and positioning were statistically significant implying that the variables jointly influence organizational performance. Organizational autonomy is the highest, thus the biggest contributor to organizational performance (Lewis, 2004). The regression coefficients also revealed that competitive strategies and organizational autonomy were statistically significant.

According to Burnes (1996), competitive strategies, organizational autonomy and strategic positioning have a strategic impact and contribute to organization performance. The organization is shown as one of a number of competitors in an industry; and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others. These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction. The results were sufficient to support the influence of individual variables on performance of the Kenyan State Corporations. The findings were sufficient to support influence of competitive strategies dimensions and organizational autonomy on organizational performance.

According to Burnes (1996), competitive strategies, organizational autonomy and strategic positioning have a strategic impact and contribute to organization performance. The organization is shown as one of a number of competitors in an industry, and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others. These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction.

5.7 Chapter Summary

In this chapter, the four hypotheses were tested and discussed. Hypothesis one confirmed that competitive strategies had a statistically significant effect on the performance of Kenyan State Corporations meaning that the state corporations which implemented competitive strategies performed better than those who did not have and did not implement strategies.

Hypothesis two confirmed that organizational autonomy moderated the relationship between competitive strategies and the performance of Kenyan State Corporations. This meant that the effect of autonomy increased the impact of competitive strategies in order to enhance performance of Kenyan State Corporations. Hypothesis three was not confirmed as the mediating effect of positioning did not affect the relationship between competitive strategies and performance of Kenyan state corporations. This meant that competitive strategies had direct influence to performance of Kenyan State Corporations and did not need to be mediated by positioning for the performance to be enhanced.

Hypothesis four confirmed the fact that the joint effect of competitive strategies, organizational autonomy and positioning had significant influence on the performance of Kenyan State Corporations. This meant that the predictor variables in the study had joint effect which was higher than that of each predictor variable independently. This further meant that competitive strategies alone were not enough to influence performance but other variables like autonomy were required and although positioning did not influence performance it still remained an important concept to be applied in other business scenario in the Kenyan State Corporations.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This Chapter presents a summary of the study and its findings, the conclusions and recommendations. The Chapter further provides the implications of the findings for theory, policy and managerial practice. Finally, the Chapter discusses the limitations of the study and provides a roadmap for future studies.

6.2 Summary

The broad objective of the study was to establish the influence of organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations and further whether the effects of competitive strategies is direct or through positioning. To achieve this objective, four specific objectives were set and corresponding hypotheses formulated.

6.2.1 Competitive Strategies and Organizational Performance

The first objective of the study was to establish the influence of competitive strategies on the performance of Kenyan State Corporations. The competitive strategies comprised cost leadership, differentiation and focus. The study sought to test the influence of the three competitive strategies on performance of Kenyan State Corporations. According to Porter (1985) competitive strategy refers to how a firm intends to compete in a given business. It is concerned with how a company can gain a competitive advantage through a distinctive and different way of competing.

This study sought to establish the extent to which each had influence on the performance of Kenyan state corporations. The organization that emphasized efficiency had the highest mean score followed by those that emphasized time management. This means that the two factors were the most practiced by the Kenyan State Corporations.

In this study these differentiation measures were captured in terms of the extent to which they influence performance. The measures of the extent of application of differentiation strategy had mean score of 3.795 implying that differentiation influences performance. The current study sought to determine the extent to which focus was important in organizational performance. Various statements depicting the different manifestations of focus were posed and respondents were required to indicate the extent of agreement to which these statements applied to their organization. The results show high agreement with respect to different manifestations on focus in Kenyan state corporations.

The highest score was on statements that the organization understands its mandate with the lowest score being on the statement that the organization always reviews changes in the niche market implying that focus as a competitive strategy is practiced by the Kenyan state corporations to a high extent in order to enhance the competitive advantage. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly and more importantly other focusers may be able to carve out sub-segments that they can serve even better.

6.2.2 Organizational Autonomy and Organizational Performance

The study found out that the government owns 91-100% of the state corporations. The study further sought to determine the percentage of board members that are government appointed. This was to determine the level of the government influence on the appointment of the board members. Board of Directors constitutes people appointed to act as agents and stewards of the owners of capital in State Owned Entities (SOEs). The owner of the capital in SOEs is the Government while the BoD is an agent of the appointing authority, usually the President. This fact though well intentioned, can be abused especially where appointment of board members turns to be political and is used as a tool of rewarding political loyalty resulting in qualifications not being considered..

The study findings show that board members influence governance to high extent. The study sought to determine the extent to which experience of board members is relevant to the nature of the corporation. Board members are crucial in the organization. They determine the nature of decisions that the managers make and consequently influence organizational performance (Hambrick & Mason, 1984; Norburn & Birley, 1988).

The study findings indicated that majority of the respondents agreed to high extent that experience of board members is relevant to the nature of the corporation. In order for decision makers to manage and provide leadership in a given functional area, it is important to have requisite expertise in the given field because they are able to build competences in those functional areas and organizations benefit from the information base that each member of the board brings to the organization.

The study further indicated that the tenure of senior management depends on government to high extent. This implies that the government controls the overall management of the Kenyan State Corporations. The study findings indicated that majority of the respondents were of the view that the tenure of the CEO depended on the Government to a very high extent. The practice in Kenya since independence has been that the President or the line Minister had the power under the State Corporations Act to appoint persons to boards of SOEs.

6.2.3 Positioning and Organizational Performance

All positioning dimensions were measured using a five point likert scale. Positioning is a powerful tool that allows a firm to create an image. It reflects how consumers perceive the product's or organization's performance on specific attributes relative to that of the competitors (Kotler, 1994). Positioning is a competitive marketing tool that goes beyond image making. It is an attempt to distinguish an organization from its competitors, in order to be the most preferred firm for a certain market segment (Ries & Trout, 1986).

The study set to establish the importance of positioning in terms of perceived quality of products and service delivery in Kenyan State Corporations. The mean score observed for statements on perceived quality of products and service delivery was 3.775. Most firms concentrated most of their efforts in customers appreciating the quality of products/services offered and customers perceiving their products/services as affordable. This is consistent with Temporal's (2005) assertion that positioning depends on perceptions, and perceptions are the result of a filtering process.

Innovation is important to strategic decision making of an organization. The levels of innovation by organizations have influence on organizational performance. This finding supports observation by Newbert (2008). Most respondents agreed that accessibility of their products/services increased considerably due to new technology. The results in Table 4.8 show that overall, the state corporations have a good image as indicated by a mean of 4.004.

6.2.4 Joint Effect of Competitive Strategies, Organizational Autonomy and Positioning on Organizational Performance

Competitive strategies, organizational autonomy and positioning have a joint effect on the performance of Kenyan State Corporations. The results of the joint effect of competitive strategies, organizational autonomy and positioning were statistically significant implying that the variables jointly influence organizational performance.

This supports the findings of Burnes (1996) that competitive strategies and organizational autonomy have a strategic impact and contribute to organization performance. The organization is shown as one of a number of competitors in an industry; and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others.

6.3 Conclusion

Organizational autonomy strengthens the effect of competitive strategies on the performance of Kenyan State Corporations. This means that the more autonomous a state corporation is from the government's control, the more effective are its competitive strategies in influencing its performance. Autonomy gives the management the freedom of determining their decisions in interpreting and implementing the mandate of the state corporation.

Positioning deals with the perception of quality of goods and services and corporate image in comparison with competitors in the same industry. In the context of the Kenyan State Corporations, positioning did not mediate the relationship between competitive strategies and performance. This is because apart from the financial and commercial state corporations like banks, most of the other state corporations have no real threat of competition and the reality is that the customers of the state corporations have very little option or choice due to the lack of competition. This therefore means that the concept of positioning does not directly apply in the case of Kenyan State Corporations as it does not mediate the relationship between competitive strategies and performance of Kenyan State Corporations.

6.4 Implications of the Study

Implications of the study were discussed in respect to theory, policy framework, managerial practice and methodology.

6.4.1 Implications for Theory

The implication of the study to theory has to do with the effort to show the link between theoretical propositions and research findings. One of the theories on which this study was founded was the stakeholder theory. One of the predictions of stakeholder theory is that the organization will generate benefits to the stakeholders. As indicated in Table 4.5 this prediction is supported by the findings that customers perceive the state corporations very positive in terms of quality of goods and services, affordable prices, information on attributes of products and services with a mean score of 3.975 (76% approval rate).

Agency theory stipulates that a principle contracts an agent to perform duties on their behalf. Table 4.11 and Table 4.12 on organizational autonomy explain ownership of Kenya state corporations and the appointing authority of board members and tenure of office of senior management. The overall mean scores of Table 4.11 and Table 4.12 are 2.835 and 3.771 respectively which shows that ownership and control of Kenya State Corporations is in the hands of the government. The study findings therefore, confirms the relationship between the government and the management of Kenyan State Corporations as principal and agency relationship.

RBV theory emphasizes resource and capabilities as genesis for competitive advantage. In the study, cost leadership manifestations as shown in Table 4.4 shows overall mean of 3.385 meaning high approval rate of the resource utilization, cost reduction, waste cut, innovation and efficiency. Hypothesis one of this study states that competitive strategies have significant influence in the performance of Kenya State Corporations. This means that competitive strategy are applied to manage resources and capabilities. This forms the link between the theory and study findings.

6.4.2 Implication for Policy Framework

Implication of the study to policy framework can be explained at two levels namely the government level and the state corporation's level. At the government level, organizational autonomy explains the implication to policy framework in that the government has to allow enough autonomy to the state corporations. The study found out in hypothesis two that organizational autonomy moderates the relationship between competitive strategies and performance of Kenyan State Corporations. At government level, organizational autonomy can be applied by the government releasing its controls in order to make the state corporations more autonomous as a policy.

At the state corporations level, internal policy framework can be initiated to deal with focus strategy where the management comes up with niche policies to ensure they understand their mandate and initiate policies on how to achieve it. Moreover, cost leadership and efficiency can be realized better when internal policy frameworks are generated at management level because that is the point of implementation. When the management of state corporations makes use of the autonomy granted to them by the government, they will own the process of establishing internal policies tailor made to suit the specific state corporation as each one is unique in its own environment and is mandated to achieve specific objectives.

6.4.3 Implications for Managerial Practice

Managerial practice deals with day to day operations and duties or activities in the management of state corporations. As the principal has entrusted the management of the state corporations to the agent. The management on its part takes the responsibility for good performance of the state corporations. The study findings show that competitive strategies (cost leadership, differentiation and focus) will be well interpreted by the management depending on the respective prevailing environment of each state corporation and therefore the best management practice will emanate from the management itself to come with implementation systems of the competitive strategies.

With autonomy given by the government to the management of the state corporations, the study links the exercise of the attributes of autonomy to the management therefore showing the implications of the study to management practice. The management of the state corporations will therefore use their discretion to come up with management practices with suit time and environment of the state corporations. The competitive strategies moderated by organizational autonomy will yield good performance of the state corporations as the study has established.

6.4.4 Implications for Methodology

In the study, the population considered shows that Kenyan State Corporations was divided into different categories like agricultural, regulatory, financial and social. Implication of the study to methodology shows that in order to understand the structure of the state corporations, the classification can used in data collection and analysis.

Validity and reliability tests were carried out on the data collection instruments and it was found that the instrument was sufficient to collect data from the respondents. Regression analysis was used to analyse the relationship between study variables which helped in hypothesis testing in order to achieve the set research objectives.

6.5 Limitations of the Study

The study aimed at establishing the influence of organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. While this objective was met, it was not without limitations. Some Kenyan State Corporations were undergoing restructuring due to financial difficulties. Some had been earmarked for merger, others dissolution while others were scheduled for transfer of functions to the Counties. This reduced the initial population of study to 134 corporations. Those struggling financially did not wish to participate because the exercise was ongoing.

The state corporations not included in the study may have left out vital perspectives and contributions to this study. The wide geographical spread of the Kenyan State Corporations was yet another limitation. The studied state corporations are spread across the whole country. Emails were effectively used in a few cases to administer the questionnaires. However, in most cases the data collection was largely dependent on the researcher and his assistants travelling to the organizations. This was an expensive undertaking that required financial commitment for travel, accommodation and other logistical costs. In some cases it was necessary to visit one organization three or four.

Considering that the researcher was self-sponsored for the study the exercise was strained of financial resources. Kenyan State corporations compute a composite of performance by plugging in six raw scores. The raw scores are for the indicators of performance include finance and stewardship, non-financial, operations, dynamic/qualitative, service delivery, corruption eradication, employee satisfaction, customer satisfaction and stakeholder satisfaction. The study used the composite performance indicator only. The raw scores were not available in the individual state corporations nor at the State Corporations Advisory Committee (SCAC) and at the Performance Contracting Department. The study would have benefited in establishing the influence of competitive strategies on the each of the performance indicators. Despite all the highlighted limitations the quality, letter and spirit of the study were not compromised.

Getting information from state corporations is not easy due to the secrecy observed by the management of the state corporations. Even with the covering letters from the university to show that the information sought would be for academic purposes, some respondents were uncomfortable with some questions especially the ones which dealt with the appointment of board members and their involvement in the operations with state corporations. The respondents could be understood to have been fearing giving information which could be used against them as exposing confidential information from the government corporations. This could have led to some respondents to give answers to suit their conscience but not the factual situation.

6.6 Suggestions for Further Research

Arising from the findings in this study, future researchers could consider the following areas and issues for further study. This study concentrated on establishing the influence of each of the competitive strategies on the performance of Kenyan state corporations. However, performance was tested as a composite score as reported by the performance contracting department. It would be interesting if the individual competitive strategies dimensions were tested against the raw score of each of the six performance areas in the performance contracts of state corporations as defined in the performance contracting guidelines. The findings may be different from the ones obtained in this study. The context of the study was Kenyan state corporations. Future research could be undertaken to replicate this study but instead compare the performance of Kenyan State Corporations with that of public quoted companies at the Securities Exchange or other sectors of the economy to check whether the findings will be the same. Further, the same study could be replicated but in a different context. For example a researcher could carry out a study for private companies in Kenya using the same variables.

This study used only four variables to test the factors that influence performance in state corporations. Given the fact that there are many other factors that may affect performance, other researchers may seek to unravel the influence of such other factors like corporate governance, resource allocation and so forth on the performance of state corporations. It would be interesting to find out whether the results would be similar when different variables are used. The study was undertaken in all state corporations Kenya save for the 134 that were undergoing public sector reforms during the study. This population was very large and it was not possible for the researcher to get into the details of the data collected from the field. Future studies should study fewer state corporations or, in fact study, state corporations in one sector and replicate the current study to see whether the findings would still be the same or different. This study can be replicated to compare state corporations with line ministry agencies.

Positioning is key to organizational performance. This dimension was used as an mediating variable between competitive strategies and organizational performance. However, the mediating influence was insignificant from the study. Future research could take positioning as an independent variable and establish its influence on organizational performance. Given the critical role that competitive strategies play in charting out the strategic direction of organizations, it would also be interesting for future research to study the influence of competitive strategies as an independent variable and positioning as a dependent variable. Further future research could also establish the influence of competitive strategies on the individual positioning dimensions.

Future studies could look at independent oversight agencies which are not state corporations and do not fit directly to line ministries. Such agencies are, to mention but a few, Salaries and Remuneration Commission, Constitution Implementation Commission, Police Oversight Authority, Independent Electoral and Boundaries Commission and Transition Authority. Agencies in the category explained above perform important functions which may require to be subjected to the study variables in order to understand their contribution to the economic development of the country.

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APPENDICES

Appendix I: Letter of Introduction from the University of Nairobi

UNIVERSITY OF NAIROBI

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

SCHOOL OF BUSINESS

DOCTORAL STUDIES PROGRAMME

Telephone: 4184160/1-5 Ext. 225
Email: dsp@uonbi.ac.ke

P.O. Box 30197
Nairobi, Kenya

18th May, 2015

TO WHOM IT MAY CONCERN

RE: CAXTON MUNYOKI: D80/80019/2008

This is to certify that **CAXTON MUNYOKI: D80/80019/2008** is a Ph.D Candidate in the School of Business, University of Nairobi. The title of his study is **"Competitive Strategies, Organizational Autonomy, Positioning and Performance of Kenyan State Corporations".**

The purpose of this letter therefore, is to kindly request you to assist and facilitate in carrying out the research/study in your organization. A questionnaire is herewith attached for your kind consideration and necessary action.

Data and information obtained through this exercise will be used for academic purposes only. Hence, the respondents are requested not to indicate their names anywhere on the questionnaire.

We look forward to your cooperation.

PROF. STEPHEN N.M. NZUVE
ASSOCIATE DEAN
GRADUATE BUSINESS STUDIES
SCHOOL OF BUSINESS

SNMN/nwk

Appendix II: Letter of Introduction from National Commission for Science, Technology and Innovation

NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471, 2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date:

14th July, 2015

NACOSTI/P/15/9025/7052

Caxton Mwangangi Munyoki
University of Nairobi
P.O. Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Competitive strategies, organizational autonomy, positioning and performance of Kenyan state corporations,"*** I am pleased to inform you that you have been authorized to undertake research in **all Counties** for a period ending **31st July, 2017.**

You are advised to report to **the Chief Executive Officers of the selected State Corporations, the County Commissioners, the County Directors of Education, all Counties** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

Hussein

SAID HUSSEIN
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Chief Executive Officers
Selected State Corporations.

The County Commissioners
All Counties.

National Commission for Science, Technology and Innovation is ISO 9001: 2008 Certified

Appendix III: Researcher Clearance Permit

CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No. A 5790

CONDITIONS: see back page

THIS IS TO CERTIFY THAT:
MR. CAXTON MWANGANGI MUNYOKI
of UNIVERSITY OF NAIROBI, 0-508
Nairobi,has been permitted to conduct research in *All Counties*

on the topic: *COMPETITIVE STRATEGIES, ORGANIZATIONAL AUTONOMY, POSITIONING AND PERFORMANCE OF KENYAN STATE CORPORATIONS*

for the period ending:
31st July,2017

Permit No : NACOSTI/P/15/9025/7052
Date Of Issue : 14th July,2015
Fee Recieved :Ksh 2,000

....
Applicant's Signature

....
Director General
National Commission for Science, Technology & Innovation

Appendix IV: Researcher's Letter of Introduction

CAXTON MUNYOKI,

University of Nairobi,

P. O. BOX, 30197

Nairobi.

April2015

Dear Sir/Madam,

RE: DATA COLLECTION

I am a doctorate student at University of Nairobi undertaking studies for a doctorate of Business Administration Program, majoring in Strategic Management. One of my academic outputs before graduating is a thesis and for this I have chosen the research the topic **"Competitive Strategies, Organizational Autonomy, Positioning and Performance of Kenyan State Corporations**".

You have been selected to form part of the study. This letter is meant to kindly request you to assist me collect the data by responding to the interview guide. The information you provide will be used strictly for academic purposes and will be treated with utmost confidence. A copy of the final report will available to you upon request. Your assistance will be highly appreciated.

Yours Sincerely,

CAXTON MUNYOKI

Appendix V: Questionnaire

COMPETITIVE STRATEGIES, ORGANIZATIONAL AUTONOMY, POSITIONING AND PERFORMANCE OF KENYAN STATE CORPORATIONS

PART A: BACKGROUND INFORMATION

1. Name of the state corporation:______________________________________
2. Sector of the state corporation:______________________________________
3. Number of employees:______________________________________
4. Year of establishment:______________________________________
5. Nature of business:______________________________________
6. Respondent's managerial position:__________________________________
7. Designation:
   ____

PART B: COMPETITIVE STRATEGIES

8. Kindly indicate your agreement or disagreement with the following statements concerning competitive strategies in your organization where 1=strongly disagree; 2= disagree; 3=neither disagree nor agree; 4=agree; 5=strongly agree.

Items	**1**	**2**	**3**	**4**	**5**
Cost leadership					
Our organization does costing of all products and services					
Our organization maximizes on profitability through cost reduction strategies					
Our organization improves on production/service delivery process to cut on waste and duplication					
Our organization minimizes cost through innovation					
Our organization has optimum level of personnel					
Our organization emphasizes on efficiency					
Our organization emphasizes on time management					
Our organization continuously trains staff on effective resource					

utilization					
Differentiation					
Our organization offers products/services with unique characteristics					
Our organization creates and maintains products/services with appealing features					
Our organization does research to match products/services with customer needs					
Our organization offer products/services at affordable prices					
Our organization always strives to lead in product/service delivery in our sector					
Our organization always keeps our customers always aware of our product/service attributes					
Focus					
Our organization understands its focus and mandate					
Our organization always updates its mandate in line with changes in the market					
Our organization specializes on its target market					
Our organization always strives to remain in its market					
Our organization always reviews changes in the niche market					

PART C: POSITIONING

9. Kindly indicate the extent to which you agree or disagree with the following statements as relates to positioning strategy in your organization where 1=strongly disagree; 2= disagree; 3=neither disagree nor agree; 4=agree; 5=strongly agree.

Perceived quality of products and service delivery	**1**	**2**	**3**	**4**	**5**
Our customers appreciate the quality of products/services we offer					
Our customers have trust in our products/services					
Our customers rate our products/services as superior					
Our customers perceive our products/services as affordable					
Our customers perceive our products/services as readily					

available					
Our customers rate our products/services as reliable					
Perceived level of innovation					
Our organization always conduct research in target markets					
Our customers appreciate our new product initiatives					
The views of our customers are taken seriously in development of new products					
Our organization involves customers in price and promotion rating					
The accessibility of our products/services has increased considerably due to new technology					
Corporate image					
Our brand image is visible to our customers					
Our customers hold us at high repute					
We strive to have our vision, mission and corporate mandate known to all our customers					
Our CEO always promotes positive corporate image					
Our products/services are easily accessed by our customers throughout the target market					
Responsiveness to customer expectations					
Our prices match our customer expectations					
We translate customer feedback to product/service improvement					
Our customers appreciate our timely delivery of products and services					
Our customers complaints are solved as a matter of priority					
Suggestions and complaint boxes are available to our customers					

10. Mention any issue that is relevant to this study that is not covered in the questionnaire

…………………………………………………………………………………………………
…………………………………………………………………………………………………
………………………………………………………………………

PART D: ORGANIZATIONAL AUTONOMY

11. Is the organization wholly State owned?

Yes [ ] No [ ]

12. What percentage of the organization is owned by the Government?

1 – 30% [ ] 31 – 60% [ ]

61 – 90% [ ] 91 – 100% [ ]

13. What percentage of board members is government appointed?

1 – 25% [ ] 26 – 50% [ ]

51 – 75% [ ] 76 – 100% [ ]

14. To what extent do board members influence policy?

Very low extent [ ] Low extent [ ] Moderate [ ] High extent [ ]

Very high extent [ ]

15. To what extent do board members influence governance?

Very low extent [ ] Low extent [ ] Moderate [ ] High extent [ ]

Very high extent [ ]

16. To what extent is the experience of board members relevant to the nature of the corporation?

Very low extent [ ] Low extent [ ] Moderate [ ] High extent [ ]

Very high extent [ ]

17. To what extent does the tenure of senior management depend on the Government?

Very low extent [ ] Low extent [ ] Moderate [ ] High extent [ ]

Very high extent [ ]

18. To what extent does the tenure of the CEO depend on the Government?

Very low extent [ ] Low extent [ ] Moderate [ ] High extent [ ]

Very high extent [ ]

19. To what extent does the tenure of senior management depend on the board?

Very low extent [ ] Low extent [ ] Moderate [ ] High extent [ ]

Very high extent [ ]

20. To what extent does the tenure of the CEO depend on the board?

    Very low extent [ ] Low extent [ ] Moderate [ ] High extent [ ]

    Very high extent [ ]

21. Kindly indicate the extent to which you agree or disagree with each of the following statements relating to organization autonomy where 1=strongly disagree; 2= disagree; 3=neither disagree nor agree; 4=agree; 5=strongly agree.

Statement	**1**	**2**	**3**	**4**	**5**
The appointment of the board is on merit and qualification					
Our board is gender balanced					
The CEO is appointed through formal laid down procedures					
The process of hiring/firing staff is controlled by management with board's approval					
Financial resources are independently controlled by top management and the board					
The top management independently implements strategies and policies					
Resource allocations are determined by top management with the boards approval					

22. Kindly indicate any suggestions you may have to improve organizational autonomy.

    ……………………………………………………………………………………
    ……………………………………………………………………………………
    ……………………………………………………………………………………

PART E: ORGANIZATIONAL PERFORMANCE

Kindly indicate the score from performance contracting evaluation relating to organizational performance for each of the following indicators.

Performance indicator	**Score from performance contracting evaluation**	**Source**
Financial and stewardship:		
Utilization of allocated resources		
Appropriation in Aid		
Cost Reduction		

Compliance with budgetary levels		
Level of Debt-Equity ratio		
Non-Financial		
Compliance with Strategic Plan		
Employee satisfaction		
Disposal of idle assets		
ISO Certification		
Statutory Obligations		
Competency Development		
IT		
Service Delivery		
Customer satisfaction		
stakeholders satisfaction		
Development Index Service delivery		

THANK YOU FOR TAKING YOUR TIME TO PARTICIPATE IN THE STUDY

Appendix VI: List of Kenyan State Corporations

Purely Commercial State Corporations

No.	Name of State Corporation
1.	Agro-Chemical & Food Company
2.	Kenya Meat Commission
3.	Muhoroni Sugar Company Limited
4.	Nyayo Tea Zones Development Corporation
5.	South Nyanza Sugar Company Limited
6.	Chemilil Sugar Company Limited
7.	Nzoia Sugar Company Limited
8.	Simlaw Seeds Kenya
9.	Simlaw Seeds Tanzania
10.	Simlaw Seeds Uganda
11.	Kenya National Trading Corporation
12.	Kenya Safari Lodges Limited (Mombasa, Beach Hotel, Ngulia Lodge, Voi Lodge)
13.	Golf Hotel Kakamega
14.	Kabarnet Hotel Limited
15.	Mount Elgon
16.	Sunset Hotel Kisumu
17.	Jomo Kenyatta Foundation
18.	Kenyatta University Enterprise Limited
19.	Kenya Literature Bureau
20.	Rivatex (East Africa) Limited
21.	School Equipment Production Units
22.	University of Nairobi Enterprise Limited

23. University Of Nairobi Press
24. Development Bank of Kenya Limited
25. Kenya Wine Agencies Limited
26. KWA Holdings
27. New Kenya Co-operative Creameries
28. Yatta Vineyard Limited
29. National Housing Limited
30. Research Development Unit Company Limited
31. Consolidated Bank Of Kenya
32. Kenya National Assurance Co. (2001) Limited
33. Kenya Reinsurance Corporation Limited
34. Kenya National Shipping Line

State Corporations with Strategic Function

No Name of State Corporation

1. Kenya Animal Genetics Resource Centre
2. Kenya Seed Company
3. Kenya Veterinary Vaccine Production Institute
4. National Cereal & Produce Board
5. Kenyatta International Conference Centre
6. Geothermal Development Company
7. Kenya Electricity Generating Company
8. Kenya Electricity Transmission Company
9. Kenya Pipeline Company
10. Kenya Power & Lightening Company
11. National Oil Corporation of Kenya
12. National Water Conservation & Pipeline Corporation
13. Numerical Machining Company

14. Kenya Broadcasting Corporation
15. Postal Corporation of Kenya
16. Kenya Development Bank (After merger of TFC, ICDC, KIE, IDB, AFC)
17. Kenya EXIN Bank
18. Kenya Post Office Savings Bank
19. Kenya Airports Authority
20. Kenya Ports Authority
21. Kenya Railways Corporation

State Agencies - Executive Agencies

No.	Name of State Corporation
1.	Biashara Kenya (After Merging Small and Micro Enterprise Authority, Women Fund, Uwezo Fund & Youth Enterprise Development Authority)
2.	Internal Revenue Service (After transfer of Custom's Department from KRA)
3.	Kenya Intellectual Property Service (After merging with Kenya Copyright board, Kenya Industrial Property Institute and Anti-Counterfeit Agency)
4.	Kenya Investment Promotion Service (After merging with KTB, EPC, Brand Kenya Board and Ken Invest)
5.	Konza Technopolis Authority.
6.	Bomas of Kenya
7.	Water Service Trust Fund
8.	Leather Development Council
9.	Agricultural Development Corporation
10.	Anti-Female Genital Mutilation Board
11.	Constituency Development Fund
12.	Crops Development and Promotion Services (new)
13.	Custom and Boarder Security Service (Successor to the Kenya Citizens and Foreign National Management Service)

14. Drought Management Authority
15. Export Processing Zone Authority
16. Financial Reporting Centre
17. Fisheries Development and Promotion Service (new)
18. Higher Education Loans Boards
19. Information Communication Technology Authority
20. Investor Compensation Fund Board
21. Kenya Academy of Sports
22. Kenya Accountants & Secretaries National Examination Board
23. Kenya Deposits Protection Authority
24. Kenya Ferry Service Limited
25. Kenya Film Development Service
26. Kenya Institute of Curriculum Development
27. Kenya Law Reform Commission
28. Kenya Medical Supplies Authority
29. Kenya National Bureau of Statistics
30. Kenya National Examination Council
31. Kenya National Highway Authority
32. Kenya National Innovation Agency
33. Kenya Ordnance Factories corporation
34. Kenya Road Board
35. Kenya Trade Network Agency
36. Kenya Wildlife and Forestry Conservation Service
37. Kenyatta National Hospital
38. LAPSET Corridor Development Authority
39. Livestock Development and Promotion service (new)
40. Local Authorities Provident Fund

41. Moi Teaching and Referral Hospital
42. Nairobi Centre for International Arbitration
43. National Aids Control Council
44. National Cancer Institute of Kenya
45. National Coordinating Agency for Population and Development
46. National Council for Law Reporting
47. National Council for People with Disabilities
48. National Hospital Insurance Fund
49. National Industrial Training Authority
50. National Irrigation Board
51. National Museums of Kenya
52. National Quality Control Laboratories
53. National Social Security Fund Board of Trustees
54. National Youth Council
55. Nuclear Electricity Board
56. Policyholders Compensation Fund
57. Sports Kenya
58. Kenya Cultural Centre
59. Tourism Fund
60. Unclaimed Financial Assets Authority
61. Water Resource Management Authority
62. National Campaign Against Drug Abuse Authority

State Agencies – Independent Regulatory Agencies

No Name of State Corporation

1. Agriculture, Fisheries and Food Authority
2. Commission for University Education

3. Communication Commission of Kenya
4. Competition Authority
5. Council for Legal Education
6. Energy Regulatory Commission
7. Health Service Regulatory Authority
8. Kenya Bureau Of Standards
9. Kenya Civil Aviation Authority
10. Kenya Film Regulatory Service
11. Kenya Maritime Authority
12. Kenya National Accreditation Service
13. Kenya Plant and Animal Health Inspectorate Service (After taking over function of National Biosafety Authority)
14. Livestock Regulatory Authority
15. National Commission for Science, Technology and Innovations
16. National Construction Authority
17. National Environmental Management Authority.
18. National Land Transport & Safety Authority
19. Public Benefits Organization Regulatory Authority
20. Public Procurement Oversight Authority
21. Technical & Vocational & Training Authority.
22. Tourism Regulatory Authority
23. Water Service Regulatory Board
24. Financial Supervisory Council (After merge of Capital Markets Authority, Insurance Regulatory Authority, Retirement Benefits Authority & SACCO Societies Regulatory Authority)
25. Mining and Oil Regulatory Service

State Agencies – Research Institutions, Public Universities, Tertiary Education and Training Institutions

No	Name of State Corporation
1.	Bukura Agricultural College
2.	Chuka University
3.	Cooperative University College
4.	Dedan Kimathi University
5.	Egerton University
6.	Embu University College
7.	Garissa University College
8.	Jaramogi Oginga Odinga University of Science and Technology
9.	Jomo Kenyatta University of Agriculture and Technology.
10.	Karatina University
11.	Kenya Agriculture and Livestock Research Organization
12.	Kenya Forestry Research Institute
13.	Kenya Industrial Research and Development Institute
14.	Kenya Institute of Mass Communication
15.	Kenya Institute of Public Policy Research & Analysis
16.	Kenya Marine & Fisheries Research Institute
17.	Kenya Medical Research Institute
18.	Kenya Medical Training College
19.	Kenya Multi-Media University
20.	Kenya School of Government
21.	Kenya School of Law
22.	Kenya Utalii College
23.	Kenya Water Institution
24.	Kenyatta University

25. Kibabii University College
26. Kirinyaga University College
27. Kisii University
28. Laikipia University
29. Maasai Mara University
30. Machakos University College
31. Maseno University
32. Masinde Muliro University of Science & Technology
33. Meru University of Science & Technology
34. Moi University
35. Murang'a University College
36. National Crime Research Centre
37. Pwani University
38. Rongo University College
39. South Eastern Education, Science & Technology Kenya University
40. Taita Taveta University College
41. Technical University of Mombasa
42. The Technical University of Kenya
43. University of Eldoret
44. University of Kabianga
45. University of Nairobi.

Source: Taskforce on Parastatal Reforms Report (2013)

Appendix VII: Sectoral Categorization of Kenyan State Corporations

Sector of State Corporation	**Population**
Tertiary Education and Training Corporations	19
Regional Development Authorities	12
Service Corporations	29
Training and Research Corporations	19
Public Universities	15
Regulatory Authorities	31
Commercial/Manufacturing Corporations	37
Financial Corporations	25
Total	**187**

Source: Taskforce on Parastatal Reforms Report (2013)