STRATEGIC PLANNING, FIRM CHARACTERISTICS, COMPETITIVE ENVIRONMENT, STRATEGY IMPLEMENTATION AND PERFORMANCE OF STATE CORPORATIONS IN KENYA

BY

OLUOCH KENNEDY OTIENO

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DECLARATION

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

Signed: …………………………………… Date: …………………………

Oluoch Kennedy Otieno

Department of Business Administration

School of Business

University of Nairobi

This thesis has been submitted for examination with our approval as the University supervisors:

Signed: …………………………………… Date: …………………………

Prof. Martin Ogutu

Associate Professor

Department of Business Administration

School of Business

University of Nairobi

Signed: ………………………………… Date: ……………………………

Prof. Justus Munyoki

Associate Professor

Department of Business Administration

School of Business

University of Nairobi

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Kennedy Oluoch

P. O. Box 8346-00200

Nairobi

Kennedy2oluoch@gmail.com

DEDICATION

To my beloved wife Alice, and daughters Abigail, Debra and Tabitha, your support in this academic journey made this possible.

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May all the glory be to the almighty God, he who gives us life, through which we explore many things in this universe, including how to manage strategically. Thank you God for that staff you deposit in our cranium. Through God all things were made; without him nothing was made that has been made. In him was life, and that life was the light of men (John 1:3-4, NIV). When he calls me, I will answer.

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ABSTRACT

State corporations are important institutions in Kenya and are worth the study because they promote economic growth and development; are critical to building the capability and technical capacity of the state in facilitating and promoting national development; are important instruments in improving the delivery of public services including meeting the basic needs of citizens; have been variously applied to the creation of good and widespread employment opportunities in various jurisdictions and are useful for targeted and judicious building of international partnerships. Because of the importance attached to the state corporations, it is important that they perform well. Performance of any organization is in actual sense a function of many other factors. A review of literature relating to corporate performance show that strategic planning is an important factor in corporate performance; however, it is not strategic planning alone that influence the performance of a corporation, other factors such as firm characteristics, competitive environment and strategy implementation also come into play. The broad objectives of the study was to establish the moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship that exists between strategic planning and performance of Kenyan State Corporations. Specific objectives of the study were to determine the individual and joint moderating effects of firm characteristics, competitive environment, and strategy implementation on the relationship between strategic planning and performance of state corporations in Kenya. The study was oriented by the positivist view which uses surveys to verify hypotheses, statistical analyses and quantitative statistics. The targeted population of interest in this study was all state corporations in Kenya (commercial corporations and commercial corporations with strategic functions). The study employed a descriptive cross-sectional survey study design. Data was collected using questionnaires. Hierarchical regression analysis, specifically interaction analysis was conducted on the collected data. The study found that firm characteristics and strategy implementation have moderating effects on the relationship that exists between strategic planning and performance of state corporations in Kenya. The study also found that competitive environment as an independent factor and the combined forces of firm characteristics, competitive environment and strategy implementation had no moderating effects on the relationship between strategic planning and performance of Kenya's state corporations. The study had several methodological limitations such as study design, questionnaire, response rate and analytical techniques. The study has made important theoretical contributions by highlighting the factors that moderate the relationship between strategic planning and performance of state corporations in Kenya. The study has also provided important insight to policy makers and strategic management practitioners and lecturers. Methodologically, the study has positively affirmed the place of positivist paradigm and hierarchical interaction analysis in testing moderating effects between variables. The study suggests that a similar research be conducted in other sectors of the Kenyan economy and in other contexts outside Kenya such as Uganda, Tanzania, South Africa and Egypt to corroborate this study finding.

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ABBREVIATION AND ACRONYMS

BSC	Balanced Scorecard
CEO	Chief Executive Officers
EAC	East African Community
EPS	Earning Per Share
GDP	Gross Domestic Product
GOE	Gouvernement Owned Entities
I/O	Industrial Organization
KGIC	Kenya Government Investment Corporation
ROA	Return On Assets
ROE	Return on Equity
RVB	Resource Based View
RBM	Results Based Management
PCS	Performance Contracting Secretariat
SPSS	Statistical Package for Social Sciences
PCSC	Performance Contracts Steering Committee
VIF	Variance Inflation Factor

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Corporate performance is a domain of management which has remained and will continue to be the focus of management executives and scholars for a long time to come because of its centrality in the life of an organization. Because of the importance attached to corporate performance, great attempts have been made to understand it over time in terms of factors that contributes to its realization or none realization. Among the factors which have been linked to organizational performance is strategic planning (Miller & Chen, 1994). Even though strategic planning has been found to positively influence organizational performance, strategic planning alone is not the only factor affecting organizational performance. Some of the factors which have been identified to be affecting organizational performance are firm characteristics, competitive environment, and strategy implementation (Boyd et al, 2010; Slater & Halt, 2004).

Over the years, management theories, which include strategic management theories, have been devised to provide conceptual framework for organizing knowledge. Strategic management theories mainly originate from the systems perspective, contingency approach and information technology approach (Raduan, Jegak, Haslinda, & Alimin, 2009). Among the common strategic management theories noted by Raduan, et.al (2009) are the profit-maximizing and competition-based theory, the resource-based theory, the survival-based theory, the human resource-based theory, the agency theory, and the contingency theory. This study has been founded on three theories namely the Resource Based View (RVB) in explaining firm characteristics, the profit maximizing and competition based theory which explains competitive environment of a firm, and the dynamic capability theory which focuses on the corporate ability to integrate, build and reconfigure her internal and external competencies. The theories have been chosen because of their relevance to this study.

State corporations have been considered worth the study because they are important in a number of ways: they promote economic growth and development; are critical to building the capability and technical capacity of the state in facilitating and/or promoting national development; are important instruments in improving the delivery of public services including meeting the basic needs of citizens; have been variously applied to the creation of good and widespread employment opportunities in various jurisdictions and are useful for targeted and judicious building of international partnerships. Available data shows that the output of state corporations to GDP in nominal terms increased from 9.54% in 2008/2009 to 11.64% in 2010/2011 based on the internally generated income (Government of Kenya, 2013).

1.1.1 Strategic planning

The concept of strategy has been defined in diverse ways by many strategy scholars (Chandler, 1962; Andrews, 1971; Chaffee, 1985 & Mintzberg, 1987). Mintzberg (1987) reasoned that we cannot afford to depend on a single definition of strategy despite our tendency of wanting to do so; he therefore proposed five definitions of strategy, in which strategy could be seen as a plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies intended course of action of an organization. According to David (2005), strategic management can be seen as a combination of strategy formulation, implementation, and evaluation. This study is focusing on strategic planning, more so on its relationship with corporate performance while considering selected moderating factors. Tapinos, Dyson and Meadows (2005) add another view of strategic planning to be a set of processes undertaken in order to develop a range of strategies that will contribute to achieving corporate objectives.

In response to a myriad of definitions of strategic planning expressed in literature, Grant (2003) provides an extensive review of strategic planning history from "long range planning" to some of the recent debates between "strategic management" and "strategic thinking". From Grants summary, a very inclusive definition of strategic planning is that it is an attempt to systematize the processes that enable an organization to attain its goals and objectives. According to Crittenden and Crittenden (2000), there are five general steps in the strategic planning process: goal setting, situation analysis, alternative consideration, implementation and evaluation.

At the core of the research debate in the question as to whether strategic planning should be practiced is the argument about the appropriateness in formalizing the activities involved in strategy making. Mintzberg (1994) is of the view that formalized strategic procedures limits the ability of managers to think strategically. Stonehouse and Pembertone (2002) however holds a different opinion from those of Mintzberg (1994) arguing that the association of strategic planning with the "highly prescriptive approach of strategic management" is unfortunate given that the concepts are not necessarily opposite each other but can co-exist at different levels of strategy formulation. This explains the growing number of publications expressing the need to tailor management control systems to support the development and implementation of corporate strategy (Kald et al., 2000). This means that strategic planning therefore has its secure placement in the management of today's corporations and should be confidently pursued.

1.1.2 Firm Characteristics

Firm characteristics have to do with the demographic and managerial variables that contribute to the makeup of a firm. Every firm has its own characteristics which makes it successful or unsuccessful in a competitive environment. It has been argued that firm characteristics contribute to industry variance in profitability (McGaham, 1999). The elements that have been used to define firm characteristics vary among researchers. Firm size is probably the most influential variable in organizational characteristics studies (Chen & Hambrick, 1995). Firm size determines the extent to which an organization will adopt formal control and coordination mechanism as part of its strategy (Scott, 1998). The age of the firm is another important aspect of firm characteristics. It has been argued that as organizations grow in age, they refine their routines and strategies and their returns become more certain (Halliday and Powell, 1993). The age of the firm also influences the extent to which it understands the competitive environment as well as ability to compete and at least survive for a period of time based on knowledge and experiences accumulated over time.

Diversification has also been mentioned to be an important determinant of firm characteristics (Hoskisson & Hitt, 1990). It has been observed that some firms are more diversified than others. In some quarters, diversification has been found to positively influence organizational performance (Ogutu and Samuel, 2012), this makes it a subject of interest in this study as far as firm characteristics are concerned. Another important firm characteristic is innovation. Innovation is the generation, acceptance and implementation of new products (Thompson, 1965). Product innovation involves the generation of new products or services introduced to meet external user or market needs, while process innovations are new elements introduced into an organization's productions or service operations to improve efficiency. A firm's characteristics are also influenced by its ownership structure to a considerable extent (Keng & Jiuan, 1986). Board size and composition, especially with regards to competence has also been identified as critical firm characteristic (Jackson & Holland, 1998).

1.1.3 Competitive Environment

Competitiveness is the ability of a country, sector, industry or firm to compete successfully in order to achieve successful growth within the global environment while earning at least the opportunity cost of returns on resources employed (Esterhuizen, 2006). Firm competitive environment is the amalgam of all the forces of influence that are external to and outside the control of the firm (Ryan, 2006). Globalization, technology and in particular, rapidly changing trends in consumer behavior impact heavily on the way organizations conduct their businesses (Thompson, 1997).

According to Chan and Reich (2007), the environment includes the entire industry context, the macroeconomic context, and other national and cultural factors. The competitive environment becomes very important when environmental uncertainty increases. In order to be successful, organizations must understand how changes in their competitive environment unfold and must devise effective strategies to not only cope with changes in the environment but also outperform their rivals. The complex and dynamic modern business environment is inevitably more difficult to forecast, the inherent uncertainties can make it highly unpredictable and potentially chaotic.

1.1.4 Strategy Implementation

Strategy implementation is frequentive process of implementing strategies, policies, programs and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment (Harrington, 2006). Strategy implementation is the dynamic, iterative and complex process, which is comprised of a series of decisions and activities by managers in order to turn strategic plans into reality so as to achieve strategic objectives (Yang, Sun, & Epper, 2008). It is one thing to develop a great corporate strategy and quite another to see that strategy is effectively executed. Good managers have rightly concluded that strategy execution is as important as the strategy building if not more important than it. Many executives consider the capability of organizations in strategy execution as being able to achieve competitive advantage (Pryor et al., 2007).

Although formulating a consistent strategy is a difficult task, it has been observed that implementing it is even more difficult (Hrebiniak, 2006). In the execution of strategy, there are many factors that can potentially affect the process by which strategic plans are turned into organizational actions. Sterling (2003) has observed that in spite of the importance of strategy execution in organizations performance, many managers still fail to execute strategies efficiently. It has also been pointed out in a study conducted on 200 British organizations that only 33 percent of managers have been successful in the execution of their well-designed strategies (Cobbold & Irwin, May 2001). In a study conducted by an Economist survey in 2004, which interviewed 276 senior operating executives, a discouraging 57 percent of firms were found to be unsuccessful at executing strategic initiatives over the past three consecutive years (Allio, 2005).

1.1.5 Organizational Performance

Organizational performance is about efficiencies and effectiveness in the utilization of organizations resources as well as the achievement of its goals (Steers, 1982). Laitinen (2002) view performance as the ability of the object to produce results in a dimension determined a priori, in relation to target. The most objective and most commonly cited indicators of performance are the financial data (firm’s bottom line). Scholars have expressed dissatisfaction with the exclusive use of financial dimension arguing that it encourages “short-termliness” and “local optimization” (Kaplan & Norton, 1992). Researchers in such circumstances recommend multiple measures of firm performance which include both financial as well as non-financial measures (Westhead & Howorth, 2006). Among the tools mostly used in firm performance measurement is the balanced scorecard (Kaplan & Norton, 1992).

1.1.6 State Corporations in Kenya

According to Bradley (1979), State Corporations are public bodies in which the government holds more than fifty percent share capital, or which are controlled by and report to the state. In Kenya, State Corporations Act Cap. 446, Section 2, define state corporations as: those corporations established under section 3 of the Act which includes a body corporate established before or after the commencement of this Act by or under an Act of Parliament or other written law. The State Corporations Act Cap. 446, Section 2 puts together commercial entities, regulatory bodies, service providers, universities, training institutions and research institutions without taking into account their mandates and operational requirements and subjects all of them to a uniform regulatory regime. The disadvantage of this definition is that it tends to defeat the principle of operational autonomy, flexibility, result orientation and accountability.

The 2013 Presidential Taskforce on Parastatals Reforms Report was presented, approved and adopted by His Excellency the President of the Republic of Kenya on 12th October 2013, subsequent to which, His Excellency the President constituted an Implementation Committee (IC) on 29th November 2013 chaired by the Chief of Staff and Head of Public Service. The adopted Presidential Taskforce on Parastatals Reforms Report renames all entities that were previously known as state corporations as Government Owned Entities (GOEs). The GOEs were further placed into four categories: state corporations; state agencies; county corporations; and county agencies. The taskforce report defines State Corporation as an incorporated entity that is solely or majority owned by the government or its agents for commercial purposes, and is governed by a competitive profit driven market, and can be performed commercially but also serves a strategic socio-economic purpose as from time to time as defined by the President. According to the 2013 Presidential Taskforce, state corporations include Commercial State Corporations; and Commercial Corporations with strategic functions.

The taskforce report defines State Agencies as incorporated entities outside the mainstream civil service established for purposes of public service delivery. These bodies are agencies of the Government established for specified purposes and for purposes of policy and regulation. These include: Executive Agencies; Independent Regulatory Agencies and Research Institutions, Public Universities, Tertiary Education and Training Institutions. According to the said taskforce report, a County

Corporation is an incorporated entity that is solely or partly owned by a county government for commercial purposes and is governed by a competitive profit driven market. The county corporation also serves a strategic socio-economic objective. A County Agency is defined by the taskforce report as an entity incorporated by a county government to undertake a specific strategic county government objective in delivering public service. Such objective includes regulation and service delivery. These include County Executive Agencies and Joint County Authorities (Government of Kenya, 2013).

The 2013 Presidential Taskforce on Parastatals Reforms led to the enactment of a single overarching law to govern national government owned entities as well as County Corporations and Agencies (Government of Kenya, 2013). This study adopts the 2013 Presidential Taskforce on Parastatals Reforms definition of a state corporation not only because it has been adopted but also because of its clarity and appropriateness of classification of State Owned Enterprises. Kenyan owned state corporations are the focus of this study.

Government Owned Entities (GOEs) were first started in Kenya by the colonial government to provide services that were not provided by the private sector (John, 1991). After independence in 1963, the GOEs were remodeled by sessional paper number 10 of 1965 into vehicles of indigenization of the Kenyan economy. Kenyan economic difficulties which started in the mid-1970s forced her to depend on financial assistance from the World Bank and International Monetary Fund. To resolve this dependence, the World Bank and International Monetary Fund successfully urged the Kenyan government to adopt Structural Adjustment Programs (SAP). Several phases of public reforms in Kenya can be traced as far back in 1992 when a policy paper on public enterprise reforms and privatization of selected GOEs were mooted.

From the 2003 and 2013, a number of reform proposals were implemented. The Government of Kenya, through Legal Notice No. 93, the State Corporations (Performance Contracting) Regulations, (2004) brought in the practice of performance contracting which included application of new models of management like strategic management in public service. The new move was intended to improve service delivery and to refocus the mind-set of public service into Results Based Management (RBM). Performance Contracting Secretariat (PCS) was therefore established within the cabinet Office in 2003, to spearhead the implementation of Performance Contracting in the Public Sector of Kenya. Performance contracting has since been rolled out to all Ministries, State Corporations and County Governments.

According to performance evaluation guidelines, development and implementation of strategic plan features top among the thirteen performance indicators (Office of the Prime Minister, 2010), this points out the centrality of strategic planning in effective management of GOEs. Vision 2030 affirms that to translate the provision of services within various sectors to the national development agenda, it is imperative that service delivery is guided by clear strategic planning at ministry and departmental level. Therefore since 2003, almost all state agencies in Kenya have developed and implemented at least one cycle of a strategic plan. The effort to improve the performance of GOEs continued when the Jubilee government which came into power in 2013 under the leadership of President Uhuru Kenyatta formed a Presidential Taskforce on Parastatal Reforms. The Taskforce came up with a comprehensive report with recommendations which was adopted by President Uhuru Kenyatta in 2013. The adoption was followed by the formation of Implementation Committee chaired by the chief of staff and Head of public Service.

1.2 Research Problem

It has been argued that strategic planning results in better organizational performance (Miller and Cardinal 1994). But strategic planning alone is not the only factor that influences organizational performance. Wacker (1998) points out that in the real world of business, there are endless number of factors moderating the performance of a corporation. In this study, the researcher made an assumption that all other factors that moderate the relationship between strategic planning and performance of state corporations are negligible and can therefore be held constant except those of firm characteristics, competitive environment, and strategy implementation whose impacts were individually and collectively assumed to be greater (Chen and Hambrick, 1995; Esterhuizen, 2006; Pryor et al., 2007). The specific ways in which firm characteristics, competitive environment, and strategy implementation influences the performance of state corporations is the focus of this study.

The research problem presented in this section arises from three types of gaps observed from the literature review. These gaps are conceptual gaps, contextual gaps and methodological gaps. The conceptual gaps arise from the fact that the related studies have not looked at how firm characteristics, competitive environment, and strategy implementation moderates the relationship between strategic planning and performance of state corporations in Kenya. Related studies like those of Mkalama (2014), Ongeti (2014), Odundo (2014) and Machuki (2011) have looked at one or two of the mentioned factors and not all the three of them. Similarly, Aosa (1992) undertook an investigation of the aspects of strategy formulation and implementation within large manufacturing companies. A study done by Arasa (2008) on strategic planning, employee participation and firm performance in Kenya was undertaken in the insurance industry.

The contextual gaps arise from the fact that some closely related studies like those of Miller and Cardinal (1994), who undertook a synthesis of more than two decades of research on relationship between strategic planning and firm performance and Glaister and Richard (2006) who conducted an empirical study on the relationship between strategic planning and firm performance among 113 UK companies did so in contexts that are outside Kenya. The same applies to Glaser, Dincer, Tatoglu, Demirbag and Zaim (2008) who undertook a causal analysis of formal strategic planning and firm performance among Istanbul manufacturing companies and companies quoted on Istanbul Stock Exchange.

While there are great similarities in the research methodologies applied by the past researchers, particularly in the use of cross-sectional survey. Both similarity and variations were observed in collection of data. Mkalama (2014) and Ongeti used secondary data obtained from state corporations while others such as Odundo (2012) used primary data. Variations were however noted in the treatment of data, especially data analysis among such studies as those of Mkalama (2014), Ongeti (2014), Odundo (2012) and Machuki (2011).

There is no doubt that the above cited related studies have made important conceptual, contextual and methodological contribution in the area of strategic planning and firm performance relationships. However these studies have their own limitations, studies which have been done outside Kenya presents contexts different from those of Kenya's state corporations. Studies which have been done in Kenya have not considered all the factors under investigation in this study. This study seeks to extend the knowledge on the relationship between strategic planning and corporate performance in Kenya while considering the moderating effects of firm characteristics, competitive environment, and strategy implementation.

1.3 Objectives of the study

The broad objective of the study was to establish the moderating effects of firm characteristics, competitive environment, and strategy implementation on the relationship between strategic planning and performance of Kenya's state corporations. The specific objectives of this study were to:

i. Determine the moderating effects of firm characteristics on the relationship between strategic planning and performance of state corporations in Kenya.
ii. Establish the moderating effect of competitive environment on the relationship between strategic planning and performance of state corporations in Kenya.
iii. Determine the moderating effect of strategy implementation on the relationship between strategic planning and performance of state corporations in Kenya.
iv. Establish the combined moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship between strategic planning and firm performance among state corporations in Kenya.

1.4 Value of the study

The findings of this study are expected to benefit different groups of people. To the academicians, the study is expected to contribute in the extension of frontiers of conceptual, contextual and methodological knowledge relating to factors that influence the relationship between strategic planning and corporate performance. The knowledge generated in this study is thus expected to contribute to theoretical development in the area of strategic planning and corporate performance relationship. The study has made an effort to bring together and inter-relate concepts that may in future be developed into a full scale theory that can help explain firm planning and performance relationship. In other terms, the study has attempted to lay a foundation for a potential firm planning performance theory.

Study findings are also expected to aid strategic planning policy formulation at national level by the ministry concerned, industry level especially on matters relating to competitiveness and organizational level on matters relating to firm characteristics. Strategic planning policy based on research will give guidance on factors to be considered while undertaking strategic planning with an aim of improving corporate performance. Findings of this study are also expected to provide valuable insights to strategic planning managers, consultants and strategic management trainers on important factors to consider while undertaking and implementing a strategic plan within the state corporations sector in particular and other sectors and corporations in general.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This second chapter of the research report focusses on literature review. The literature review conducted revolves round the key variables of the study. The chapter covers theoretical underpinnings of the study, the concept of strategic planning, strategic planning and firm performance, firm characteristics and performance, competitive environment, strategy implementation and firm performance. Conceptual framework of the study and hypothesis are also presented in this chapter.

2.2 Theoretical Background of the Study

Differing opinions exists among practitioners and academicians on theories and their applicability in real world of business. Wacker (1998) explains that very few theories exists in the academic world, and that their application is very limited, and therefore not very useful in the real world of business which is complicated and require complicated solutions and processes to run. Shubik (1987) is of the opinion that theory for theories sake can degenerate into nothing more than an art form, but at the same time he acknowledges that practice without theory can become dull and dangerous. Available literature points out to the fact that the relationship between theory and empirical research has been a subject of controversy, because some social scientists assume that a researcher first need to carry out an intensive empirical work to prepare the ground for a decent social scientific theory, to the contrary, other social scientists assert that empirical research without prior comprehensive theoretical reflection would at best yield meaningless and at worst erroneous results (Hans and Wolfgang, 2009).

This study was swayed by the school of thought who is of the view that a theoretical grounding for the study is necessary. Theories were therefore sought to give the research useful direction and provide prediction about the relationship between concepts which were of interest to the study. It is important to appreciate that strategic management theories mainly stem from management theories such as the systems perspectives, contingency approach, and information technology approach. The commonly applied strategic management theories include profit maximising and competition based theory, the resource based theory, the survival based theory, the human resources based theory, the agency theory and contingency theory (Raduan et al, 2009). Systems theory analyses a phenomenon seen as a whole and not as simply the sum of elementary parts. This study has been founded on three theories namely the Resource Based View in explaining firm characteristics, the profit maximizing and competition based theory in explaining competition and the dynamic capability theory in explaining how corporations integrate and reconfigure their competencies.

2.2.1 Resource Based View

Resource based view (RVB) was coined by Wernerfelt (1984) and stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. This means rather than simply evaluating environmental opportunities and threats in conducting business is not sufficient because competitive advantage also depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The central focus of

RVB is on the resources and capabilities controlled by a firm, the resources and the capabilities that underlie persistent performance differences among firms. Firm resources such as information or organizational processes are thought to be the ultimate source for establishing and sustaining a competitive advantage provided they meet the criteria of possessing value, i.e. they must be rare and imperfectly imitable (Barney, 1991). RVB is built on two assumptions of resource heterogeneity and immobility.

Newbert (2007) observes that over the last two decades, the Resource Based View has emerged as a very popular theoretical perspective for explaining performance. According to Ainuddin et al (2007), the resourced-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance. Foss and Ishikawa, (2006) acknowledges that the resource based view has emerged as the most dominant approach in contemporary strategic and performance management over the last two decades. Crook et al. (2008) undertook a meta-analytic review of 125 studies of RBV that collectively encompassed over 29,000 organizations and observed that while RVB is still evolving as a theory, its empirical base offers strong support for the assertion that organizations performance is enhanced to the extent that an organization possess strategic resources.

RVB has its own weaknesses which stems from the fact that resources alone are not a source of competitive advantage, they become valuable only through the actions of managers engaged in business processes (Porter, 1991). RVB limitations of relying on proxy measures such as research and development intensity, advertising intensity, patent, human capital leverage and investments have also been pointed out (Rouse and Daellenbach, 2002). DeSarbo et al., (2006) and Moorman & Slotegraaf (1999) identify technology, information technology, market-linking and marketing as important capability for competitive advantage. In this study, the resourced based theory is seen helpful in understanding firm characteristics.

2.2.2 Profit Maximization and Competition Based Theory

The profit maximising and competition based theory is based on the notion that a firm's main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place. The basis of this theory is the industrial organization (IO) perspective as it views the organizations external market positioning as the critical factor in attaining and sustaining competitive advantage. The IO paradigm explains that business develop strategy in response to the structure of the industry in which they compete. This means it offered strategic management a systematic model for assessing competition within an industry (Porter, 1980). The IO paradigm however does have limitations, for instance, it assumes that forces 'external' to the firm rather than resources 'internal' to the firm drive performance. The OI paradigm has also been criticised as being suitable for an era of stable industries, rather than one characterised by blurring industry boundaries, instability, and hyper competition (Cao, Baker and Hoffman, 2012).

2.2.3 Dynamic Capability Theory

Dynamic Capability Theory originates from a firm's dynamic capability. It is all about the learned and collective pattern of actions through which corporations generates and reconfigure its operating routines in pursuit of improved performance (Eisenhardt and Martin, 2000; Zollo and Winter, 2002). According to Eisenhardt and Martin (2000), dynamic capabilities can be seen as those corporate processes where resources are acquired, integrated, and reconfigured to generate new value creating corporate based activities. Dynamic capabilities therefore seem to shape how corporations deal with environmental dynamics that concerns them (Winter, 2003). Hou (2008) proposed four core components of dynamic capability as sensing capability, absorptive capability, integrative capability and innovative capability.

Dynamic capability theory is therefore built on the premise that corporations need to have a better understanding of market dynamics and then focus their attention on the corporates ability to integrate, build and reconfigure her internal and external competencies cope and survive the rapidly changing business environments. The state corporation's dynamic capabilities selected in this study are captured under the firm characteristics.

It is important to note that the grand theory of profit maximising and competition based theory, the close to data resource based theory and the dynamic capability theory are basically providing partial general guide that helps to organise the subject matter of this study for purposes of achieving its objective. None of the theories discussed provides a comprehensive overarching framework suitable for this study. An appropriate conceptual framework has been developed for the study and presented later in this chapter.

2.3 Components of Strategic Planning

According to Stonehouse and Pembertone (2002), strategic planning is about devising and formulating organizational level plans which set the broad and flexible objectives, strategies and policies of a business that drive the organization towards its vision of the future. The quality of a strategic plan revolves round two broad issues: strategy content and strategy process. Strategy content can be defined as the patterns of service provision that are selected and implemented (Andrews, Boyne and Walker, 2003). Strategy content comprises two dimensions: strategic stance (the extent to which an organization is a prospector, defender or reactor) and strategic actions (the relative emphasis on changes in market, services, revenues, external relationships and internal characteristics), (Andrews, Boyne and Walker, 2003). Strategic stance is the broad way in which an organization seeks to maintain or improve its performance. Strategic actions are the specific steps that an organization takes to operationalize its stance. Strategic actions are more likely to change in the short-term (Fox-Wolfgramm & Boal and Hunt, 1998). Stance and actions together constitutes an organizations strategy content.

At a conceptual level, Miles and Snow's (1978) dimension of classification appear to cover the major possible organizational responses to new circumstances: innovate (prospector), consolidate (defender) or wait for instructions (reactor). Prospectors are organizations which "almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends". A defender would not be striving to be a leader in the field, but would instead be a late adopter of innovations, taking a conservative view of new service development and focusing upon a narrow segment of the market to retain its existing core business activities. As Miles and Snow (1978) argue, a defender will "devote primary attention to improving the efficiency of their existing operations". A reactor would have no consistent substantive stance because it "seldom makes adjustment of any sort until forced to do so by environmental pressures". It is, therefore, likely to have its formal stance imposed by external agencies such as regulators. Even if it is instructed to behave like a prospector, for example, it may lack the culture and expertise to adopt this strategy successfully.

Strategic planning process refers to the strategic planning approaches adopted by various organizations. Many traditional strategy scholars (such as Choo, 1992; Bryson, 1995) divide the strategy process into different phases: environmental analysis, formulation of vision and strategy, implementation and control. These varying approaches have given rise to a bewildering array of competing or overlapping conceptual models, resulting in model proliferation. Elbanna and Child (2007) developed an integrative strategic planning process model which took into account the following three recommendations: first, to encompass different perspectives in order to develop a more complete model of the strategic decision making. Second, to investigate the strategic decision-making process dimensions in relation to the synoptic and incremental-political debate (Elbanna, 2006; Grant, 2003); third, to conduct research in a non-American or non-British setting, in the case of Elbanna and Child, it was in Egypt.

Elbanna and Child's model posits that the strategic decision making process has a direct influence on strategic decision effectiveness, and that this relationship is moderated by: decision-specific characteristics; environmental factors; and firm characteristics. The variables included in the model are ones that are associated with the different perspectives mentioned and have been the subject of theoretical interest and empirical support. The fact that they have been of interest to many researchers increases the scope for comparing the findings of the two author's study with those of previous investigations.

2.4 Strategic Planning and Firm Performance

Corporate performance is about effectiveness and efficiency of an organization. Organizational effectiveness is the measure of how successful organizations achieve their missions through their core strategies; it focuses on the unique capabilities that organizations develop to realize the desired success (McCann, 2004). A corporate can be said to be efficient if it is using the most appropriate method of production which consumes the least quantity of inputs (Richard & Tomassi, 2001). It has been argued that appropriate strategy execution promotes efficiency, which in turn leads to better organizational performance (Duque-Zuluaga & Scheider, 2008).

The relationship between firm strategic planning efforts and firm performance received considerable attention during the 1970s, 1980s and 1990s when the scholars and management practitioners wanted to know the relationship between strategic planning and organizational performance. Pearce et al (1987) admits that the relationship between formal strategic planning and organizations economic performance is a controversial, problematic and unresolved issue. Falshaw, Glaister and Tatoglu (2006) also share the same view that research on the relationship between formal strategic planning and organizational performance has proved inconclusive.

According to Falshaw, Glaister and Tatoglu (2006), early studies (Herold, 1972; Thune and House, 1970) suggest that formal strategic planning enhanced performance and later studies (e.g. Shrader et al., 1984; Scott et al., 1981) concluded that there were no clear systematic relationship between formal strategic planning and firm performance. In their study, Eastlack and McDonald (1970) found that performance was better in those firms where managers were heavily involved in strategic planning process. Majority of the studies (Schwenk and Shrader, 1993; Miller and Cardinal, 1994) have indicated that strategic planning results in superior financial performance. Miller and Cardinal (1994) undertook a synthesis of more than two decades of research on relationship between strategic planning and firm performance and came to conclusion that strategic planning positively influences firm performance. The fact that these studies accounted for factors responsible for past research contradictions (e.g., methodological flows, non-robust statistical methods) provides additional support for their conclusions. Falshaw, Glaister and Tatoglu (2006) did not observe any relationship between formal strategic planning process and subjective company performance.

The centrality of performance in the life of a corporation warrants close focus in its conceptualization and measurements. Measuring firm performance has been a major challenge for management's scholars and business executives (Simerly & Mingfang, 2000); this is because performance is a multidimensional construct which cannot be measured by any single index. The traditional view of performance measurement relies heavily on financial and accounting data such as earnings per share (EPS), return on assets (ROA) and return on equity (ROE). The effects of traditional performance measurements on shareholder (market) value, has been discussed for some time (Stewart 1991; Stern 1993). Carton and Hofer (2006) observes that the most common measure used to present organizational performance is profitability, a measure that is limiting in many aspects. Traditional performance measures have been criticized for encouraging short termism, lacking in strategic focus, and not being externally focused (Lynch and Cross, 1991). In an attempt to overcome these criticisms, Performance Management frameworks have been developed to encourage more balanced performance measurements. Kaplan and Norton (1993) developed a balanced scorecard (BSC) that is intended to provide a comprehensive view of the business. The BSC is a performance measurement system as well as a strategic management tool that addresses shortcoming of traditional performance measurement systems.

The BSC measures across four hierarchical perspectives. The first is the financial perspective. The financial perspective is considered the highest-level perspective. Companies improve shareholder value through a revenue strategy and a productivity strategy. The outcome measurements are return of investment and profit. We use profitability of the State Corporations in this study. The second is the internal business process perspective which encompasses the entire internal value, which includes innovation, customer management, operational, and regulatory (Kaplan and Norton, 2001). The third is the customer perspective, which focuses organizations on the external environment and allows firms to emphasize customer needs, which includes customer satisfaction and market share. The fourth and the last is the learning and growth perspective. Outcome measures of the learning and growth perspective become indicators of the outcomes of each of the three perspectives above it in the hierarchy.

Employees with higher skills and knowledge are compensated with higher salaries and employee benefits (Milkovich and Newman, 2002). The employee skills could increase internal business process perspective (Bryant et al., 2004). Common outcome measures include employee satisfaction, employee retention, employee productivity and turnover (Kaplan and Norton, 2004). According to Carton and Hofer (2006), organizational growth, which encompasses all aspects of growth including employee and sales are distinct and good measure of performance. For this reason, Carton and Hofer (2006) explains that sales growth and employee growth have been frequently used in many empirical studies as a measure of organizational performance.

2.5 Firm Characteristics and Performance

Firm characteristics are human devised firm specific attributes in the firm's internal environment which defines the context in which decisions are made and implemented. Performance differences among firms can be explained to a good extent by the various characteristics of firms. Every organization has its own characteristics which makes it successful or unsuccessful in a competitive environment. Some of the most common characteristics associated with a firm are firm size, age, diversification, ownership structure, board size and qualification.

According to Hulland and Rouse (2007), the most important elements that define firm characteristics are the firm size and age. The description of a firm size has been approached in a number of ways. Some scholars have measured it in terms of number of employees (Holzmuller and Kasper, 1991; Yang, Leone and Alden, 1992). Others have approached it in terms of annual sales volume (Holden, 1986; Christensen, de Rocha and Gertner, 1987). Larger firms are more likely to have more layers of management, greater number of departments, increased specialization of skills and functions, greater formalization of activities which includes strategic planning, greater centralization, and greater bureaucracy than smaller firms (Daft, 1995). Firm size has also been shown to be related to industry-sunk costs, concentration, vertical integration, and overall industry profitability (Dean et al., 1998). According to Glaister, Dincer, Tatoglu, Demirbag and Zaim (2008), strategic planning is often seen as a more useful management tool for relatively larger firms, although small and medium sized firms also use it. Miller and Cardinal (1994) argue that larger firms are more complex and require more control and integration, therefore strategic planning may affect their performance relatively more. Powel (1994) conducted a study and found that the correlation between strategic planning and performance was greater among large firms than among small firms.

Studies indicate that the age of the firm contributes to firm characteristics in many ways (Cooper and Kleinschmidt, 1985; Czinkota & Ursic, 1991). It has been observed that as organizations grow in age, they refine their routines and strategies and returns become more certain (Halliday and Powell, 1993). Age may also mean an understanding of the competitive environment as well as an ability to compete and at least survive in the market. Learning can occur as a by-product of day-to-day activities or because firms invest in research and development, hire human capital, or train their employees; learning by doing effects can also spill over within the organization or from other firms in the same or in other industries (Bahk and Gort, 1993). Another consistent topic in the organizational literature is that age increase organizational inertia, causing firms to experience difficulty in implementing changes to their evolutionary trajectories (Gresov, Haveman, and Oliva, 1993). As organizations grow, they become more complex since they must deal with a growing number of interdependencies, and they develop specialized subunits and routines to resolve them. According to Agarwal and Gort (2002), old age may make knowledge, abilities, and skills obsolete and induce organizational decay. It has also been argued that how an organization argues and performs is a function of its own history (Katz, 1982).

Diversification has also been viewed to be an important determinant of firm characteristics (Hoskisson and Hitt, 1990). Firms divest businesses or portions thereof for many reasons. One of the most common reasons why firms divest is because of poor performance (Hoskissonet al., 1994). Many researchers have studied the relationship between firm diversification and performance. Datta et al, (1991), Hoskisson and Hitt (1990), and Ramanujam and Varadarajan (1989) provide excellent surveys, analyses, and critiques of previous research findings on diversification and performance within an organization. An important observation in diversification research is that there does not seem to be any consistent or conclusive findings between firm diversifications and performance. Stimpert and Duhaime (1997) argue that the inconsistencies are due to the fact that diversification impacts other variables, which in turn determines firm performance. For example, they suggest that diversification may influence performance indirectly by increasing administrative complexity and bureaucratic costs.

Firm diversification is measured as a categorical variable (less versus more diversified) based on the median Herfindahl index of the sample firms. The Herfindahl index is the sum of the ratio of the squared fraction of sales of each business segment to the firm's total sales. The value of this index ranges between 0 and 1. A low value of index indicates a more diversified firm, whereas a high value indicates a less diversified firm (Palepu, 1985). The Herfindahl index is computed from data on sales by segment and product line.

It has been suggested that organizational innovation plays a key role in firm performance and competitiveness (Farley et al. 2008; Jimenez-Jimenez and Sanz-Valle, 2011). Innovation has also been liked to organizational performance in some studies (Martins & Terblanche, 2003). According to Kelly and Kumar (2009), innovation and firm performance are critical characteristics which can contribute to a developing economy's growth and competitiveness. This is because innovativeness shows the extent to which the firm is geared to supporting new ideas, novelty, and creative processes resulting in new and innovative products, technology, process, and structure and this includes their generation, acceptance, adoption or implementation (Damanpour, 1991).

Firm ownership is another important characteristic of a firm. As pointed out by Keng and Jiuan (1986), the ownership structure of a firm affects its characteristics in many ways. Board size and competence is another important firm characteristic. Narrative reviews shows that board composition performance studies have yielded mixed results (Finkelstein & Hambrick, 1996; Johnson, Daily, & Ellstrand, 1996; Zahra & Pearce, 1989). The perspective that larger boards are associated with higher levels of firm performance has its foundation on the dependence theory (Alexander, Fennell, & Halpern, 1993; Goodstein, Gautam, & Boeker, 1994; Pfeffer & Salancik, 1978). Dependence theory holds the view that board size may be a measure of an organization's ability to form environmental links to secure critical resources (Goodstein et al., 1994). According to Pfeffer and Salancik (1978), the greater the need for effective external linkage, the larger the board should be.

Some scholars are of the view that board size has negative correlation with performance measures (Yermac, 1996; Brown and Maloney, 1999). According to Hermalin and Weisbach (1991), large boards creates free-riding of some board members which results to low monitoring effects. Jensen (1993) and Lipton and Cain (2009) argues that as board size increases, it becomes difficult for an additional director to increase value. Goodstein et al. (1994) is of the view that largeness of an organization can significantly inhibit a board's ability to initiate strategic actions, this view is consistent with those of Judge and Zeithaml (1992) who are of the idea that larger boards may be less participative, less cohesive, and less able to reach consensus. According to Goodstein et al. (1994), larger boards are less likely to become involved in strategic decision making; this means that board size inhibited strategic change through reorganization.

Yermac (2006) found out that board smallness was associated with higher market performance such as return on assets and return on sales. Smaller boards are said to have the ability to adopt and exercise a controlling role (Chaganti et al., 1985). Evidence has been tabled to the effects that director ownership in a firm correlates with better performance (Hermalin and Weisbach, 1991). Jackson and Holland (1998) identified six competencies of effective boards as contextual understanding, educational background, interpersonal relations, analytical skills, political maneuvers, and strategic capabilities. Some scholars have based board competence measurements on education background, management experience, industry experience and financial experience (Hau and Thum, 2010).

Boards are also usually comprised of people of different background and characteristics. Variation in characteristics may take the form of demographic aspects such as age, education, experience, tenure of service among others. Individual board members contributes to the overall board characteristics, these characteristics influence board members decisions hence strategic choices, and inclination to strategic change. The insufficient breadth of expertise in smaller boards has several implications on the strategic direction of an organization, which may include: an inadequate recognition of need to initiate or support strategic change, a lack of clear understanding of alternatives, and a lack of confidence in recommending strategic change. All these factors imply a lower inclination for strategic change for relatively small boards (Kariuki, Awino and Ogutu, 2012).

2.6 Competitive Environment, Strategic Planning and Firm Performance

Business environment is the totality of physical and social factors taken into consideration by an organization while making decisions. The business environment is divided into external and internal categories. The internal environment comprises physical and social factors within the boundaries of an organization. The external environment comprises correlating factors existing outside the boundaries of the firm

(Duncan, 1972). As such, the external environment refers to phenomena not in control of the firm and is classified into remote and task environments. The remote environment is comprised of political, socio-cultural, economic, ecological, and technological categories (Olsen, et al 1998). The operating environment is composed of competitors, customers, suppliers and regulators. According to Johnson et al (2002), the operating environment is also made up of the strategic groups, market segments, and that the understanding of what customer's value is an important factor in realizing success in the market. Strategic groups are organizations within an industry with similar strategic characteristics following similar strategies or competing on similar bases (McGee & Thomas, 1986).

The quest to explain performance differences among competing firms has remained a fundamental subject in strategic management to this day. Attempts to provide answers to performance question have been made by many scholars. The resource based view emphasizes limiting the behavior of rivals by suggesting that firms develop unique valuable and rare resources that are difficult for rivals to replicate. Evolutionary theory posits that performance differences among firms are a function of a competitive race to discover profit opportunities. According to this view, high performance is achieved by speed and innovation that keeps firms a head of rivals (Nelson & Winter, 1982). Barnett and McKendrick (2004) noted that a defining characteristic of competition is that one organization's solution becomes its rivals' problem, a situation which can escalate rivalry which may sometimes result into a scenario of limited short term benefit for all players in a particular industry.

The external operating environment remains a significant influence on the performance of all organizations. According to Cadogan et al. (2002), environmental factors such as market changes, technology, customer demands and competition face all firms. To survive and excel, organizations must seek co-alignment with their environments, to achieve this, organizations use various tools. One of the most important tools in achieving this alignment is strategic planning. Strategic planning is therefore a link between an organization and its environment and must be consistent with the goals, values, the external environment, resources, organizational structure and system (Ansoff & Mcdonell 1990). According to Prescott (1986), the environment establishes the context in which to evaluate the importance of relationship between strategy and performance. On environment, planning and performance relationship, there exist opposing views. The competitive environment, strategic planning and organizational performance have their roots originating from the Industrial Organization (IO) economics which sees a firm's performance to be primarily a function of the industry environment in which it operates and competes (Hoskisson et al., 1999). One side of the divide is of the view that planning is the deciding factor in firm performance (Child, 1975). The other side of the divide posits that the environment is the primary driving force in firm's performance (Aldrich, 1979).

According to Mason (2007), business environment is a complex adaptive system and therefore has an influence on the choice of strategic activities. Other scholars have linked strategic planning, firm's external environment and organizational performance (Glynn, 1993). According to McLarney (1997), twenty nine of the thirty six studies reporting a relationship between the environment, planning and performance found that planning is the determining factor in firm performance, the remaining seven articles reports that the environment is the primary force in firm performance. Nadkarni & Barr (2008) examined two forms of subjective representations that top managers develop about environments, these forms are the aspects of the environment that are central to top managers subjective representations of their environments, and the order of the perceived causal relationship between the external environment and firm strategy. They found that industry velocity influences the structure of cognitive representations, which in turn influence the speed of response to environmental events.

Using meta-analytic procedures, Qao, Baker and Hoffman (2012) found evidence that the competitive environment functions as a mediator in the relationship between strategic alignment and organizational performance. Their result also suggests that the environment is a salient contributing factor to a firm's performance and that managers need to pay a close attention to the competitive environment when making strategic and operational decisions. Fahey and Nayaranan (1986) proposed three levels of environmental influence of company operations to be: macro, industry and firm specific environment. The broadest level of environment is macro environment. Therefore changes in political, economic, social, technological, ecological and legal conditions influence all companies though at different intensities. The industry environment contains factors that directly affect all companies in an industry (Fahey and Nayaranan, 1986).

Porter (1980) proposed a "five forces model" for analyzing industry profitability. According to porter, industry overall profitability depends on five basic competitive forces namely: intensity of rivalry among incumbent firms, threats of new competitors entering the industry, threat of substitute products or services, bargaining power of buyers and bargaining power of suppliers. The narrowest level of the environment in the Fahey and Narayanan (1986) model is the firm level. This level refers to the set of customers, suppliers, competitors, financial institutions, and other environmental associations such as trade associations that are directly related to the companies' operations. Firm internal competitiveness results from factors such as operational efficiency, mergers, acquisitions, levels of diversifications, types of diversifications, innovative capabilities, organizational structures and cultures, composition and style of upper management, human resource management, manipulation of political and social influences in the market, conformity to various interpretations of socially responsible behaviors, international expansions, and cross cultural adaptations (Flint & Van Fleet, 2005; King, 2007).

Literature review confirms that a number of studies have focused on organizations performance consequences of industry rivalry. In a sample of software firms, Young and colleagues (1996) carried out a study and came to the conclusion that as industry rivalry, which is measured as per the number of rival actions, increased, focal firm performance decreased. Similarly Chen and Miller (1994) found that higher levels of rival responses decreased performance in the airline industry. Schomburg, Grimm, and Smith (1994) conducted a similar study and found a negative relationship between rivalry and profitability in the beer, telecommunications, and personal computer industries. In their study, Smith and colleagues (1992) found that increased competitive actions were related to lower profitability in the airline industry. Barnett and Hansen (1996) explain that a focal firm's superior performance leads a rival to search for new opportunities to improve its own performance. If effective actions are found, the rival's position improves at the expense of the focal firm.

In a study of Illinois banks from 1900 to 1992, Barnett and Hansen (1996) found that a focal firm's own competitive experience increased its chances of success and survival, whereas its rivals' aggregate relative experience decreased the focal firm's success. They argued that firms are constrained by their history, falling into competency traps where they respond to new developments with old actions (Ingram, 2002). And because firms interacts, all advantages are temporary and uncertain, this means that to survive and stay ahead, firms have the onerous task of continuously exploring new ways not known to their competitors. Ireland and Hitt (2005) explains that when competing in unpredictable environment, organizations require elements such as alertness, innovativeness and adaptability in their management approach.

2.7 Strategy Implementation and Firm Performance

The sum total of all the activities and choices required for the execution of a strategic plan to accomplish the objectives of the corporation makes up strategy implementation. Strategy implementation is about institutionalization and operationalization of a strategic plan. Homburg, Krohmer and Workman (2004) explain that strategy implementation is crucial for success as it deals directly with the external environment. This is because the corporates ability to translate its chosen strategy into concrete actions that gets things done is the most crucial action in realizing organizational performance. Homburg et al. (2004) further argue that a good strategy formulation does not guarantee successful strategy implementation. A corporates ability to get things done leads to the concern of strategy execution.

Effective strategy implementation calls for an appropriate match between the strategy and internal organizational variables which include the administrative systems, resources and organizational competencies.

Strategy implementation also requires deciding who will be responsible for strategy implementation; the most suitable organizational structure (Lynch, 2000); the need to adapt the systems used to manage the organization (Johnson and Scholes, 2002); and even the need to retrain the workforce and management of change. According to Thompson and Strickland (2003), strategy implementation demands the creation of a series of tight fits between strategy and the organization's competencies, capabilities and structure; between strategy and budgetary allocations; between strategy and policy; between strategy and internal support systems; between strategy and reward structure; and between strategy and corporate culture. A number of scholars argue that the main reason for the shortfalls in performance is the poor emphasis given to strategy implementation by organizations (Okumus, 2003; Freedman, 2003; Mankins & Steel; 2005).

Strategy implementation involves an iterative work of taking actions, reconciling and adapting organizational dimensions to an already formulated strategy (Homburg, Krohmer & Workman Jr (2004). The relationship between strategy implementation and organizational performance has been empirically documented by many strategic management scholars (Brown et al., 2007; Favaro, 2015). A study involving over 200 senior managers demonstrated that overall firm performance is strongly influenced by how well a firm's business strategy is implemented (Olson, Slater and Hult, 2004).

According to Karami (2005), leadership, structure and human resource play a significant part in strategy implementation among various organizational factors. Effective leadership involves motivating people by being accessible and visible and asking inclusive questions rather than providing solutions (Hubbard, et al, 2007). Execution of strategy often goes wrong because executives fail to lead and hold employees or themselves accountable for results. Organization structure has been found to be a fundamental part of strategy implementation, this is because it deals with how the strategy is implemented (Lynch, 2006). Scholars have also argued for the need to appropriately use human resources in strategy implementation (Lee, Lee and Wu, 2010).

Attempts have been made by some scholars to develop strategy implementation frameworks that lead to effective strategy implementation. Higgins (2005) set up an "8 'S's" framework of strategy implementation, these include strategy and purposes structure, resources, shared values, style, staff, systems and processes, and strategic performance. The "8 'S' " of strategy execution is an approach that enables senior management to enact, monitor, and assess the cross functional execution of strategies. The "8 'S' " of strategy execution are a revision of the original McKinsey 7 'S's model. Higgins has deleted skills from the McKinsey framework and he has added resources in their place. He also added strategic performance in order to help focus the strategy execution process. As always, if there isn't a good alignment among these factors, performance in strategy implementation will suffer. Brenes, Mena and Molisa (2007) point out five key dimensions of successful implementation of business strategy. These five dimensions are the strategy formulation process, systematic execution, implementation control and follow-up, CEOs leadership, motivated management and employees, and, finally, corporate governance. All five dimensions must be managed comprehensively to align them with the firm's strategic choices. Their framework arranges these factors in a simple value chain model.

2.8 Summary of Knowledge gaps

Studies have been done in areas touching on strategic planning, competitive environment, firm characteristics, and firm performance; however studies focusing on the impact of strategic planning on organizational performance while considering the moderating effects of firm characteristics, competitive environment and strategy implementation are hard to come by. Table 2.1 is a summary of some studies which have been undertaken in related areas.

Table 2.1: Summary of knowledge gaps

Study	Focus of the Study	Methodology	Findings	Knowledge Gap	Current Study Focus
Aosa (1992)	Aspects of strategy formulation and implementation in large private manufacturing companies in Kenya.	A case study of large private manufacturing companies in Kenya.	Existence of a positive relationship between strategy formulation and performance of manufacturing firm.	Was limited to strategy formulation and performance in manufacturing firms.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.
Glaister and Richard (2006)	The relationship between strategic planning and firm performance while considering a set of contextual variables, specifically firm size, environmental turbulence, and industry rivalry.	An empirical study of 113 UK companies.	While hypothesis explaining the formality of a company's planning process were well accounted for, no relationship between formal planning processes and subjective company performance was observed.	Study conducted in the UK and focused on limited variables (firm size, turbulence and industry.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.

Keith, Omer, Dincer, Ekrem, Tatoglu, Demirbag and Zaim (2008)	A causal analysis of formal strategic planning and firm performance.	Istanbul manufacturing companies and companies quoted on Istanbul Stock Exchange.	Found a strong and positive relationship between formal strategic planning and firm performance. The test results also verify the moderating roles of environmental turbulence, organization structure and firm size on the strategic planning-performance link.	The study was conducted in Istanbul and was limited to environmental turbulence, organizational structure and firm size.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.
Glaister et al (2008)	A causal analysis of formal strategic planning and firm performance: Evidence from an emerging country.	The study done among manufacturing firms in Turkey.	A strong positive relationship exists between formal strategic planning and firm performance. Test results also verify the moderating roles of environmental turbulence, organization structure and firm size on the strategic planning-performance relationship.	The study was done in Turkey. It looked at limited firm characteristics and ignored implementation as a variable.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.

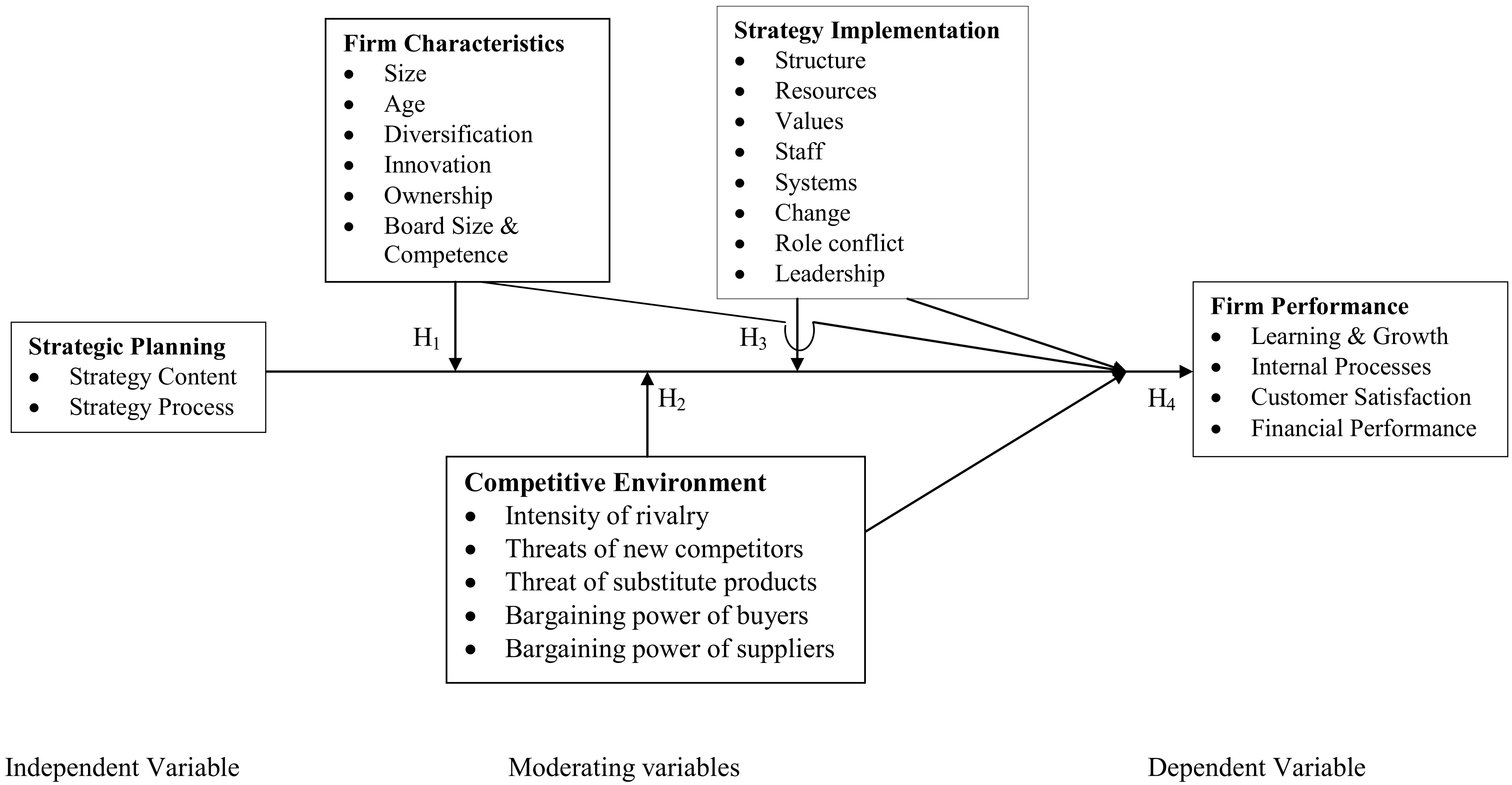
Arasa (2008)	Strategic planning, employee participation and firm performance.	Kenya's insurance industry.	Realized a strong relationship between strategic planning and firm performance.	Was limited to strategy formulation and performance in the insurance industry.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.
Machuki (2011)	Conducted a study on external environment strategy co-alignment, firm -level institutions and performance.	A study of publicly quoted companies in Kenya	Did not find the effects of external environment on corporate performance to be statistically significant.	Study limited to external environment strategy co-alignment, firm-level institutions and performance.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.
Odundo (2012)	A study on environmental context, implementation of strategic plans and performance.	Studied state corporations in Kenya	Strategic planning and implementation within a positive environment leads to higher organizational performance.	Limited to strategic planning, implementation and performance.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.

Ibrahim, Yigit and Canel (2013)	The Relation between Diversification Strategy and Organizational Performance.	Studied companies registered at the Istanbul Stock Exchange Market.	The relationship between diversification strategies and organizational performance varies.	Focused on diversification and firm performance.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.
Ongeti (2014)	Organizational resources, corporate governance structures and performance of Kenyan state owned corporations	Cross sectional survey of 178 Kenyan state corporations using secondary performance data.	Corporate governance structures have no moderating role on the relationship between organizational resources and performance.	The variables under study were organizational resources, corporate governance structures and performance. The study used secondary performance data.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.
Mkalama (2014)	Top management demographics, strategic decision making , Macro Environment and performance of Kenyan state corporations	Cross sectional survey of 178 Kenyan state corporations using secondary performance data.	Strategic decision making has an intervening role on the relationship between top management demography's and performance.	Top management demographics, strategic decision making, Macro Environment. The study used secondary performance data.	Includes moderating effects of firm characteristics, competitive environment and strategy implementation.

2.9 Conceptual framework

The variables that make up the conceptual framework of this study are divided into three: independent variables, moderating variables and dependent variables. In this study the independent variable is strategic planning; moderating variables are firm characteristics, competitive environment, and strategy implementation; and the dependent variable is organizational performance. The schematic diagram presented in figure 2.1 shows the relationship between the three variables under study.

Figure 2.1: Conceptual Model



2.10 Research Hypotheses

H_1: Firm characteristics have no significant moderating effects on the relationship between strategic planning and organizational performance.

H_2: Competitive environment has no significant moderating effects on the relationship between strategic planning and organizational performance.

H_3: Strategy implementation has no significant moderating effects on the relationship between strategic planning and organizational performance.

H_4: The combined influences of firm characteristics, competitive environment and strategy implementation have no significant moderating effects on the relationship between strategic planning and firm performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This is the third chapter of the research thesis. The chapter discusses the methodology which was applied in undertaking the study. Specifically, the chapter outlines the philosophical stand point of the study, the research design, the population of interest, data collection methods, data analysis and presentation.

3.2 Philosophical Orientation of the Study

Research philosophy relates to the development of knowledge and the nature of that knowledge, and contains important assumptions about the way in which researchers view the world (Saunders, Lewis and Thornhill, 2007). There are two extreme philosophical views regarding knowledge and reality (schools of thought). These are Positivism (sometimes referred to as deduction research) and Phenomenology (also known as induction research). The two philosophical views are briefly discussed in the following sections. Hussey et. al (1997) define phenomenology as a science of phenomena. This type of research focuses on the immediate experience, open and unstructured interviews. A phenomenon is a fact or an occurrence that appears or is perceived, especially one of which cause is in question. Phenomenological paradigm is concerned with understanding human behaviour from the participant's own frame of reference. In phenomenological research, the researcher becomes part of the research process.

According to Hussey et. al (1997), positivism is founded on the belief that the study of human behaviour should be conducted in the same way as studies conducted in the natural sciences. It assumes that a useful research is based on theory, hypothesis and quantitative data. Positivists therefore hold that knowledge is based on facts and no abstractions or subjective status of individuals is considered. Reality is therefore precisely determined through reductionist and deterministic measure without consideration of cultural, social, ethics and economic differences (Easter-Smith, Thorpe & Lowe, 2000).

This study was guided by the positivist paradigm where scientific processes was followed in hypothesizing, then deducing the observations so as to determine the truth or falsify the said hypothesis about the relationship that exists between strategic planning and performance of Kenya's state corporations while taking into account the moderating effects of firm characteristics, competitiveness of the environment, and strategy implementation. The reality in strategic planning will therefore be determined through reductionist and deterministic measure. The study therefore sought to verify the propositions through empirical tests by operationalizing variables in the conceptual framework to allow for measurement.

3.3 Research Design

The positivist paradigm uses surveys to verify hypotheses, statistical analyses and quantitative descriptive studies. This study employed a descriptive cross sectional survey study design. Descriptive surveys seek to use quantitative techniques in analyzing social phenomena; they therefore fall within the positivist's philosophy of research. According to Cooper (1996), a descriptive study is concerned with finding out who, what, where, and how of a phenomenon which was the concern of this study. A cross sectional survey was used because the research intention was to collect a snapshot of data across the Kenya's state corporations at one point in time. Mugenda and Mugenda (2003) argued that cross-sectional studies are appropriate where the overall objective of the study is to establish whether significant associations among variables exists at some point in time. Arasa (2008), Machuki (2011) and Odundo (2012) successfully used this design in their studies.

3.4 Target Population

The target population in this study was state corporations in Kenya (both purely commercial and those with strategic functions). Out of the 55 state corporations, 34 are purely commercial state corporations and 21 are state corporations with strategic functions according to the definition of the 2013 Presidential Task Force on Parastatal Reforms in Kenya, which was approved and adopted by His Excellency the President of the Republic of Kenya on 12th October 2013 (See appendix 3 and 4). Out of the 55 state corporations, two are outside Kenya (Simlaw Seeds Tanzania and Simlaw Seeds Uganda); the two were therefore left out of the study because they present a contextual environment which is outside Kenya.

A census survey was carried out on all the remaining 53 state corporations because of the relatively small number of the population. State corporations have been considered worth the study because they promote economic growth and development; are critical to building the capability and technical capacity of the state in facilitating and/or promoting national development; are important instruments in improving the delivery of public services including meeting the basic needs of citizens; have been variously applied to the creation of good and widespread employment opportunities in various jurisdictions and are useful for building of international partnerships (Government of Kenya, 2013).

3.5 Data Collection

This study used primary data. Primary data was collected using questionnaires. The questionnaires are deemed appropriate for this study because it promotes uniformity and standardization of questions to the respondents. The questionnaire contains open ended and structured questions and was divided into six sections. The questionnaires was targeted to either Chief Executive officers, Strategic planning managers or the finance officers of the state corporations in Kenya because of the important role they play in strategic planning and performance management. Hambrick (1981) explains that Chief Executive Officers are more likely to provide accurate information about their organizations strategies. But because they are always busy, strategic planning and finance managers are next in step better placed to provide the same information. The questionnaires were administered by the help of research assistants. The questionnaire contains structured, semi-structured and open ended questions so as to be able to collect qualitative and quantitative data (See Appendix 2).

3.6 Operationalization of Variables

Operationalization is the process of developing operational definitions of the variables that are contained within the concepts of a quantitative research study. An operational definition is the explicit specification of a variable in such a way that its measurements are possible. Operationalization helps in the reduction of abstract constructs into observable behavior that can be measured (Sekaran, 2000). The variables in this study namely: strategic planning, firm characteristics, competitive environment, strategy implementation and firm performance were operationalised in accordance with the previous studies.

3.6.1 Operationalization of Strategic Planning variables

Strategic planning variables were operationalised on the basis of strategy content and strategy process. As explained by Andrews, Boyne and Walker (2003), strategy content comprise of strategic stance and strategic actions. On the other hand, strategy process is about strategic planning approaches adopted by various organizations. Strategy process includes such steps as environmental analysis, formulation of vision and strategy, implementation and control (Choo, 1992; Bryson, 1995).

3.6.2 Operationalization of Firm Characteristics variables

Firm characteristics variables are to do with human devised firm specific attributes such as firm size and age (Hulland and Rouse, 2007). Diversification has also been identified as an important firm characteristic (Hoskisson and Hitt, 1990). Other characteristics are the board size and firm ownership (Brown and Maloney, 1999).

3.6.3 Operationalization of Strategy Implementation

The framework provided by Higgins (2005) was used to operationalise strategy implementation variables. The framework recorgnises firm structure, resources, values, staff, systems, change, role conflict and leadership.

3.6.4 Operationalization of Firm performance variables

Of the available performance measurement models, the balanced scorecard was chosen to help operationalise performance management variables because of its more balanced performance measurements approach. The balance scorecard measures across four hierarchical perspectives: the financial perspectives, the internal business process perspective, the customer perspective and the learning and growth perspective (Kaplan and Norton, 2001).

Table 3.1: Operationalization of variables

Variables	Operationalization	Measure	Hypothesis	Question
Independent Variable				
Strategic Stance	Prospector	5 point Likert Scale	H_1	1
	Defender	5 point Likert Scale		
	Reactor	5 point Likert Scale		
Strategic Actions	Market	5 point Likert Scale		2
	Quality	5 point Likert Scale		
	Revenue	5 point Likert Scale		
	Stakeholders	5 point Likert Scale		
	Internal Characteristics	5 point Likert Scale		

Strategic planning process	Vision	5 point Likert Scale		3
	Mission	5 point Likert Scale		
	Internal Analysis	5 point Likert Scale		
	External Analysis	5 point Likert Scale		
	Goals	5 point Likert Scale		
	Objectives	5 point Likert Scale		
	Strategic Issues	5 point Likert Scale		
	Strategies	5 point Likert Scale		
Strategy Content	Key Strategic Issues	5 point Likert Scale		4
	Implementation Plan	5 point Likert Scale		
	Risk Factors	5 point Likert Scale		
	Performance Indicators	5 point Likert Scale		
	HR Projections	5 point Likert Scale		
	Financial Projections	5 point Likert Scale		
	Sales Projections	5 point Likert Scale		
	Stakeholder Analysis	5 point Likert Scale		
	Monitoring Framework	5 point Likert Scale		
	Evaluation Framework	5 point Likert Scale		
Moderating Variable (Firm Characteristics)				
Age	Number of years	Direct measure	H_2	5
Asset Base	Value in Kshs	Direct measure		
Employees	Number of staff	Direct measure		
Diversification	Number of products	5 point Likert Scale		
Board & its size	Size & nature	Direct measure		

Moderating variable (Competitive Environment)				
Political	Effects on performance	5 point Likert Scale	H_3	7
Technological		5 point Likert Scale		
Ecological		5 point Likert Scale		
Economic		5 point Likert Scale		
Legal		5 point Likert Scale		
Social		5 point Likert Scale		
New Competitors	Effects on performance	5 point Likert Scale		
Market Saturation		5 point Likert Scale		
Strength of competitors		5 point Likert Scale		
Supplier power		5 point Likert Scale		
Substitute products		5 point Likert Scale		
Marketing channel		5 point Likert Scale		
Power of buyers		5 point Likert Scale		
Moderating Variables (Strategy Implementation)				
Structures	Effectiveness of implementation	5 point Likert Scale	H_4	8
Resources		5 point Likert Scale		
Values		5 point Likert Scale		
Staff involvement		5 point Likert Scale		
Systems		5 point Likert Scale		
Leadership		5 point Likert Scale		
Change		5 point Likert Scale		
Role conflicts		5 point Likert Scale		
Dependent variable (Corporate Performance)				
Financial	Value in Kshs	5 point Likert Scale	All	9
Customer	Satisfaction Index	5 point Likert Scale		
Internal processes	Efficiency	5 point Likert Scale		
Learning & growth	Knowledge & skills	5 point Likert Scale		

3.7 Data Reliability Tests

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. The study used a three step measure of reliability. First, in the design of data collection tools, convergence measures were developed. Some questions with similar themes were placed at different positions to test the objectivity of the respondents. A five point measurement scale was predominantly used in measuring the various variables during data collection. According to Gliem and Gliem (2003), the use of measurement scales like the five point likert scale necessitates the calculation of Cronbach's alpha coefficient for internal consistency.

Secondly, the questionnaire was pre-tested with a sample of respondents to establish whether the questions therein measure the expected theorized variables in the conceptual framework. Respondents were asked to comment on the clarity and the amount of time it took to fill one questionnaire. The questionnaire was then adjusted on the basis of the findings of the pilot test and the final version was developed thereafter for use. The application of previously used research tools, research questions and standardized questioning techniques usually provides a reliability check (Ogbonna & Haris, 2000). In a process-oriented research methodology, sequencing of research processes enhances research reliability.

Thirdly, the research used the measure of internal consistency known as Cronbach's Alpha (α). It indicates the extent to which a set of items can be treated as measuring a single latent variable. Nunnally (1978) argues that a Cronbach Alpha value of less than

0.7 implies that internal consistency among items is weak. According to George and Mallery (2003), $\alpha \geq 0.9$ is excellent, an alpha of between $0.7 \leq \alpha < 0.9$ is good, an alpha of $0.6 \leq \alpha < 0.7$ is acceptable, an alpha of $0.5 \leq \alpha < 0.6$ is poor and an alpha of $\alpha < 0.5$ is unacceptable. In this study, George and Mallery rating was adopted because it gives room for the effects of items which can either inflate or deflate the value of alpha depending on the sample. Reliability was therefore tested for various groups of variables. Based on George and Mallery (2003) reliability rating, the internal consistency of all categories of variables in this study are acceptable. Findings are contained in Table 3.2.

Table 3.2: Reliability Test

Variable	Number of Items	Cronbach's Alpha
Strategic Planning	28	0.804
Firm Characteristics	14	0.619
Competitive Environment	13	0.630
Strategy Implementation	8	0.925
Organizational performance	22	0.905
Total Items	**85**	**0.915**

Source: Primary data (2014)

3.8 Data Validity Test

Data validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Validity is concerned with whether findings are really about what they appear to be about (Saunders et al., 2007). To test for validity, the data collection instruments were administered to conveniently selected respondents of at least five organizations that represent the entire population under study. Face validity was applied to determine if the instrument truly measured what it was supposed to measure by asking a panel of experts to give their opinion as to whether or not the instrument met the criterion, this was done in various forums before going out into the field. According to Carmine and Zeller (1979) validity can be assessed using expert opinion and informed judgment.

Criterion validity reflects the success measures for prediction and estimation (Cooper and Schindler, 2006). It consists of concurrent validity which represents how well the measures relate to the predictor. The predictive validity dimension has been demonstrated by the results of hypothesis testing. Finally, the result of this particular study has been compared with other results where similar tools and processes were used. This was an external convergence validation process according to (Diamantopoulos & Schlegelmilch, 1997).

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Introduction

This is the fourth chapter of the research thesis. The chapter presents data analysis and discussions. The collected data was edited, coded and entered into a Statistical Package for Social Sciences (SPSS) version 20 and analysed. Mainly inferential data analysis was conducted with the main aim of testing hypotheses. The details of data analysis are presented based on the objectives of the study and the hypotheses being tested. A summary of findings are presented towards the end of the chapter. The chapter closes with discussions on the findings for each and every objective of the research.

4.2 Data Response Rate

The target population in this study was state corporations in Kenya (both purely commercial state corporations and state corporations with strategic functions). Out of the 55 state corporations, 34 were purely commercial state corporations and 21 were state corporations with strategic functions. The definitions are based on those of 2013 Presidential Task Force on Parastatal Reforms in Kenya. (See appendix 3). Out of the 55 state corporations, two are outside Kenya (Simlaw Seeds Tanzania and Simlaw Seeds Uganda); the two corporations were therefore left out of the study because their being outside Kenya presents contextual differences from those of Kenya. The remaining 53 were therefore targeted in the study. Out of the 53 state corporations targeted in the study, 35 responded thereby giving a response rate of 66%.

There are varying opinions as to what constitutes an acceptable response rate for a study. According to Tomaskovic-Devey, Leiter, and Thompson (1994), any response rate of about 15.4% and above from top level executives is considered adequate considering the demands on the time of top-level executives. On the other hand, Mugenda and Mugenda (1999) stipulate that a response rate of 50% is adequate enough for analysis and reporting. A response rate of 66% realized by this study is therefore considered more than adequate and is comparable to those of Mwangi (2014) which yielded good study results.

4.3. Correlation Analysis

In order to have an overview of how the five variables correlated with each other, it became necessary to conduct correlational analysis. Output of correlation analysis is indicative of the likely hood of existence of multicollinearity and may suggest the need for test of multicollinearity so as to allow its treatment in data analysis. The Pearson product-moment correlation coefficient was used to measure the strength and direction of association that exists between two variables measured. The Pearson correlation coefficient, r, indicates how well the data points fit model/line of best fit.

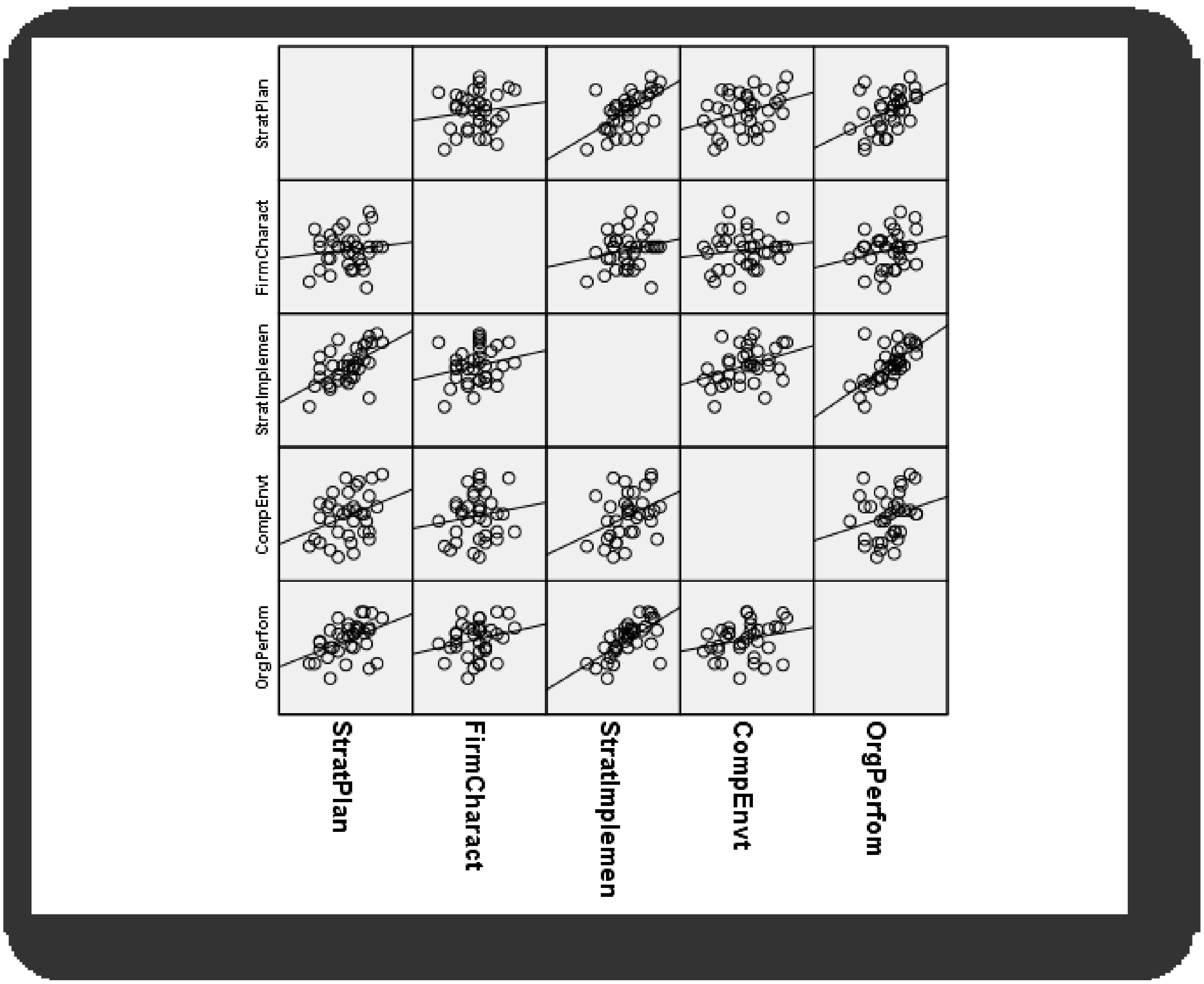
4.3.1 Assumptions of Pearson product-moment correlation coefficient

To use Pearson's correlation, the data must pass four assumptions that are required for Pearson's correlation to give a valid result. It has however been argued that it is not uncommon for one or more of these assumptions to be violated when working with real-world data (Edgell and Noon, 1984). In this study, the data passed as follows:

Assumption 1: All the variables were continuous. The means of respective variables were computed by the help of SPSS syntax.

Assumption 2: There was a linear relationship between each of the two variables. A scatterplot for each pair of variables was created using SPSS then visually inspected. A scatterplot matrix, which contained all the variables were summarized into figure 4.1.

Figure 4.1: Relationship in matrix of scatter plot



Source: Primary data (2014)

Assumption 3: There were no significant outliers. All the data points tended to follow the usual pattern as demonstrated by figure 4.1 above. Pearson's r is sensitive to outliers, which can have a very large effect on the line of best fit and the Pearson correlation coefficient, leading to very difficult conclusions regarding data.

Assumption 4: The data was approximately normally distributed. A statistical test using Shapiro-Wilk test of normality was used to test for the bivariate normality of each pair of variables. This is because statistical tests have the advantage of making an objective judgment of normality. The Shapiro-Wilk Test was used because it is more appropriate for small sample sizes (<50 samples). The significant value of the Shapiro-Wilk Test was greater than 0.05 for all the pair of variables; the data was therefore confirmed to be normally distributed.

Having met the four assumptions, a correlational analysis was conducted to establish how the variables correlate with each other. According to Green and Salkind (2003), the Pearson Product Moment Correlation Coefficient (*r*) assesses the degree that quantitative variables are linearly related in a sample. The significance test of *r* evaluates whether there is a linear relationship between the two variables in the population. The results are presented in the correlation matrix contained in table 4.1.

Table 4.1: Correlation Analysis

Correlations						
		StratPlan	FirmCharact	StratImplemen	CompEnvt	OrgPerfom
StratPlan	Pearson Correlation	1	.130	.568**	.340*	.443**
	Sig. (2-tailed)		.458	.000	.046	.008
	N	35	35	35	35	35
FirmCharact	Pearson Correlation	.130	1	.218	.150	.231
	Sig. (2-tailed)	.458		.209	.389	.181
	N	35	35	35	35	35
StratImplemen	Pearson Correlation	.568**	.218	1	.376*	.654**
	Sig. (2-tailed)	.000	.209		.026	.000
	N	35	35	35	35	35
CompEnvt	Pearson Correlation	.340*	.150	.376*	1	.245
	Sig. (2-tailed)	.046	.389	.026		.156
	N	35	35	35	35	35
OrgPerfom	Pearson Correlation	.443**	.231	.654**	.245	1
	Sig. (2-tailed)	.008	.181	.000	.156	
	N	35	35	35	35	35

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Primary data (2014)

From the output displayed in correlation table 4.1, it can be seen that organization performance and strategy implementation have the highest correlation coefficient (r) which equals 0.654, this indicate a strong a relationship. The relationship between strategic plan and strategy implementation comes in second with a correlation coefficient (r) of 0.568. In the third place is the relationship between strategic planning and organizational performance with a correlation coefficient (r) of 0.443.

4.4 Hypothesis Testing

This section presents the results of tests of hypotheses. The results of hypothesis testing are presented in the order of research objectives. The section is therefore divided into four parts, each dealing with an objective. Based on the measurement scales and the objectives of the study, regression analyses were used in order to effectively test the relationship in all the four parts. Specifically, interaction analysis was used to test for moderating effects.

Table 4.2: Hypothesis, Analytical Models and Interpretations

Research Objective	Hypothesis	Analytical Model	Interpretation
1. Determine the moderating effects of firm characteristics on the relationship between strategic planning and performance of state corporations in Kenya.	**H_1**: Firm characteristics have no significant moderating effects on the relationship between strategic planning and performance of Kenya's state corporations.	$Y = a + b_1cX_1 + b_2cM_1 + b_3cXcM_1 + e$ Where: Y is the firm Performance a is the constant b_1cX_1 is the main effects b_2cM_1 is the moderator one b_3cXcM_1 is the interaction term one e is the error term.	Reject H_1 if $p < 0.05$
2. Establish the moderating effect of competitive environment on the relationship between strategic planning and performance of state corporations in Kenya.	**H_2**: Competitive environment has no significant moderating effects on the relationship between strategic planning and performance of Kenya's state corporations.	$Y = a + b_1cX_1 + b_2cM_2 + b_3cXcM_2 + e$ Where: Y is the firm Performance a is the constant b_1cX_1 is the main effects b_2cM_2 is the moderator two b_3cXcM_2 is the interaction term two e is the error term.	Accept H_2 if $p > 0.05$

3. Determine the moderating effect of strategy implementation on the relationship between strategic planning and performance of state corporations in Kenya.	**H_3**: Strategy implementation has no significant moderating effects on the relationship between strategic planning and performance of Kenya's state corporations.	$Y = a + b_1cX_1 + b_2cM_3 + b_3cXcM_3 + e$ Where: Y is the firm Performance a is the constant b_1cX_1 is the main effects b_2cM_3 is the moderator b_3cXcM_3 is the interaction term and e is the error term	Reject H_3 if $p < 0.05$
4. To establish the combined moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship between strategic planning and firm performance among Kenya's state corporations.	**H_4**: The combined influences of firm characteristics, competitive environment and strategy implementation have no significant moderating effects on the relationship between strategic planning and firm performance.	$Y = a + b_1cX_1 + b_2cXcM_1 + b_3cXcM_2 + b_4cXcM_3 + e$ Where: Y is the firm Performance a is the constant b_2cXcM_1 is the interaction term 1 b_3cXcM_2 is the interaction term 2 b_4cXcM_3 is the interaction term 3 e is the error term	Reject H_4 if $p < 0.05$

Source: Primary Data (2014)

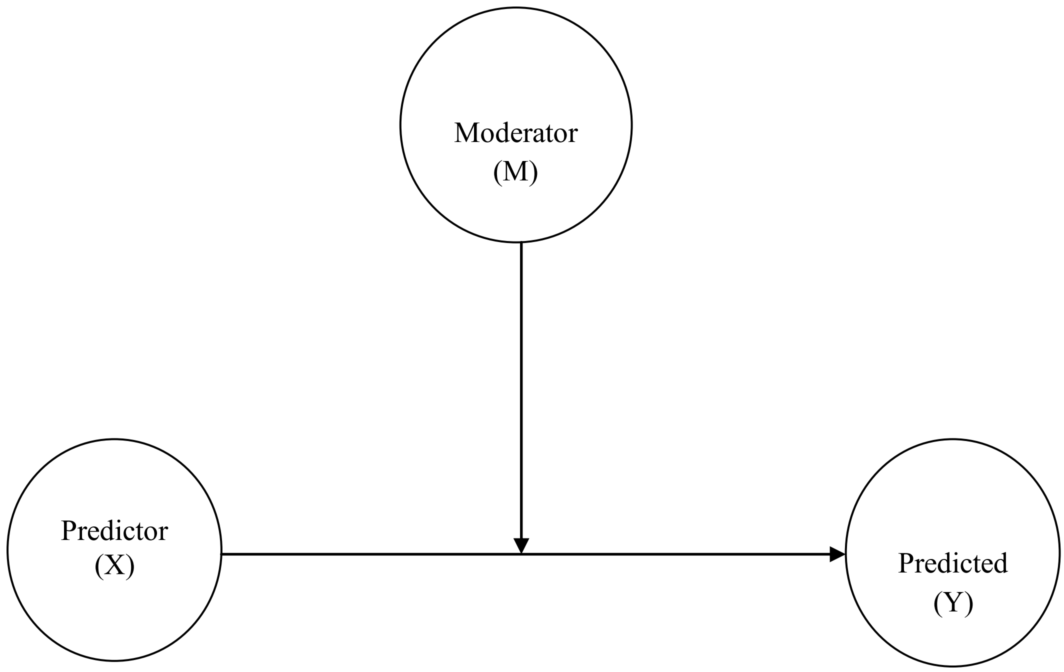
4.4.1 Strategic Planning, Firm Characteristics, and Firm Performance

Objective one of the study was designed to establish the moderating effect of firm characteristics on the relationship between strategic planning and firm performance. Literature review and theoretical background of the study appear to suggest that firm characteristics have effects on the relationship between strategic planning and corporate performance. Hayes and Matthes (2009) define moderation effect as the change another predictor variable makes on the strength or direction of the relationship between predictor and predicted variable. The researcher hypothesized as follows:

Hypothesis 1: Firm characteristics have no significant moderating effects on the relationship between strategic planning and performance of state corporations.

In order to test hypothesis 1, a test was done to determine the interaction effects of firm characteristics on the relationship between strategic planning and organizational performance, specifically, an interaction analysis was conducted. An interaction analysis is an interdisciplinary method for the empirical investigation of the interaction of different objects in the environment (Jordan and Henderson, 1994). An interaction effect may be modeled by including the product term $X_1 \times X_2$ as an additional variable in the regression, known as a two-way interaction term. If there are k predictor variables in the multiple regression, there are $k!/2!(k-2)!$ potential two-way interactions, and analogously for three-way and higher-order interactions. Figure 4.2 is a model illustrating the relationship between the independent, moderator and dependent variable. Strategic planning is the predictor variable (IV), firm characteristics is the moderator variable (MV), and firm performance is the dependent variable (DV).

Figure 4.2: A model of independent, mediator and dependent variable



Source: Author (2015)

Analyses were made following the steps suggested by Baron and Kenny (1986) in conducting moderation test. In testing the interaction effects of firm characteristics on the relationship between strategic planning and firm performance, there is always the problem of multicollinearity which had to be dealt with.

4.4.1.1 Multicollinearity

Multicollinearity means multi-correlations with sufficient magnitude to have the potential to adversely affect regression estimates (Fox, 1992). According to Aiken and West (1991), multicollinearity can inflate the value of R^2 (the proportional variation in the dependent variable which can be explained by independent variable) even when none of the beta weights are statistically significant. Multicollinearity can also produce bizarre beta weight estimates, and may lead to enormous changes in the model whenever a predictor variable is added or removed. According to Fox (1992), multicollinearity is better measured using tolerance and Variance Inflation Factor (VIF). Tolerance is the percentage of variance in the independent variable that is not accounted for by other independent variables, while Variance Inflation Factor is the reciprocal of tolerance. Fox (1992) points out that VIF of 3 or greater are often cited as indicative of problematic Collinearity and have the potential to adversely affect regression estimates. A test for multicollinearity reveals both competitive environment (VIF of 1.392) and strategy implementation (VIF of 1.392) have low level of multicollinearity with firm characteristics.

Table 4.3: Multicollinearity with firm characteristics

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	IVxMod2_Ctr	.719	1.392
	IVxMod3_Ctr	.719	1.392

a. Dependent Variable: IVxMod1_Ctr

Handling Multicollinearity

To avoid any problem associated with multicollinearity with interaction term, strategic planning and firm characteristics variables were subtracted from their averages (centered) before a regression analysis was run. While analyzing the transformed scores, the effects of other variables were considered to be null. According to Baron and Kenny (1986), even if the basic effect in the 1st and 2nd steps is found to be insignificant, but the interaction variable is found to be significant, it is sufficient for assessment of moderation effect.

The SPSS syntax was used to determine the means, center the variables and to generate an interaction term. From table 4.4(a), strategic planning had the highest mean of 4.0349, followed by strategy implementation at a mean of 3.6179. Firm characteristics had the least mean of 2.8643. The rest of the details are contained in Table 4.4(a). Moderation analysis was undertaken using regression because both the independent variable and moderating variable had a scale level data (Faraway, 2002).

Table 4.4(a): Means of the variables

	N	Mean	Std. Deviation	Variance
Strategic Planning	35	4.0349	.40514	.164
Firm Characteristics	35	2.8643	.75328	.567
Competitive Environment	35	2.9560	.49017	.240
Strategy Implementation	35	3.6179	.77290	.597
Firm Performance	35	3.3398	.72943	.532
Valid N (listwise)	35			

Source: Primary Data (2014)

Table 4.4(b): Model Summary of Strategic Planning, Firm Characteristics, & Firm Performance

Model Summary[d]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.443[a]	.196	.172	.66393	.196	8.040	1	33	.008	
2	.476[b]	.227	.178	.66118	.031	1.275	1	32	.267	
3	.479[c]	.229	.155	.67067	.003	.101	1	31	.753	2.116

a. Predictors: (Constant), IV_Ctr

b. Predictors: (Constant), IV_Ctr, Mod1_Ctr

c. Predictors: (Constant), IV_Ctr, Mod1_Ctr, IVxMod1_Ctr

d. Dependent Variable: Firm Performance

Source: Primary Data (2014)

From Table 4.4(b), $\Delta R^2 = 0.003$, $\Delta F(3,31) = 0.101$, $p = 0.042$. Because $p<0.05$, the interaction term is significant, therefore firm characteristics has a moderation effects on the relationship that exists between strategic planning and firm performance. Hypothesis one, which states that firm characteristics has no significant effect on the relationships between strategic planning and the performance of state corporations is therefore not supported, and thus rejected.

Table 4.4(c): ANOVA of Strategic Planning, Firm Characteristics, and Firm Performance

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.544	1	3.544	8.040	.008[b]
	Residual	14.547	33	.441		
	Total	18.091	34			
2	Regression	4.101	2	2.051	4.691	.016[c]
	Residual	13.989	32	.437		
	Total	18.091	34			
3	Regression	4.147	3	1.382	3.073	.042[d]
	Residual	13.944	31	.450		
	Total	18.091	34			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), IV_Ctr

c. Predictors: (Constant), IV_Ctr, Mod1_Ctr

d. Predictors: (Constant), IV_Ctr, Mod1_Ctr, IVxMod1_Ctr

Source: Primary Data (2014)

ANOVA was used to determine significance of the models, and to establish if the amount of variance accounted for in model 3 (with interaction term) is significantly more than model 2 and model 1 (without the interaction). From the ANOVA table, model 1 (without interaction term) is $F(1,33) = 8.040$, $p<.05$, and is significant. Model 2 (without interaction term) is $F(2,32) = 4.691$, $p<.05$, and is significant. Model 3 (with interaction term) is $F(3,31) = 3.073$, $p<.05$, and is also significant.

Table 4.4(d): Coefficient of Strategic Planning, Firm Characteristics, and Firm Performance

Coefficients[a]														
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.340	.112		29.760	.000	3.112	3.568					
	IV_Ctr	.797	.281	.443	2.835	.008	.225	1.369	.443	.443	.443	1.000	1.000
2	(Constant)	3.340	.112		29.884	.000	3.112	3.567					
	IV_Ctr	.756	.282	.420	2.677	.012	.181	1.330	.443	.428	.416	.983	1.017
	Mod1_Ctr	.171	.152	.177	1.129	.267	-.138	.481	.231	.196	.176	.983	1.017
3	(Constant)	3.336	.114		29.236	.000	3.103	3.568					
	IV_Ctr	.759	.287	.422	2.650	.013	.175	1.344	.443	.430	.418	.981	1.019
	Mod1_Ctr	.168	.154	.173	1.088	.285	-.147	.483	.231	.192	.171	.978	1.022
	IVxMod1_Ctr	.107	.335	.050	.318	.753	-.578	.791	.048	.057	.050	.994	1.006

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

As can be depicted from Table 4.4(d), the first step of regression, strategic planning was entered. The obtained beta (0.797) is like a Pearson Correlation. The positive relationship tells that firms which reported higher level of strategic planning also reported higher level of performance. The second step shows that the main effects of firm characteristics with a beta of (.171) did not significantly explain the new variance in the dependent variable, i.e., did not significantly yield a significant p-value. The third step indicates that the interaction term with a beta of (.107) did not significantly add a new variance. *t* test and *sig* show the outcomes of each independent variable.

Concluding on the beta value of an interaction term of (.107) requires graphing in a ModGraph. The nine cell means required for graphing the interaction was generated.

Both strategic planning and corporate performance values were trichotomized as high, medium, and low in the ModGraph. The ModGraph in figure 4.3 was then used to enhance presentation of the effects of firm characteristics on the relationship between strategic planning and firm performance.

Table 4.4(e): Excluded variables

Excluded Variables[a]								
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance	VIF	Minimum Tolerance
1	Mod1_Ctr	.177[b]	1.129	.267	.196	.983	1.017	.983
	IVxMod1_Ctr	.063[b]	.396	.695	.070	.999	1.001	.999
2	IVxMod1_Ctr	.050[c]	.318	.753	.057	.994	1.006	.978

a. Dependent Variable: Firm Performance
b. Predictors in the Model: (Constant), IV_Ctr
c. Predictors in the Model: (Constant), IV_Ctr, Mod1_Ctr
Source: Primary Data (2014)

Table 4.4(f): Collinearity of Strategic Planning, Firm Characteristics, and Firm Performance

Collinearity Diagnostics[a]							
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	IV_Ctr	Mod1_Ctr	IVxMod1_Ctr
1	1	1.000	1.000	.50	.50		
	2	1.000	1.000	.50	.50		
2	1	1.130	1.000	.00	.44	.44	
	2	1.000	1.063	1.00	.00	.00	
	3	.870	1.139	.00	.56	.56	
3	1	1.144	1.000	.12	.18	.35	.20
	2	1.109	1.016	.27	.27	.10	.25
	3	.924	1.113	.47	.22	.16	.22
	4	.823	1.180	.14	.33	.40	.33

a. Dependent Variable: Firm Performance
Source: Primary Data (2014)

Table 4.4(g): Residuals of Strategic Planning, Firm Characteristics, and Firm Performance

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.6079	4.0448	3.3398	.34924	35
Residual	-1.55879	1.08667	.00000	.64040	35
Std. Predicted Value	-2.096	2.018	.000	1.000	35
Std. Residual	-2.324	1.620	.000	.955	35

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

4.4.1.2 ModGraph

After hierarchical regression analyses were made in the analysis of moderation effect, ModGraph was used to enhance the presentation of moderating effects. According to Jose (2008), Modgraph is a moderation tool that helps us visualize the moderating relationship of the third variable on two variables. Modgraph allows one to enter statistical information obtained from multiple regression output in order to compute the equations that yield cell means necessary for the graphical display of statistical interactions. Data gathered from the regression analysis were inserted into Jose's ModGraph programme. +SD (Standard Deviation) and -1 SD (Standard Deviation) values of averages of predictor and continuous moderator variables were calculated in the Jose's programme. These values were classified as high, medium and low groups and were used in programme analysis. The figures created are useful for interpreting the theoretical meaning of the obtained statistical interaction.

Input information was taken from the regression analysis output. In particular, unstandardized regression coefficient (B), the mean, and the standard deviation of both strategic planning (the main effect) and firm characteristics (the moderating variable) were entered into Paul Jose's ModGraph tool, a programme used to compute cell means for the graphical display of moderational analyses. In addition, the menu page requires the B for the interaction term and the constant. All of the Bs were obtained from the multiple regression output generated by Paul Jose's ModGraph tool. The means and standard deviations were computed in a simple descriptive statistics run on the same data as shown in table 4.4(a). Obtaining all B values (unstandardized slopes) from the full regression model gave the following:

Main effect:

B = 0.759, mean = 0 (centred), SD = 0.40514

Moderating:

B = 0.168, mean = 0 (centred), SD = 0.75328

Interaction term and constant:

B = 0.107

Constant: 3.336

$Y = a + b_1cX_1 + b_2cM + b_3cXcM + e$

$Y = 3.336 + 0.759cX_1 + 0.168cM + 0.107cXcM + e$

Where: Y is the firm Performance

a is the constant

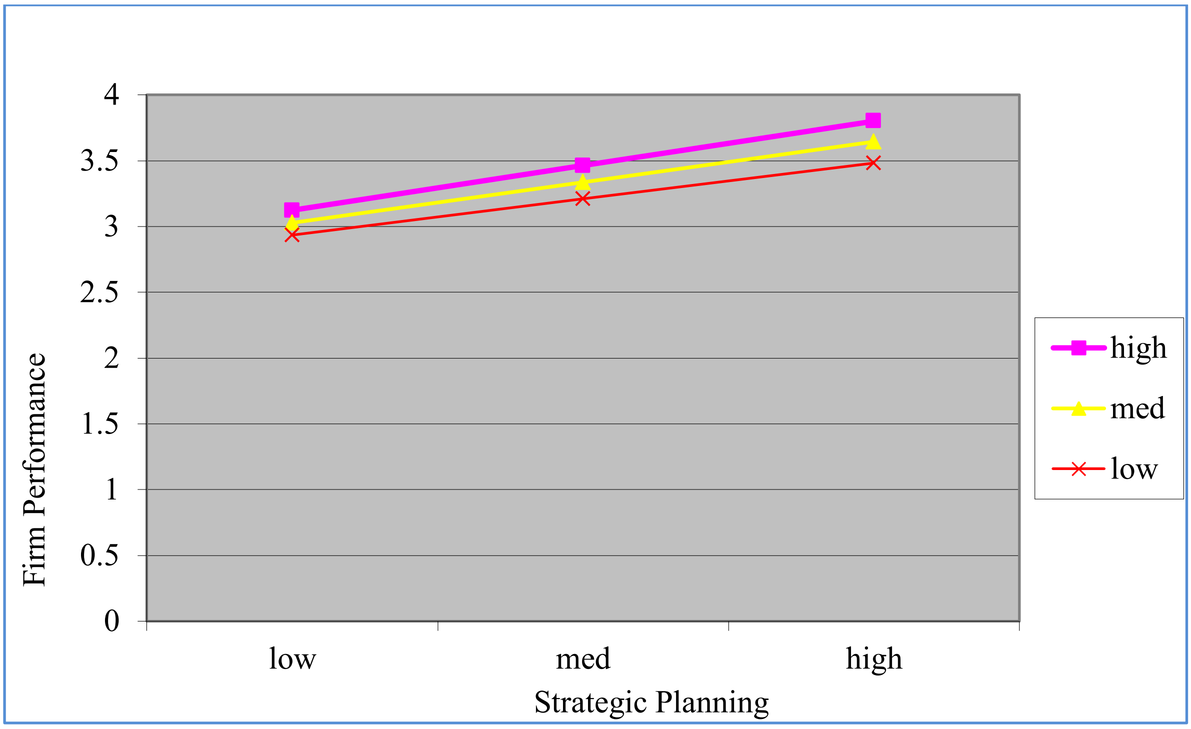
b_1cX_1 is the main effects

b_2cM is the moderator

b_3cXcM is the interaction term and

e is the error term

Figure 4.3: Moderation Effects of Firm Characteristics



Source: Primary Data (2014)

The slope of independent variable regression (strategic planning) differs for various levels of the moderating variable (firm characteristics). The graph shows an enhancing effects such that when strategic planning increase on horizontal axis in all the three straight lines, firm performance level in the vertical axis increase. As illustrated on the graph, these three lines represent firm characteristics in three different categories. "High" is typically defined as one standard deviation above the mean, "medium" is the mean, and "low" is one standard deviation below the mean. The figure indicates that the higher the category of moderating variable, the higher the level of firm performance.

4.4.1.3 Conclusion on Hypothesis One

To test the hypothesis that firm characteristics moderates the relationship between strategic planning and firm performance, a hierarchical multiple regression analysis was conducted. In the first step, two variables were included: strategic planning and firm characteristics. These variables accounted for a significant amount of variance in firm performance, R^2 = 0.196, F(1,33) = 8.080, $p<0.05$. To avoid any potential problem with multicollinearity with the interaction term, the variables were centered and an interaction term between strategic planning and firm characteristics was created and added into the regression model (Aiken and West, 1991). The interaction term between strategic planning and firm characteristics added to the regression model accounted for a small proportion of the variance in firm performance, ΔR^2 = 0.003, ΔF(3,31) = 0.101, p = 0.042. Because $p<0.05$, the interaction term was significant, hence firm characteristics have a moderating effects on the relationship between strategic planning and firm performance. The null hypothesis one was therefore rejected.

4.4.2. Strategic Planning, Competitive Environment and Firm Performance

The second objective of the study was to establish the moderating effect of competitive environment on the relationship between strategic planning and corporate performance. Literature review and theoretical underpinning of the study appear to suggest that competitive environment have effects on the relationship between strategic planning and corporate performance. Firm competitive environment is therefore thought to moderate the relationship between strategic planning and a corporation performance in a manner likely to change the degree and direction of the relationship. The researcher hypothesized as follows:

Hypothesis 2: Competitive environment has no significant moderating effect on the relationships between strategic planning and the performance of state corporations.

In order to test hypothesis 2, a test was done to determine the interaction effects of competitive environment on the relationship between strategic planning and firm performance. Analyses were made following the steps suggested by Baron and Kenny (1986) in conducting moderation test.

4.4.2.1 Dealing with multicollinearity

A test for multicollinearity reveals both firm characteristics (VIF of 1.173) and strategy implementation (VIF of 1.173) have low level of multicollinearity with competitive environment.

Table 4.5: Multicollinearity with competitive environment

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	IVxMod3_Ctr	.852	1.173
	IVxMod1_Ctr	.852	1.173

a. Dependent Variable: IVxMod2_Ctr

To deal with the problem of multicollinearity with interaction term, strategic planning and competitive environment variables were centered before a regression analysis was undertaken on them. While analyzing the transformed scores, the effects of other variables were considered to be null. Baron and Kenny (1986) argue that as long as the interaction variable is found to be significant, it is sufficient to confirm the presence of moderation even if the basic effect in the 1st and 2nd steps is found to be insignificant.

Table 4.6(a): Model of Strategic Planning, competitive environment, and Firm Performance

Model Summary[d]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.443[a]	.196	.172	.66393	.196	8.040	1	33	.008	
2	.454[b]	.206	.156	.66997	.010	.408	1	32	.528	
3	.462[c]	.213	.137	.67754	.007	.289	1	31	.595	2.165

a. Predictors: (Constant), IV_Ctr

b. Predictors: (Constant), IV_Ctr, Mod2_Ctr

c. Predictors: (Constant), IV_Ctr, Mod2_Ctr, IVxMod2_Ctr

d. Dependent Variable: Firm Performance

Source: Primary Data (2014)

From Table 4.6(a), $\Delta R^2 = 0.007$, $\Delta F(3,31)=0.289$, $p = 0.056$. Because $p>0.05$, the interaction term is not significant, therefore competitive environment has no moderating effects on the relationship between strategic planning and firm performance. Hypothesis two, which states that competitive environment has no significant effect on the relationships between strategic planning and the performance of state corporations is therefore supported, and thus accepted.

Table 4.6(b): ANOVA of Strategic Planning, competitive environment, and Firm Performance

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	3.544	1	3.544	8.040	.008[b]
1	Residual	14.547	33	.441		
	Total	18.091	34			
	Regression	3.727	2	1.863	4.151	.025[c]
2	Residual	14.364	32	.449		
	Total	18.091	34			
	Regression	3.860	3	1.287	2.803	.056[d]
3	Residual	14.231	31	.459		
	Total	18.091	34			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), IV_Ctr

c. Predictors: (Constant), IV_Ctr, Mod2_Ctr

d. Predictors: (Constant), IV_Ctr, Mod2_Ctr, IVxMod2_Ctr

Source: Primary Data (2014)

ANOVA was used to determine significance of the models, and to establish if the amount of variance accounted for in model 3 (with interaction term) is significantly more than model 2 and model 1 (without the interaction). From the ANOVA table, model 1 (without interaction term) is $F(1,33) = 8.040$, $p<.05$, and is significant. Model 2 (without interaction term) is $F(2,32) = 4.151$, $p<.05$, and is insignificant. Model 3 (with interaction term) is $F(3,31) = 2.803$, $p>.05$ is also insignificant.

Table 4.6(c): Coefficient of Strategic Planning, Competitive Environment, & Firm Performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.340	.112		29.760	.000					
	IV_Ctr	.797	.281	.443	2.835	.008	.443	.443	.443	1.000	1.000
2	(Constant)	3.340	.113		29.492	.000					
	IV_Ctr	.731	.302	.406	2.425	.021	.443	.394	.382	.884	1.131
	Mod2_Ctr	.159	.249	.107	.638	.528	.245	.112	.101	.884	1.131
3	(Constant)	3.360	.121		27.827	.000					
	IV_Ctr	.718	.306	.399	2.348	.025	.443	.389	.374	.879	1.138
	Mod2_Ctr	.175	.254	.118	.690	.495	.245	.123	.110	.872	1.147
	IVxMod2_Ctr	-.314	.584	-.086	-.538	.595	-.092	-.096	-.086	.985	1.016

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

From Table 4.6c, the first step of regression, strategic planning was entered. The obtained beta (0.797) is like a Pearson Correlation. The positive relationship tells that firms which reported higher level of strategic planning also reported higher level of performance. The second step shows that the main effects of competitive environment with a beta of (.159) did not significantly explain the new variance in the dependent variable, i.e., did not significantly yield a significant p-value. The third step indicates that the interaction term with a beta of (-.314) did not significantly add a new variance. *t* test and *sig* show the outcomes of each independent variable.

Concluding on the beta value of an interaction term of (-.314) requires graphing. The 9 cell means required for graphing the interaction was generated. Both strategic planning and corporate performance values were trichotomized (high, medium, and low) and crossed the levels to obtain nine cell means. The ModGraph in figure 4.4 was then used to enhance the effects of competitive environment on the relationship between strategic planning and firm performance.

Table 4.6(d): Excluded Variables of Planning, Competitive Environment, and Firm Performance

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance	VIF	Minimum Tolerance
1	Mod2_Ctr	.107[b]	.638	.528	.112	.884	1.131	.884
	IVxMod2_Ctr	-.073[b]	-.464	.646	-.082	.998	1.002	.998
2	IVxMod2_Ctr	-.086[c]	-.538	.595	-.096	.985	1.016	.872

a. Dependent Variable: FirmPerform

b. Predictors in the Model: (Constant), IV_Ctr

c. Predictors in the Model: (Constant), IV_Ctr, Mod2_Ctr

Source: Primary Data (2014)

Table 4.6(e): Collinearity of Strategic Planning, competitive environment, & Firm Performance

Collinearity Diagnostics[a]							
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	IV_Ctr	Mod2_Ctr	IVxMod2_Ctr
1	1	1.000	1.000	.50	.50		
	2	1.000	1.000	.50	.50		
2	1	1.340	1.000	.00	.33	.33	
	2	1.000	1.158	1.00	.00	.00	
	3	.660	1.425	.00	.67	.67	
3	1	1.359	1.000	.09	.19	.25	.12
	2	1.303	1.021	.24	.14	.08	.22
	3	.735	1.360	.44	.25	.20	.31
	4	.602	1.503	.22	.42	.47	.35

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

Table 4.6 (f): Residuals of Strategic Planning, competitive environment, and Firm Performance

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.4978	3.8424	3.3398	.33692	35
Std. Predicted Value	-2.499	1.492	.000	1.000	35
Standard Error of Predicted Value	.125	.442	.217	.073	35
Adjusted Predicted Value	2.5826	3.9847	3.3370	.33100	35
Residual	-1.60177	1.01870	.00000	.64696	35
Std. Residual	-2.364	1.504	.000	.955	35
Stud. Residual	-2.475	1.542	.001	1.005	35
Deleted Residual	-1.75609	1.07199	.00287	.71890	35
Stud. Deleted Residual	-2.719	1.579	-.016	1.052	35
Mahal. Distance	.180	13.487	2.914	2.792	35
Cook's Distance	.000	.159	.028	.047	35
Centered Leverage Value	.005	.397	.086	.082	35

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

4.4.2.2 ModGraph

Input information for the ModGraph was taken from the regression analysis output. In particular, unstandardized regression coefficient (B), the mean, and the standard deviation of both strategic planning (the main effect) and competitive environment (the moderating variable) were entered into Paul Jose's ModGraph tool, a programme used to compute cell means for the graphical display of moderational analyses. In addition, the menu page requires the B for the interaction term and the constant. All of the Bs was obtained from the multiple regression output generated by Paul Jose's ModGraph tool. The means and standard deviations were computed in a simple descriptive statistics run on the same data as shown in table 4.6(a). Obtaining all B values (unstandardized slopes) from the full regression model yielded the following:

Main effect:

B = 0.718, mean = 0 (centred), SD = 0.40514

Moderating:

B = 0.175, mean = 0 (centred), SD = 0.49017

Interaction term and constant:

B = -0.314

Constant: 3.360

$Y = a + b_1cX_1 + b_2cM + b_3cXcM + e$

$Y = 3.360 + 0.718cX_1 + 0.175cM - 0.314cXcM + e$

Where: Y is the firm Performance

a is the constant

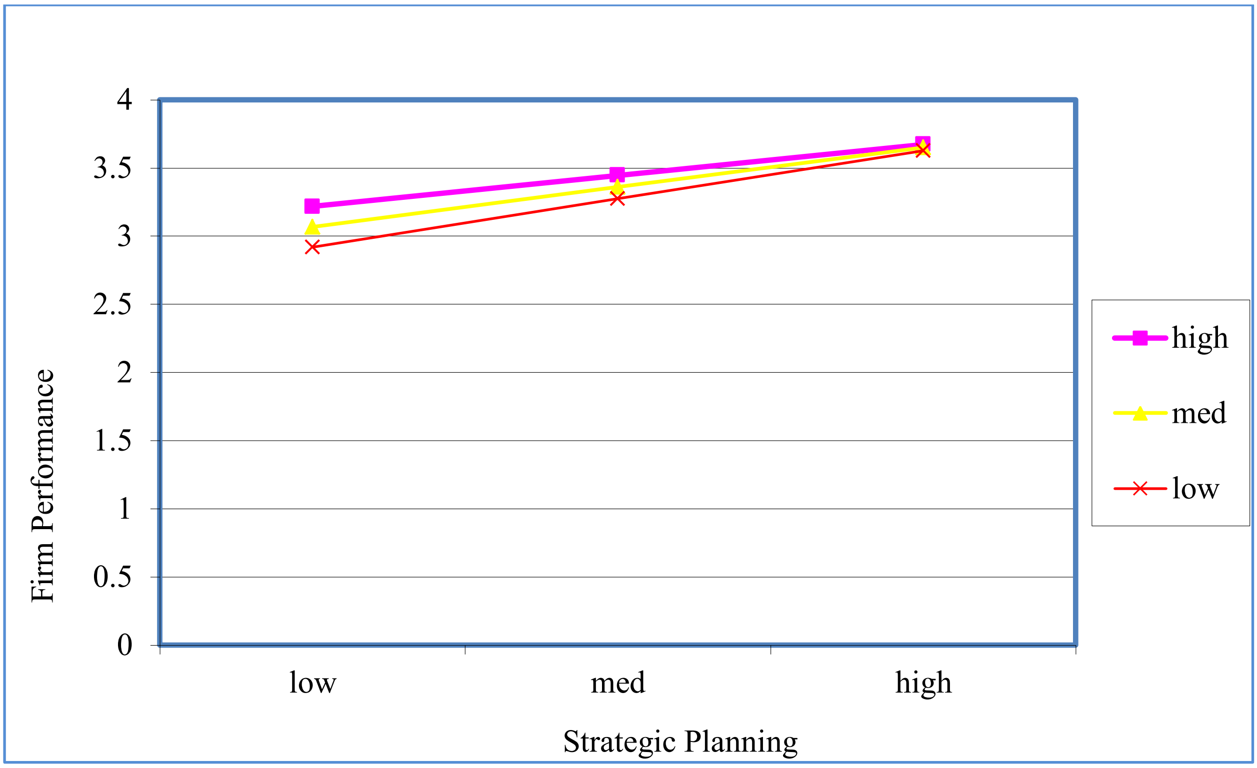
b_1cX_1 is the main effects

b_2cM is the moderator

b_3cXcM is the interaction term and

e is the error term

Figure 4.4: Moderation Effects of Competitive Environment



Source: Primary Data (2014)

The slope of independent variable regression (strategic planning) differs for various levels of the moderating variable (competitive environment). The graph shows that when strategic planning increase on horizontal axis in all the three straight lines, firm performance level in the vertical axis increase. As illustrated on the graph, these three lines represent competitive environment in three different categories. From the figure above, the higher the competitive environment, the lesser firm performance increase with respect to increase in strategic planning. In general, the study indicates that strategic planning has a positive impact on firm performance, however, competitive environment weaken this relationship.

4.4.2.3 Conclusion in Hypothesis Two

To test the hypothesis that competitive environment moderates the relationship between strategic planning and firm performance, a hierarchical multiple regression analysis was conducted. In the first step, two variables were included: strategic planning and competitive environment. These variables accounted for a significant amount of variance in firm performance, $R^2 = 0.196$, $F(1,33) = 8.080$, $p<0.05$. To avoid any potential problem with multicollinearity with the interaction term, the variables were centered and an interaction term between strategic planning and competitive environment was created and added into the regression model (Aiken and West, 1991). The added interaction term between strategic planning and competitive environment to the regression model accounted for an insignificant proportion of the variance in firm performance, $\Delta R^2 = 0.007$, $\Delta F(3,31)=0.289$, $p = 0.056$. Because $p>0.05$, the interaction term is not significant, competitive environment therefore has no moderating effect on the relationship between strategic planning and corporate performance. The null hypothesis was supported, and thus accepted.

4.4.3 Strategic Planning, Strategy Implementation, and Corporate Performance

Objective three of the study was designed to establish the moderating effect of strategy implementation on the relationship between strategic planning and corporate performance. Literature review and theoretical underpinning of the study appear to suggest that strategy implementation has effects on the relationship between strategic planning and corporate performance. Strategy implementation is therefore thought to moderate strategic planning and firm performance in a manner likely to change the degree and direction of the relationship. The researcher hypothesized as follows:

Hypothesis 3: Strategy Implementation has no significant moderating effects on the relationship between strategic planning and performance of state corporations.

In order to test hypothesis 3, a test was done to determine the interaction effects of strategy implementation on the relationship between strategic planning and firm performance. Analyses were made following the steps suggested by Baron and Kenny (1986) in conducting moderation test.

4.4.3.1 Dealing with problem of multicollinearity

A test for multicollinearity reveals both firm characteristics (VIF of 1.057) and competitive environment (VIF of 1.057) have low level of mult1cillinearity with strategy implementation.

Table 4.7: Multicollinearity with Strategy Implementation

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	IVxMod1_Ctr	.946	1.057
	IVxMod2_Ctr	.946	1.057

a. Dependent Variable: IVxMod3_Ctr

To deal with the problem of multicollinearity with interaction term, strategic planning and strategy implementation variables were centered before a regression analysis was undertaken on them. While analyzing the transformed scores, the effects of other variables were considered to be null. Baron and Kenny (1986) argument that as long as the interaction variable is found to be significant, it is sufficient to confirm the presence of moderation even if the basic effect in the 1st and 2nd steps is found to be insignificant. This line of argument was taken up by the study, thus guiding the analysis.

Table 4.8(a): Model of Strategic Planning, Strategy Implementation, and Firm Performance

Model Summary[d]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.443[a]	.196	.172	.66393	.196	8.040	1	33	.008	
2	.660[b]	.435	.400	.56501	.239	13.568	1	32	.001	
3	.683[c]	.467	.415	.55795	.031	1.815	1	31	.188	1.653

a. Predictors: (Constant), IV_Ctr
b. Predictors: (Constant), IV_Ctr, Mod3_Ctr
c. Predictors: (Constant), IV_Ctr, Mod3_Ctr, IVxMod3_Ctr
d. Dependent Variable: FirmPerform
Source: Primary Data (2014)

From Table 4.8(a), $\Delta R^2 = 0.031$, $\Delta F(3,31) = 1.815$, p = 000. Because $p<0.05$, the interaction term is significant, strategy implementation therefore moderates the relationship between strategic planning and firm performance. Hypothesis three, which states that strategy implementation has no significant effect on the relationships between strategic planning and the performance of state corporations is therefore not supported, and thus rejected.

Table 4.8(b): ANOVA of Strategic Planning, Strategy Implementation, and Firm Performance

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.544	1	3.544	8.040	.008[b]
	Residual	14.547	33	.441		
	Total	18.091	34			
2	Regression	7.875	2	3.938	12.334	.000[c]
	Residual	10.215	32	.319		
	Total	18.091	34			
3	Regression	8.440	3	2.813	9.037	.000[d]
	Residual	9.651	31	.311		
	Total	18.091	34			

a. Dependent Variable: Firm Performance
b. Predictors: (Constant), IV_Ctr
c. Predictors: (Constant), IV_Ctr, Mod3_Ctr
d. Predictors: (Constant), IV_Ctr, Mod3_Ctr, IVxMod3_Ctr
Source: Primary Data (2014)

ANOVA was used to determine significance of the models, and to establish if the amount of variance accounted for in model 3 (with interaction term) is significantly more than model 2 and model 1 (without the interaction). From the ANOVA table, model 1 (without interaction term) is $F(1,33) = 8.040$, $p<.05$, and is significant. Model 2 (without interaction term) is $F(2,32) = 12.334$, $p<.05$, and is significant. Model 3 (with interaction term) is $F(3,31) = 9.037$, $p<.05$, and is significant.

Table 4.8(c): Coefficient of Strategic Planning, Strategy Implementation, and Firm Performance

Coefficients[a]											
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.340	.112		29.760	.000					
	IV_Ctr	.797	.281	.443	2.835	.008	.443	.443	.443	1.000	1.000
2	(Constant)	3.340	.096		34.971	.000					
	IV_Ctr	.188	.291	.105	.648	.521	.443	.114	.086	.677	1.477
	Mod3_Ctr	.561	.152	.595	3.683	.001	.654	.546	.489	.677	1.477
3	(Constant)	3.401	.105		32.527	.000					
	IV_Ctr	.158	.288	.088	.548	.588	.443	.098	.072	.673	1.486
	Mod3_Ctr	.578	.151	.612	3.828	.001	.654	.567	.502	.672	1.487
	IVxMod3_Ctr	-.352	.261	-.177	-1.347	.188	-.153	-.235	-.177	.992	1.008

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

From Table 4.8(c), the first step of regression, strategic planning was entered. The obtained beta (0.797) is like a Pearson Correlation. The positive relationship tells that firms which reported higher level of strategic planning also reported higher level of performance. The second step shows that the main effects of strategy implementation with a beta of (.561) significantly explain the new variance in the dependent variable, i.e., significantly yield a significant p-value. The third step indicates that the interaction term with a beta of (-.352) significantly added a new variance. *t* test and *sig* show the outcomes of each independent variable. Concluding on the beta value of an interaction term of (-.352) requires graphing. The nine cell means required for graphing the interaction was generated. Both strategic planning and corporate performance values were trichotomized (high, medium, and low). The ModGraph in figure 4.5 was then used to enhance the effects of strategy implementation on the relationship between strategic planning and firm performance.

Table 4.8(d): Excluded Variables of Planning, Strategy Implementation, and Firm Performance

						Collinearity Statistics		
Model		Beta In	t	Sig.	Partial Correlation	Tolerance	VIF	Minimum Tolerance
1	Mod3_Ctr	.595[b]	3.683	.001	.546	.677	1.477	.677
	IVxMod3_Ctr	-.136[b]	-.866	.393	-.151	.998	1.002	.998
2	IVxMod3_Ctr	-.177[c]	-1.347	.188	-.235	.992	1.008	.672

Excluded Variables[a]

a. Dependent Variable: Firm Performace

b. Predictors in the Model: (Constant), IV_Ctr

c. Predictors in the Model: (Constant), IV_Ctr, Mod3_Ctr

Source: Primary Data (2014)

Table 4.8(e): Collinearity of Strategic Planning, Strategy Implementation, & Firm Performance

Collinearity Diagnostics[a]							
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	IV_Ctr	Mod3_Ctr	IVxMod3_Ctr
1	1	1.000	1.000	.50	.50		
	2	1.000	1.000	.50	.50		
2	1	1.568	1.000	.00	.22	.22	
	2	1.000	1.252	1.00	.00	.00	
	3	.432	1.906	.00	.78	.78	
3	1	1.568	1.000	.00	.21	.21	.00
	2	1.432	1.047	.28	.00	.00	.28
	3	.580	1.645	.67	.04	.03	.64
	4	.420	1.931	.04	.75	.75	.08

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

Table 4.8(f): Residuals of Strategic Planning, Strategy Implementation, and Firm Performance

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.7671	4.1035	3.3398	.49823	35
Std. Predicted Value	-3.157	1.533	.000	1.000	35
Standard Error of Predicted Value	.105	.412	.175	.073	35
Adjusted Predicted Value	1.1074	4.5201	3.3515	.58169	35
Residual	-1.67632	.83872	.00000	.53277	35
Std. Residual	-3.004	1.503	.000	.955	35
Stud. Residual	-3.445	1.540	-.011	1.060	35
Deleted Residual	-2.20426	1.20834	-.01166	.67058	35
Stud. Deleted Residual	-4.314	1.576	-.040	1.162	35
Mahal. Distance	.221	17.590	2.914	3.765	35
Cook's Distance	.000	.935	.078	.214	35
Centered Leverage Value	.007	.517	.086	.111	35

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

4.4.3.2 ModGraph

Input information for the ModGraph was taken from the regression analysis output. In particular, unstandardized regression coefficient (B), the mean, and the standard deviation of both strategic planning (the main effect) and competitive environment (the moderating variable) were entered into Paul Jose's ModGraph tool, a programme used to compute cell means for the graphical display of moderational analyses. In addition, the menu page requires the B for the interaction term and the constant. All of the Bs were obtained from the multiple regression output generated by Paul Jose's ModGraph tool. The means and standard deviations were computed in a simple descriptive statistics run on the same data as shown in table 4.8(a). Obtaining all B values (unstandardized slopes) from the full regression model gave the following:

Main effect:

B = 0.158, mean = 0 (centred), SD = 0.40514

Moderating:

B = 0.578, mean = 0 (centred), SD = 0.77290

Interaction term and constant:

B = -0.352

Constant: 3.401

$Y = a + b_1cX_1 + b_2cM + b_3cXcM + e$

$Y = 3.401 + 0.158cX_1 + 0.578cM - 0.352cXcM + e$

Where: Y is the firm Performance

a is the constant

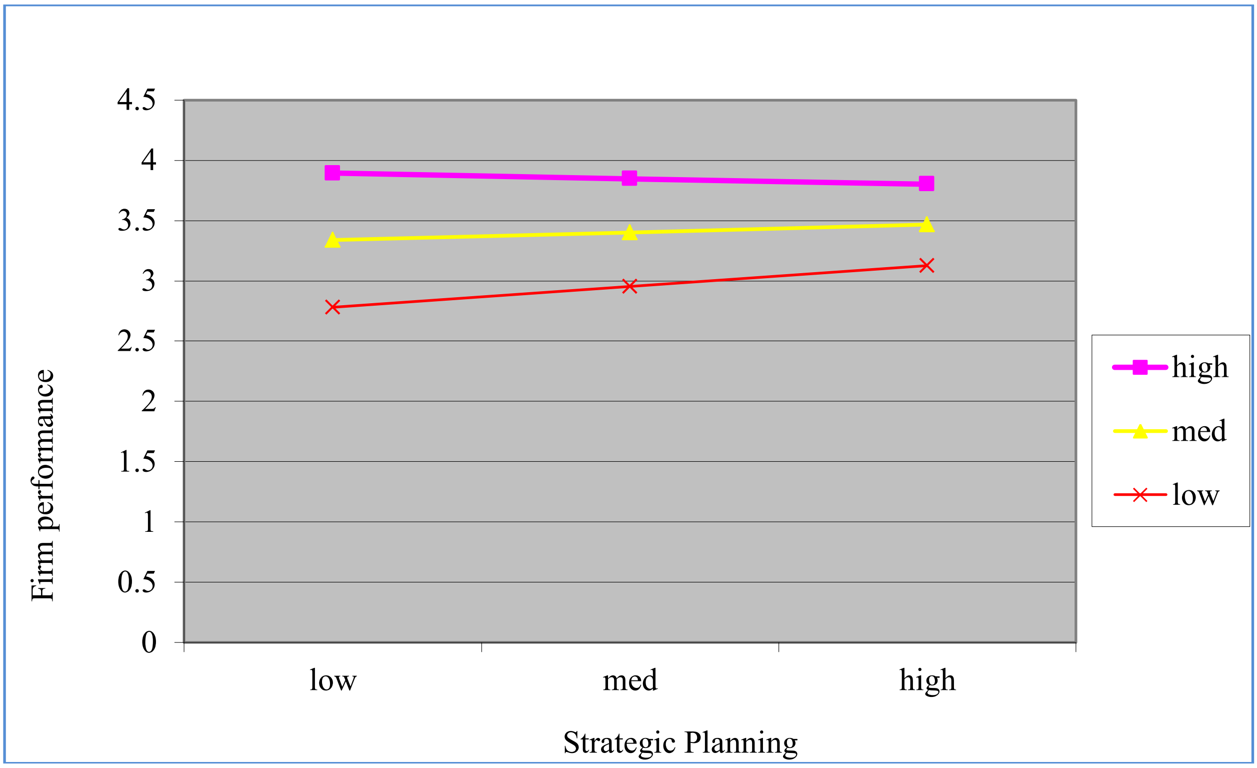
b_1cX_1 is the main effects

b_2cM is the moderator

b_3cXcM is the interaction term and

e is the error term

Figure 4.5: Moderation Effects of Strategy Implementation



Source: Primary Data (2014)

The slope of independent variable regression (strategic planning) differs for various levels of the moderating variable (strategy implementation). The graph shows that when strategic planning increase on horizontal axis in the first two straight lines, firm performance level in the vertical axis increase. But when strategic planning increase on horizontal axis in the third straight line, firm performance level in the vertical axis decreases. As illustrated on the graph, these three lines represent strategy implementation in three different categories. From the figure above, the higher the strategy implementation, the lesser firm performance increase with respect to increase in strategic planning, and beyond a certain level of strategy implementation, firm performance decreases. In general, the study shows that strategic planning has a positive impact on firm performance; however, strategy implementation weakens this relationship. There is a possibility that because strategy is not well executed within Kenyan state corporations, it reduces the positive impact of strategic planning instead of increasing it.

4.4.3.3 Conclusion on Hypothesis Three

To test the hypothesis that strategy implementation moderates the relationship between strategic planning and firm performance, a hierarchical multiple regression analysis was conducted. In the first step, two variables were included: strategic planning and strategy implementation. These variables accounted for a significant amount of variance in firm performance, $R^2 = 0.196$, $F(1,33) = 8.080$, $p<0.05$. To avoid any potential problem with multicollinearity with the interaction term, the variables were centered and an interaction term between strategic planning and strategy implementation was created and added into the regression model (Aiken and West, 1991). The added interaction term between strategic planning and strategy implementation to the regression model accounted for a significant proportion of the variance in firm performance, $\Delta R^2 = 0.031$, $\Delta F(3,31)= 1.815$, $p = 0.000$. Because $p<0.05$, the interaction term is significant, strategy implementation moderates the relationship between strategic planning and firm performance. The null hypothesis three was therefore rejected.

4.3.4 Joint Moderating Effects

Objective four of the study was to establish the joint moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship that exists between strategic planning and firm performance. Literature indicates that there are many factors that individually and collectively influence the relationship between strategic planning and firm performance (Chen and Hambrick, 1995; Esterhuizen, 2006; Pryor et al., 2007). The researcher hypothesized as follows:

Hypothesis 4: The combined influences of firm characteristics, competitive environment and strategy implementation have no significant moderating effects on the relationship between strategic planning and firm performance.

In order to test hypothesis four, a test was done to determine combined interaction effects of firm characteristics, competitive environment and strategy implementation on the relationship between strategic planning and firm performance. Analyses were made following the steps suggested by Baron and Kenney (1986) in conducting moderation test. To deal with the problem of multicollinearity with interaction term, predictor and the three moderating variables were centered before regression analysis was undertaken on them. While analyzing the transformed score of the predictor and moderating variables, the effects of other variables were considered to be null.

Table 4.9(a): Model of Joint Moderating Effects

Model Summary[e]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.443[a]	.196	.172	.66393	.196	8.040	1	33	.008	
2	.447[b]	.200	.150	.67258	.004	.157	1	32	.695	
3	.456[c]	.208	.131	.67986	.008	.318	1	31	.577	
4	.479[d]	.230	.127	.68151	.022	.850	1	30	.364	2.132

a. Predictors: (Constant), IV_Ctr
b. Predictors: (Constant), IV_Ctr, IVxMod1_Ctr
c. Predictors: (Constant), IV_Ctr, IVxMod1_Ctr, IVxMod2_Ctr
d. Predictors: (Constant), IV_Ctr, IVxMod1_Ctr, IVxMod2_Ctr, IVxMod3_Ctr
e. Dependent Variable: FirmPerform

Source: Primary Data (2014)

From table 4.9(a), $\Delta R^2 = 0.022$, $\Delta F(4,30) = 0.850$, $p = 0.089$. Because $p>0.05$, the combined interaction term is insignificant. The combined influences of firm characteristics, competitive environment and strategy implementation therefore have no significant moderating effects on the relationship between strategic planning and firm performance. Hypothesis four which states that the combined influences of firm characteristics, competitive environment and strategy implementation have no significant moderating effects on the relationship between strategic planning and firm performance is therefore supported, and thus accepted.

Table 4.9(b): ANOVA of Joint Moderating Effects

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.544	1	3.544	8.040	.008[b]
	Residual	14.547	33	.441		
	Total	18.091	34			
2	Regression	3.615	2	1.807	3.996	.028[c]
	Residual	14.476	32	.452		
	Total	18.091	34			
3	Regression	3.762	3	1.254	2.713	.062[d]
	Residual	14.329	31	.462		
	Total	18.091	34			
4	Regression	4.157	4	1.039	2.238	.089[e]
	Residual	13.934	30	.464		
	Total	18.091	34			

a. Dependent Variable: FirmPerform
b. Predictors: (Constant), IV_Ctr
c. Predictors: (Constant), IV_Ctr, IVxMod1_Ctr
d. Predictors: (Constant), IV_Ctr, IVxMod1_Ctr, IVxMod2_Ctr
e. Predictors: (Constant), IV_Ctr, IVxMod1_Ctr, IVxMod2_Ctr, IVxMod3_Ctr

Source: Primary Data (2014)

ANOVA was used to determine significance of the models, and to establish if the amount of variance accounted for in model 4 is significantly more that of model 3, 2 and 1. From the ANOVA table, model 1 (without interaction term) is $F(1,33) = 8.040$, $p<0.05$, and is significant. Model 2 (with interaction term) is $F(2,32) = 3.996$, $p<0.05$, and is significant. Model 3 (with interaction term) is $F(3,31) = 2.713$, $p>0.05$, and is insignificant. Model 4 (with interaction term) is $F(4,30) = 2.238$, $p>0.05$, and is insignificant.

Table 4.9(c): Coefficient of Joint Effects

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.340	.112		29.760	.000					
	IV_Ctr	.797	.281	.443	2.835	.008	.443	.443	.443	1.000	1.000
2	(Constant)	3.335	.114		29.145	.000					
	IV_Ctr	.801	.285	.445	2.811	.008	.443	.445	.444	.999	1.001
	IVxMod1_Ctr	.133	.336	.063	.396	.695	.048	.070	.063	.999	1.001
3	(Constant)	3.355	.121		27.689	.000					
	IV_Ctr	.795	.288	.442	2.759	.010	.443	.444	.441	.998	1.002
	IVxMod1_Ctr	.178	.349	.084	.511	.613	.048	.091	.082	.946	1.057
	IVxMod2_Ctr	-.337	.598	-.093	-.564	.577	-.092	-.101	-.090	.945	1.058
4	(Constant)	3.393	.128		26.430	.000					
	IV_Ctr	.791	.289	.440	2.740	.010	.443	.447	.439	.998	1.002
	IVxMod1_Ctr	.286	.368	.135	.776	.444	.048	.140	.124	.851	1.175
	IVxMod2_Ctr	-.026	.688	-.007	-.037	.971	-.092	-.007	-.006	.717	1.394
	IVxMod3_Ctr	-.364	.395	-.184	-.922	.364	-.153	-.166	-.148	.646	1.548

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

From table 4.9(c), the various steps of regression were entered and the outputs displayed on the table were obtained. The first step produced beta of (0.797) for strategic planning, which is like the Pearson Correlation. The positive relationship tells that firms which reported higher level of strategic planning also reported higher level of performance. The second step indicates that the firm characteristics interaction term of (0.133) did not significantly add a new variance. Similarly, a competitive environment interaction term of (-0.337) in the third term did not significantly add a new variance. The strategy implementation interaction term of (-0.364) in step four did also not significantly add a new variance.

Table 4.9(d): Excluded variables of joint moderating effects

Excluded Variables[a]								
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	IVxMod1_Ctr	.063[b]	.396	.695	.070	.999	1.001	.999
	IVxMod2_Ctr	-.073[b]	-.464	.646	-.082	.998	1.002	.998
	IVxMod3_Ctr	-.136[b]	-.866	.393	-.151	.998	1.002	.998
2	IVxMod2_Ctr	-.093[c]	-.564	.577	-.101	.945	1.058	.945
	IVxMod3_Ctr	-.187[c]	-1.097	.281	-.193	.852	1.174	.852
3	IVxMod3_Ctr	-.184[d]	-.922	.364	-.166	.646	1.548	.646

a. Dependent Variable: Firm Performance
b. Predictors in the Model: (Constant), IV_Ctr
c. Predictors in the Model: (Constant), IV_Ctr, IVxMod1_Ctr
d. Predictors in the Model: (Constant), IV_Ctr, IVxMod1_Ctr, IVxMod2_Ctr

Source: Primary Data (2014)

Table 4.9(e): Collinearity of Joint Effects

Collinearity Diagnostics[a]								
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	IV_Ctr	IVxMod1_Ctr	IVxMod2_Ctr	IVxMod3_Ctr
1	1	1.000	1.000	.50	.50			
	2	1.000	1.000	.50	.50			
2	1	1.117	1.000	.41	.04	.44		
	2	1.000	1.057	.08	.92	.00		
	3	.882	1.125	.52	.04	.56		
3	1	1.468	1.000	.19	.01	.16	.25	
	2	1.002	1.210	.04	.94	.01	.00	
	3	.885	1.287	.34	.05	.65	.00	
	4	.645	1.508	.43	.00	.18	.74	
4	1	2.095	1.000	.07	.00	.06	.09	.09
	2	1.003	1.445	.02	.95	.01	.00	.00
	3	.886	1.538	.32	.05	.57	.00	.00
	4	.653	1.791	.47	.00	.22	.42	.01
	5	.364	2.398	.12	.00	.13	.48	.90

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

Table 4.9(f): Residuals of Joint Effects

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.4300	3.9730	3.3398	.34966	35
Std. Predicted Value	-2.602	1.811	.000	1.000	35
Standard Error of Predicted Value	.127	.521	.234	.109	35
Adjusted Predicted Value	2.5001	4.9974	3.3682	.42200	35
Residual	-1.86771	1.00453	.00000	.64017	35
Std. Residual	-2.741	1.474	.000	.939	35
Stud. Residual	-3.410	1.519	-.018	1.049	35
Deleted Residual	-2.89217	1.06744	-.02839	.81088	35
Stud. Deleted Residual	-4.285	1.555	-.050	1.157	35
Mahal. Distance	.214	18.878	3.886	4.598	35
Cook's Distance	.000	1.276	.062	.219	35
Centered Leverage Value	.006	.555	.114	.135	35

a. Dependent Variable: Firm Performance

Source: Primary Data (2014)

4.4 Summary of results of Hypothesis Testing

The summary of results of hypothesis testing is provided in Table 4.10

Table 4.10: Summary of results of Hypothesis Testing

Specific Objective	Hypothesis	ΔR^2	ΔF	Level of significance (p-value)	Conclusion
1. Determine the moderating effects of firm characteristics on the relationship between strategic planning and performance of state corporations in Kenya.	**H_1**: Firm characteristics have no significant moderating effects on the relationship between strategic planning and performance of Kenya's state corporations	0.003	0.101	0.042	H_1 is rejected
2. Establish the moderating effect of competitive environment on the relationship between strategic planning and performance of state corporations in Kenya.	**H_2**: Competitive environment has no significant moderating effects on the relationship between strategic planning and performance of Kenya's state corporations.	0.007	0.289	0.056	H_2 is accepted

3. Determine the moderating effect of strategy implementation on the relationship between strategic planning and performance of state corporations in Kenya.	**H_3**: Strategy implementation has no significant moderating effects on the relationship between strategic planning and performance of Kenya's state corporations.	0.031	1.815	0.000	H_3 is rejected.
4. To establish the combined moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship between strategic planning and performance of Kenya's state corporations.	**H_4**: The combined influences of firm characteristics, competitive environment and strategy implementation have no significant moderating effects on the relationship between strategic planning and performance of Kenya's state corporations	0.022	0.850	0.089	H_4 is accepted.

Source: Primary Data (2014)

4.5 Discussions of the Findings

A review of post graduate strategic management studies in Kenya indicates that most empirical studies have treated corporate performance as dependent variables while making other strategic variables independent. This study was no difference because as it focused on strategic planning, firm characteristics, competitive environment, and strategy implementation, it has also treated corporate performance as the dependence variable. It is all because of the importance attached to the subject of performance at practical and theoretical level as was outlined in the introductory part of chapter one of this study. This sub-section discusses the study findings based on the specific objectives of the study in an attempt to shade more light on them in relation to the focus of this study.

4.5.1 Strategic Planning, Firm Characteristics and Corporate Performance

According to Golan et al. (2003), firm characteristics include structure, market and capital-related variables. Structure-related variables include firm size, ownership and firm age. Market related variables include industry type, environmental uncertainty and market environment. Capital-related variables entail liquidity and capital intensity. In his study, McMahon (2001) found that enterprise size significantly linked to better business performance. Larger enterprises were found to have higher level of success. Firm size has also been shown to be related to industry-sunk costs, concentration, vertical integration, and overall profitability (Dean et al., 1998).

Firm age is another key component of firm characteristics. According to Kneiding and Mas in Usman and Zahid (2011), age related factors can be observed on three different levels: an old firm may have more customers which may drive economies of scale; higher average purchase volume resulting from repeat customers may improve the cost structure and more knowledge about customers may streamline processes. Length of time in operation has been associated with learning curve. Old players may have probably learned much from their experiences than the new comers. In their study, Kristiansen, Furuholt, & Wahid (2003) found that length of time in operation was significantly linked to business success. These studies found that firm's efficiency and profitability were strongly related to its age. The large pool of customers with an old firm and the resulting efficiency is therefore, likely to make it achieve a higher growth in outreach and higher investment returns and financial self-sufficiency.

Literature indicates that each of the three characteristics of the firm individually have positive influence on the relationship between strategic planning and firm performance (Coad, Segarra and Teruel, 2010; Kasznik, Barth and Aboody, 1999; Rao and Pandya, 1998). This study however focused on the effects of the already explained three firm characteristics (structure, market and capital-related variables) as a combined unit and how they influence the strategic planning and firm performance as independent units. Literature which looked at firm characteristics as a unit, and how they moderate strategic planning and firm performance relationship are scanty and therefore hard to come by. Available studies focused on the individual moderating effects of the highlighted three firm characteristics on firm performance.

Market-related variables which include orientation and diversification also make important firm characteristics which in turn affect performance. Firm diversification refers to expansion into new areas of business, or expansion of a commercial organization into new geographic areas. Given that performance represents an investment in improving products and processes, the results of Stimpert and Duhaime's (1997) may argue for a positive relation between firm diversification and performance. A diversified firm is likely to be very similar in terms of organizational culture, technology, operating procedures, and competitive priorities. Therefore, the lessons learnt from a successful implementation of quality management in one operating unit can easily and efficiently be implemented in other operating units. More specifically, the approaches, procedures, techniques, and systems developed at one operating unit should be applicable and transferable at low cost to other operating units. Furthermore, as operating units gain experience with quality, the specific knowledge created in the process can be transferred at low cost to other units. Synergies among product quality improvements are also more likely. A higher quality product in one area is more likely to reflect well on similar products in related areas.

This study looked as various firm characteristics collectively as a unit in terms of their moderating effects on the relationship that exists between strategic planning and corporate performance. The firm characteristics focused on firm size, age, diversification, innovation, ownership structure, board size and composition. The finding of this study indicates that firm characteristics have significant moderating effect on the relationship between strategic planning and firm performance. While studies examining the moderating effects of firm characteristics on the relationship between strategic planning and corporate performance are scanty, the contributions made on various aspects of firm characteristics may help shade some light though to a limited degree.

The various dimensions of firm characteristics contribute differently in terms of direction and magnitude. While firm size and age have been found to promote performance, the surveys, analyses and critiques of previous diversifications researches by Datta et al (1991), Hoskisson and Hitt (1990), and Ramanujam and Varadarajan (1989) reveals an important observation that there does not seem to be any consistent or conclusive finding on the relationship between firm diversification and performance.

Generally, the characteristics of state corporations in Kenya do not come out strongly. In most cases, state corporations appear to derive their characteristics from the sitting leaders, particularly the chairpersons of the board and the chief executive officers. The boards of Kenyan state corporations have historically been made up of political appointees. In many cases, political appointees are never genuinely interested in the performance of corporations they lead, personal and political interests do come into play to a great deal and this clouds the commitment of the leaders. While this happens, the political appointees at the board level wield a lot of influence such as the appointment of chief executive officers together with the top managers of the corporation. The managers appointed experience a lot of political interferences and in many cases are never given opportunity to operate freely. Another factor is that leadership at the state corporations are politic dependent. As soon as political regimes change, they too change, it therefore makes it difficult for state corporate leaders to cultivate and grow appropriate corporate characteristics.

Horvath and Spirollari (2012) examined the relationship of selected Board of Directors' characteristics and firm's financial performance using a sample of large

U.S firms in 2005-2009, and found that the degree of insider ownership positively influences firm performance because it reduces agency problems. The age of the Board of Directors was also found to matter to a certain degree. Younger members of the board were willing to bear more risk and to undertake major structural changes to improve firm's future prospects. On the other hand, Horvath and Spirollari (2012) found that independent directors reduced firm performance. Independent directors were found to prefer overly conservative business strategies in order to protect shareholders, but this goes at the cost of lower firm's performance.

4.5.2 Strategic Planning, Competitive Environment and Corporate Performance

Empirical evidence is divided on whether or not the environment moderates the relationship between strategic planning and firm performance. Moderation effect of environment on strategic planning and firm performance relationship has not been examined in detail in the past empirical studies. Some study findings indicate that strategic planning is beneficial in stable environments but are harmful in dynamic environments (Fredrickson, 1984; Fredrickson and Mitchel, 1984). On the other hand, some studies indicate that strategic planning leads to higher performance in dynamic environments (Miller and Friesen, 1983; Eisenhardt, 1989; Goll and Rasheed, 1997).

Nandakumar (2013) conducted a study among manufacturing firms in the United Kingdom and found that the environment moderates the relationship between strategic planning and financial performance. From Nandakumar study, environmental dynamism acts as a quasi-moderator and hostility acts as a pure moderator, he however did not find any moderating effects of environmental dynamism on the relationship between strategic planning and firm performance. Prescot (1986) found that the environment moderated the strength of relationship between strategic planning and firm performance. Veettil (2008) conducted a study and found that environmental dynamism and hostility did not moderate the relationship between strategic planning and relative competitive performance.

The findings of this study that, competitive environment does not moderate the relationship between strategic planning and firm performance concurs with those of Veetil (2008) but contradicts the findings of Nandakumar (2013) and those of Prescot (1986). Kenya's state corporations are not generally competitive. Some have monopolistic tendencies which makes the environment favorable to them, while others are able to survive year after year despite poor performance because they get funding from the national treasury, the artificial environment created by the state for stake corporations give them a shielding from the direct effects of competitive environment, thus reducing the moderating effects of competitive environment on the strategic planning and their performance relationship.

4.5.3 Strategic Planning, Strategy Implementation and Corporate Performance

Strategy implementation is the critical link between strategic planning and corporate performance. The extent to which an organization has been successful in implementing strategies has a direct impact on firm performance. Strategy researchers have theorized that effective implementation of strategic choices is fundamental to the firm's ability to create value (Child, 1972). The resource management model finds it essential that leaders strategically combine resources together to form capabilities in order to extract the value potential contained within those resources (Sirmon et al., 2007). Organizational leaders thus play a critical role in this value-creation process by strategically structuring, bundling, and leveraging firm resources into capabilities, which require the ability to synchronize all elements of the resource management process.

Firm leaders' resource management actions have been found to impact on firm performance. It has also been observed that managers differ in terms of their resource management abilities, which differentially impact firm-level outcomes (Ndofor, Sirmon, & He, 2011). High strategic implementation enhances the relationship between organizational resources and collective organizational engagement. When an upper-echelon team persistently implements the firm's strategy, employees find a shared sense of meaning and thus share perceptions of engagement through motivating work design (Piccolo & Colquitt, 2006). Kahn (1990) was of the view that individuals' meaningfulness is augmented when they are given clear delineation of procedures and goals. It has also been observed that when the upper echelon concentrates on carrying out the firm's strategy, it creates an even more salient culture throughout the organization that is consistent and predictable with how motivated, productive employees are rewarded and recognized (Batt & Colvin, 2011).

This study found that strategy implementation has moderating effects on the relationship that exists between strategic planning and performance of state corporations. This study finding concurs with those of Veetil (2008). In his study of strategy formulation, strategy content and strategy implementation on organizational performance among the UK mechanical and engineering sector, Veetil (2008) found that strategy implementation has a moderating effects on the strategic planning-performance relationship. However, his study found a low R^2. The findings that strategy implementation has a moderating effects on strategic planning firm performance relationship appear justified in the Kenyan state corporation situation. The issuance of Legal Notice No. 93, the State Corporations (Performance Contracting) Regulations (2004) by the Government of Kenya brought in the practice of performance contracting and strategic planning management in public service. The performance contracting move has forced the executives of state corporations to not only plan but implement their strategic plans; the annual evaluation that culminates into performance ranking forces state corporation leaders to implement their strategies year by year for fear of publicized poor performance should they fail to implement strategies, thus enforcing improvement in performance.

4.5.4 Combined influence of Moderating Variables

Firm performance is influenced by many factors. The business policy literature documents two major streams of research on determinants of firm performance. One stream of research is based primarily on economic tradition which emphasizes the importance of external market factors in determining firm success. The other stream of research builds on the behavioral and sociological paradigm and sees organizational factors and their fit with the environment as the major determinants of success (Hansen and Wernerfelt, 1989). Firm performance has also been seen as the result of business activities as a whole: its strategy and operational activities, management of all segments of business such as human resources, finance, production, and marketing (Laitinen, 2002; Porter, 1996, Miller, 1988).

Kotler (1991) explains that business performance in a given period of time is affected by many factors including luck. All the identified factors that influence the performance of a firm never act in isolation, but they do collectively. In many cases, the combined effects of the factors make it very difficult to determine the extent to which individual factors affect firm performance. Of the many factors, this study focused on strategic planning, firm characteristics, competitive environment and strategy implementation and how they relate to corporate performance individually and collectively.

Based on the findings of this study, three factors namely firm characteristics, competitive environment, and strategy implementation have been found to individually and collectively influence the relationship between firm performances in different ways. Firm characteristics have been found to have significant moderating effects on the relationship between strategic planning and firm performance. Competitive environment has been found to have no significant moderating effects on the relationship between strategic planning and corporate performance. Strategy implementation has been found to have significant moderating effects on the relationship between strategic planning and firm performance. The combined influence of firm characteristics, competitive environment and strategy implementation have been found to have no significant moderating effects on the relationship between strategic planning and performance of state corporations. The exact cause may be beyond the scope of this study but there are possibilities that the factors may have cancelled each other out in some ways given the context of the study.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECCOMMENDATIONS

5.1 Introduction

This is the final chapter of this research thesis. The chapter contains introduction, summary of research findings, conclusions, implications of the study findings, limitations of the study and suggestions for future research.

5.2 Summary of Findings

The broad objective of the study was to establish the moderating effects of firm characteristics, competitive environment, and strategy implementation on the relationship that exists between strategic planning and performance of Kenya's state corporations. The main objective gave rise to four specific objectives: determining the moderating effects of firm characteristics on the relationship that exists between strategic planning and performance of state corporations in Kenya; establishing the moderating effect of competitive environment on the relationship between strategic planning and performance of state corporations in Kenya; determining the moderating effect of strategy implementation on the relationship between strategic planning and performance of state corporations in Kenya; and establishing the combined moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship that exists between strategic planning and performance among state corporations in Kenya. Out of the four objectives, four hypotheses were stated for statistical testing. A summary of findings has been presented based on each objective and corresponding hypothesis.

The first objective of the study was to determine the moderating effects of firm characteristics on the relationship between strategic planning and performance of state corporations in Kenya. The study hypothesized that firm characteristics have no significant moderating effects on the relationship between strategic planning and performance of state corporations. To test the hypothesis that firm characteristics moderates the relationship between strategic planning and firm performance, a hierarchical multiple regression analysis was conducted. In the first step, two variables were included: strategic planning and firm characteristics. These variables accounted for a significant amount of variance in firm performance, $R2 = 0.196$, $F(1,33) = 8.080$, $p<0.05$. To avoid any potential problem of multicollinearity with the interaction term, the variables were centered and an interaction term between strategic planning and firm characteristics was created and added into the regression model (Aiken and West, 1991). The interaction term between strategic planning and firm characteristics was added to the regression model, and it accounted for a small proportion of the variance in firm performance, $\Delta R2 = 0.003$, $\Delta F(3,31)=0.101$, $p = 0.042$. Because $p<0.05$, the interaction term was found to be significant, thus confirming that firm characteristics have a moderating effects on the relationship between strategic planning and corporate performance. The null hypothesis one was therefore rejected.

Objective two of the study was to establish the moderating effects of competitive environment on the relationship between strategic planning and performance of state corporations in Kenya. The study hypothesized that competitive environment has no significant moderating effect on the relationships between strategic planning and the performance of state corporations. To test the hypothesis that competitive environment moderates the relationship between strategic planning and corporate performance, a hierarchical multiple regression analysis was conducted. In the first step, two variables were included: strategic planning and competitive environment. These variables accounted for a significant amount of variance in firm performance, $R^2 = 0.196$, $F(1,33) = 8.080$, $p<0.05$. To avoid any potential problem of multicollinearity with the interaction term, the variables were centered and an interaction term between strategic planning and competitive environment was created and added into the regression model (Aiken and West, 1991). The interaction term between strategic planning and corporate environment was added to the regression model, but it accounted for an insignificant proportion of the variance in corporate performance, $\Delta R^2 = 0.007$, $\Delta F(3,31)=0.289$, $p = 0.056$. Because $p>0.05$, the interaction term was not significant, therefore competitive environment was found to have no moderating effect on the relationship between strategic planning and firm performance.

Objective three of the study was to determine the moderating effects of strategy implementation on the relationship between strategic planning and firm performance. The study hypothesized that strategy implementation has no significant moderating effects on the relationship between strategic planning and performance of state corporations. To test the hypothesis that strategy implementation moderates the relationship between strategic planning and corporate performance, a hierarchical multiple regression analysis was conducted. In the first step, two variables were included: strategic planning and strategy implementation. These variables accounted for a significant amount of variance in firm performance, $R^2 = 0.196$, $F(1,33) = 8.080$, $p<0.05$. To avoid any potential problem of multicollinearity with the interaction term, the variables were centered and an interaction term between strategic planning and strategy implementation was created and added into the regression model (Aiken and West, 1991). The interaction term between strategic planning and strategy implementation was added to the regression model, but it accounted for an insignificant proportion of the variance in firm performance, $\Delta R2 = 0.031$, $\Delta F(3,31)= 1.815$, $p = 0.000$. Because $p<0.05$, the interaction term is significant, therefore strategy implementation was found to moderates the relationship between strategic planning and performance of Kenya's state corporations.

The fourth objective of the study was to establish the combined moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship between strategic planning and performance among Kenya's state corporations. Findings contained in table 4.9(a) indicates that $\Delta R^2 = 0.022$, $\Delta F(4,30)= 0.850$, $p = 0.089$. Because $p>0.05$, the combined interaction term is insignificant. The combined influences of firm characteristics, competitive environment and strategy implementation was found to have no significant moderating effects on the relationship between strategic planning and corporate performance.

5.3 Conclusion

State corporations are important and are worth the study because they promote economic growth and development; are critical to building the capability and technical capacity of the state in facilitating and/or promoting national development; are important instruments in improving the delivery of public services including meeting the basic needs of citizens; have been variously applied to the creation of good and widespread employment opportunities in various jurisdictions and are useful for targeted and judicious building of international partnerships. Because of the importance attached to the state corporations, it is important that they perform well. Performance of any organization is in actual sense a function of myriad of factors. A review of literature relating to organizational performance show that strategic planning is an important factor in corporate performance, however, it is not strategic planning alone that has an influence in the performance of a corporation, other factors such as corporate characteristics, competitive environment and strategy implementation also come into play.

The broad objective of this study was to establish the moderating effects of firm characteristics, competitive environment, and strategy implementation on the relationship that exist between strategic planning and performance of Kenya's state corporations. Within the broad objectives of the study, there were four specific objectives that the study aimed to achieve, these objectives were: determining the moderating effects of firm characteristics on the relationship between strategic planning and performance of state corporations in Kenya; establishing the moderating effect of competitive environment on the relationship between strategic planning and performance of state corporations in Kenya; and to determining the moderating effect of strategy implementation on the relationship between strategic planning and performance of state corporations in Kenya, and establishing the combined moderating effects of firm characteristics, competitive environment and strategy implementation on the relationship between strategic planning and firm performance among state corporations in Kenya. Out of the four objectives, four hypotheses were stated and statistically tested.

Study findings confirmed that firm characteristics have moderating effects on the relationship between strategic planning and performance of Kenya's state corporations. Competitive environment was found to have no moderating effect on the relationship between strategic planning and performance of Kenyan state corporations. The study also found out that strategy implementation moderates the relationship between strategic planning and performance of state corporations. The combined moderating effects of firm characteristics, competitive environment and strategy implementation in the relationship between strategic planning and performance of Kenyan state corporations was found to be insignificant. The conclusion of the study means that firm characteristics and strategy implementation are important factors in the strategic performance of state corporations in Kenya, and must therefore be given keen attention in strategic management.

5.4 Recommendations

The findings of this study form an important basis of making some important recommendations. The recommendations are made in terms of theoretical contributions, policy contribution and benefits the study avails to the scholars and practitioners of strategic management.

5.4.1 Theoretical contributions

With very few theories in existence in the academic world (Wacker, 1998), it is expected that scholarly research should contribute to and extend the current literature and theories by filling in the existing gaps (Varadarajan, 2003). The study findings that firm characteristics and strategy implementation, each individually have a moderating effects on the relationship between strategic planning and performance of

Kenya's state corporations; and that competitive environment and the combined influences of firm characteristics, competitive environment and strategy implementation have no significant moderating effects on the relationship between strategic planning and performance of state corporation in Kenya are noteworthy contributions to existing knowledge and literature on moderating factors between strategic planning corporate performance relationship. The study findings make important theoretical contributions to the ongoing research in the studied field.

With regard to methodology, it is important to note that social science research is replete with controversies and disagreements over social and political phenomena. This has resulted in endless fundamental philosophical debates on how to study the social world. There is therefore no doubt that methodological choices have direct implications on every study finding and this study is no exception. This study was guided by positivist paradigm which is rooted in atomism, quantification and operationalization. Findings therefore support positivist ability to produce proven results of an empirical study. The study employed cross-sectional survey study design, which is based on prevalence rather than incidental cases. Cross sectional survey study reveal the presence or absence of a relationship between the study variables and prevalent (existing cases), this secures the place of cross-sectional study design despite the facts that it may result in prevalence bias (Nayman's bias). The successful application of hierarchical regression analysis, particularly interaction analysis as statistical approach confirms the place of regression in research.

5.4.2 Policy contributions

This study makes important contribution to policy makers at national level. For instance, the policy makers at the Kenyan ministry of devolution, which houses the Kenyan Government Investment Corporation (KGIC), a body established to oversee and supervise all government investment activities, will gain important insight on strategic management, a key component of performance contracting meant to drive Results Based Management (RBM) on GOES since 2003. The insight on factors moderating the relationship between strategic planning and corporate performance will enable KGIC issue policy directives and guidelines on suitable strategic management practices at GOEs. The strategic management policy directives and guidelines may also find their applicability beyond ministry of devolution and the nation of Kenya. The neighboring East African Community (EAC) countries which have a lot in common with Kenya when it comes to operations of corporations may equally find the study useful.

5.4.3 Contribution to other stakeholders

Findings of the study are also expected to be of important insight to strategic planning managers, strategic management consultants and strategic management trainers across the sectors, both public and private. The study findings indicates that while conducting strategic planning, an exercise which usually involve all top level management of corporations, various factors which include firm characteristics, competitive environment and strategy implementation should be given keen attention if the resulting strategic plan has to have significant impact on the performance of the corporation. The insight obtained is expected to shape the definition of corporate characteristics, environmental scanning and approach taken in strategy implementation by this category of stakeholders.

5.5 Limitations of the study

In as much as findings of this study may be helpful, it is important that they be interpreted and applied with the understanding that the study has inherent limitations. This study was guided by positivist paradigm which is rooted in atomism, quantification and operationalization. Positivism has been criticized for failing to acknowledge that the world is fragmented with disorganized units that are distinct from each other and can only be critically understood through interactions. The positivist aim of measuring variables of social phenomena through quantification has also been criticized. Limitations of positivist’s paradigm have no doubt crept into the study and its findings.

Another limitation is that this study employed cross-sectional survey study design, which is based on prevalence rather than incidental cases. Cross sectional survey study reveal the presence or absence of a relationship between the study variables and prevalent (existing cases), prevalent cases may not be representative of all cases, this results to prevalence bias (Nayman’s bias). Other weaknesses associated with the cross-sectional survey study design, which may have found their way into the study are: difficulty to make causal inference; a snapshot, meaning that the situation may provide differing results if different time frames are chosen.

The choice of questionnaire as a means of data collection, and the application of regression analysis as statistical approach in this study had a direct influence on the findings of the study. Not all target respondents filled and returned the questionnaire, the study realized 66% response rate and not the targeted 100%. This could be attributed to a number of reasons; key among them being that some respondents did not have confidence that the information provided would be used purely for the research purposes as indicated, the other reason is that some respondents were too busy with other things that they did not find time to fill in the research questionnaire, the third reason was the restrictive information policy practiced by some state corporations. Some respondents avoided providing information on some important items, especially profitability either because they did not have quick access or due to confidential reasons, the above situations contributed to limitations in terms of data available for analysis. Another important limitation was the predominant use of five point Likert scale as a measurement scale. Although commonly used in social sciences and management researches, likert scale have inherent limitations such as respondents being restricted to alternatives provided and cannot freely express their views as they wish.

McGrath (1982) and Kirchof (2011) confirm that there exists a validity flaw and limitations in most research design and methods in terms of precision and realism, and this study is not an exception. Another important limitation is the utilization of regression analysis in testing the relationships between the variables on assumption that by centering the variables and generating an interaction term, the effects of multicollinearity was completely eliminated which may not be the case, thus creating room for not so very accurate result.

5.6 Suggestions for Future Research

As pointed out by Kirchof (2011) that a single study cannot be used to confirm external validity, hence the need for several related empirical studies. Arising from implications and limitations of this study, the following recommendations could be made on the direction of future research in strategic management. First, the study focused on state corporations in Kenya. Based on this fact, it is recommended that a similar study be done in other sectors of the Kenyan economy such as the private sector or in specific industries such as banking, insurance, and manufacturing. A similar study can also be done in other contexts such as other East African countries.

Secondly, this study relied on questionnaire as a means of data collection; face to face interview could yield a different set of data that could lead to different results, it is therefore suggested that a similar study be done using face to face interview as a method for data collection. Thirdly, this study employed cross-sectional study design, which collected data at a given point in time, it is suggested that a longitudinal study design be tried as it is expected to produce data that allows a time series analysis over a given period of time, and this could yield results which are significantly different from those presented by the study.

The study findings have also pointed out a number of gray areas that could be explored through further research; such grey areas include but are not limited to: why firm characteristics had significant effects on performance of state corporations, and why a combination of firm characteristics, competitive environment and strategy implementation had no significant effects on performance of state corporations. Another gray area which should be of interest as far as research is concerned is why competitive environment had no moderating effects on the relationship that existed between strategic planning and firm performance.

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APPENDICIES
APPENDIX 1: INTRODUCTORY LETTER

To The Managing Director/Strategic planning Manager/ Planning Manager
Name of the State Corporation: ____
P.O Box____
Town ____

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a Doctoral Study candidate at the University of Nairobi, School of Business. I'm currently conducting a study on Relationship between strategic planning, firm characteristics, competitive environment, strategy implementation and performance of State Corporations in Kenya.

I am pleased to let you know that your organization falls within my population of interest, and I'm therefore kindly requesting you to assist me with relevant data by filling the accompanying questionnaire.

On behalf of the University and my supervisors, I promise that the information gathered will strictly be used for academic purpose only and that no information shall be divulged to the third party without your consent or prior authority for that matter. The copy of the final report will be made available upon request.

Thank you in advance for your anticipated co-operation and support.

Sincerely,

Kennedy Oluoch
Candidate Researcher
P.O. Box 8346-00200
Tel. 0722-655859
kennedy2oluoch@gmail.com

Signature_____________________
Prof. Martin Ogutu
Research Supervisor
Schools of Business
University of Nairobi
P.O. Box 30197-00100
NAIROBI

Signature_____________
Prof. Justus Munyoki
Research Supervisor
School of Business
University of Nairobi
P.O. Box 30197-00100
NAIROBI

APPENDIX 2: QUESTIONNAIRE

SECTION A: STRATEGIC PLANNING

1. Please indicate the extent to which the following characterize the nature of strategies your organization pursues by writing an appropriate rating number in the space provided. Kindly be guided by the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large

	Example 1	**3**
	Example 2	**5**
a	My organization pursues innovative strategies	
b	My organization pursues defensive strategies	
c	My organization copies its competitors strategies	

2. Please indicate the extent to which your organization put emphasis on the under-listed issues when developing a strategic plan by writing an appropriate rating number in the space provided. Kindly be guided by the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large

	Example 1	**3**
	Example 2	**5**
a	Product market	
b	Quality of products and services	
c	Revenue generation	
d	External stakeholders	
e	Internal organization resources like funds, employees and other resources	

3. Please indicate the extent to which your organization focusses on the following issues when developing a strategic plan by writing an appropriate rating number in the space provided. Kindly be guided by the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large

	Example 1	**3**
	Example 2	**5**
a	Clarity of vision	
b	Clarity of mission	
c	Adequacy of internal analysis	
d	Adequacy of external analysis	
e	Effectiveness of strategic goals	
f	Measurability of strategic objectives	
g	Clarity of strategic issues	
h	Appropriateness of strategies	
i	Effectiveness of implementation framework	
j	Effectiveness of strategy monitoring framework	

4. Please indicate what your strategic plan document contains by ticking [✓] or putting an [**X**] an appropriate space provided in the table below.

	Example 1	**✓**
	Example 2	**X**
a	Serious issues affecting the organization	
b	Implementation Plan	
c	Risk Factors	
d	Key Performance Indicators	
e	Human Resources Projections	
f	Financial Projections	
g	Sales Volumes Projections	
h	Stakeholders Analysis	
i	Strategy Implementation Monitoring Framework	
j	Strategy Evaluation Framework	

SECTION B: FIRM CHARACTERISTICS

5. By ticking an appropriate box, please indicate the category under which your firm falls based on the given firm characteristics. Please be guided by the measurement scales provided hereunder.

Value of Asset	**Number of Employees**
1= Very Small (Bellow 10 Billion) 2= Small (10-20 Billion) 3= Moderate (21-30 Billion) 4= Large (31-40 Billion) 5= Very Large (Above 40 Billion)	1= Very Small (Bellow 100) 2= Small (101-200) 3= Moderate (201-300) 4= Large (301-400) 5= Very Large (Above 400)
Age in years	**Number of firm products**
1= Very Young (Bellow 100) 2= Young (101-200) 3= Moderate (201-300) 4= Old (301-400) 5= Very Old (Above 400)	1= Very Low (Bellow 100) 2= Low (101-200) 3= Moderate (201-300) 4= High (301-400) 5= Very High (Above 400)

S. No		**1**	**2**	**3**	**4**	**5**
a	Firm size in terms of assets					
b	Firm size in terms of employees					
c	Firm Age in terms of years					
d	Number of products produced by the firm					

6. Please indicate the extent to which your organization considers the following qualifications when hiring members of the by writing an appropriate rating number in the space provided. Kindly be guided by the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large

	Example	**3**
a	Contextual/Industry understanding	
b	Educational background	
c	Interpersonal relations	
d	Analytical skills	
e	Political maneuvers	
f	Strategic capabilities	

SECTION C: COMPETITIVE ENVIRONMENT

7. Please rate the industry characteristics in which your organization operates by writing an appropriate rating number in the space provided. Kindly be guided by the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large

	Example 1	**3**
	Example 2	**5**
a	Our competitors in price under cut to outdo each other	
b	Our competitors are engaged in unfair advertising practices	
c	Our competitors engage in unfair market practices	
d	New players easily enter our industry	
e	There are many substitutes in the market for our products	
f	Buyers in our industry dictate price of products and services to us	
g	Suppliers of our raw materials dictate the prices to us	
h	Our organization adequately cope with political factors	
i	Our organization adequately copes with economic factors	
j	Our organization adequately copes with social factors	
k	Our organization adequately copes with natural environmental factors	
l	Our organization adequately copes with legal factors	
m	Our organization adequately copes with technological factors	

SECTION D: STRATEGY IMPLEMENTATION

8. Please rate the extent to which your organization use the under listed factors in strategy implementation by writing an appropriate rating number in the space provided. Kindly be guided by the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large

	Example 1	**3**
	Example 2	**5**
a	Organization structure get well realigned with strategic plan	
b	Adequate resources are provided for strategy implementation	
c	Staff are equipped with right personal and corporate values	
d	There is adequate staffing for strategy implementation	
e	Our organizations systems are appropriate for successful strategy implementation	
f	There is good change management in our organization	
g	Role conflict is promptly and adequately managed in our organization	
h	There is effective leadership for strategy implementation in our organization	

SECTION E: ORGANIZATIONAL PERFORMANCE

9. Please indicate how well your organization has performed in the listed areas by ticking [√] an appropriate extent in the space provided. Please use the five point rating scale given below in which:

1= No Extent	2= Small Extent	3= Moderate Extent	4= Large Extent	5= Avery Large

S. No		1	2	3	4	5
Financial performance metrics						
a	Return on capital employed					
b	Cash flow					
c	Profitability					
d	Cost effectiveness in production/operation					
e	Organizational growth in profitability					
f	Risk management					
Customer performance metrics						
g	Customers continuous satisfaction					
h	Dealer/distributor margins					
i	Quality rating by customers					
j	Timeliness of service delivery					
Internal processes						
k	Effectiveness & Efficiency of Human Resource processes					
l	Effectiveness & Efficiency of Quality Management processes					
m	Technology adoption					
n	Level of innovation					
Learning and growth metrics						
o	Development of organizations core competencies					
p	Development of staff skills					
q	Access to strategic information					
r	Employee satisfaction					
s	Research & Development					

10. Please indicate the profit realized within your organization within the last five years in the spaces provided here below:

    a) In 2012/2013 Kshs. ____________________________
    b) In 2011/2012 Kshs. ____________________________
    c) In 2010/2011 Kshs. ____________________________
    d) In 2009/2010 Kshs. ____________________________
    e) In 2008/2009 Kshs. ____________________________

SECTION F: BACKGROUND INFORMATION

11. Name of your organization ____

12. Indicate your position in the organization___________________________________

13. Please explain the nature of products/services that your organization provides in the space given below

____

____

14. Please show your highest level of formal education by ticking [√] appropriate category below.

Certificate	Diploma	First Degree	Masters	PhD	Others (Specify) ______

15. Please indicate the period for which your corporation has existed by ticking [√] an appropriate category below:

Below 10 Yrs.	10-20 Yrs.	21-30 Yrs.	31-40 Yrs.	41-50 Yrs.	51 Years & above

16. Please indicate the number of cycles of strategic plans your corporation has developed by ticking [√] an appropriate category below. Also indicate the period in bracket for example (2005-2010)

1 Cycle ( )	2 Cycles ( )	3 Cycles ( )	4 Cycles ( )

THANK YOU FOR TAKING TIME TO RESPOND

APPENDIX 3: LIST OF STATE CORPORATIONS IN KENYA

APPENDIX 3A: PURELY STATE CORPORATIONS

S. No.	State Corporation	Sector
1	Agro-Chemical and Food Company	Agriculture, Livestock & Fisheries
2	Kenya Meat Commission	Agriculture, Livestock & Fisheries
3	Muhoroni Sugar Company Ltd	Agriculture, Livestock & Fisheries
4	Nyayo Tea Zones Development Corporation	Agriculture, Livestock & Fisheries
5	South Nyanza Sugar Company Limited	Agriculture, Livestock & Fisheries
6	Chemilil Sugar Company Ltd	Agriculture, Livestock & Fisheries
7	Nzoia Sugar Company Ltd	Agriculture, Livestock & Fisheries
8	Simlaw Seeds Kenya	Agriculture, Livestock & Fisheries
9	Simlaw Seeds Tanzania	Agriculture, Livestock & Fisheries
10	Simlaw Seeds Uganda	Agriculture, Livestock & Fisheries
11	Kenya National Trading Corporation (KNTC)	East African Affairs, Commerce & Tourism
12	Kenya Safari Lodges & Hotels Ltd. (Mombasa Beach Hotel, Ngulia Lodge, Voi Lodge)	East African Affairs, Commerce & Tourism
13	Golf Hotel Kakamega	East African Affairs, Commerce & Tourism
14	Kabarnet Hotel Limited	East African Affairs, Commerce & Tourism
15	Mt Elgon Lodge	East African Affairs, Commerce & Tourism
16	Sunset Hotel Kisumu	East African Affairs, Commerce & Tourism
17	Jomo Kenyatta Foundation	Education, Science & Technology
18	Jomo Kenyatta University Enterprises Ltd.	Education, Science & Technology
19	Kenya Literature Bureau (KLB)	Education, Science & Technology
20	Rivatex (East Africa) Ltd.	Education, Science & Technology
21	School Equipment Production Unit	Education, Science & Technology
22	University of Nairobi Enterprises Ltd.	Education, Science & Technology
23	University of Nairobi Press (UONP)	Education, Science & Technology
24	Development Bank of Kenya Ltd.	Industrialization & Enterprise Development
25	Kenya Wine Agencies Ltd (KWAL)	Industrialization & Enterprise Development
26	KWA Holdings	Industrialization & Enterprise Development
27	New Kenya Co-operative Creameries	Industrialization & Enterprise Development
28	Yatta Vineyards Ltd	Industrialization & Enterprise Development
29	National Housing Corporation	Lands, Housing & Urban Development
30	Research Development Unit Company Ltd	Lands, Housing & Urban Development
31	Consolidated Bank of Kenya	National Treasury
32	Kenya National Assurance Co. (2001) Ltd	National Treasury
33	Kenya Reinsurance Corporation Ltd	National Treasury
34	Kenya National Shipping Line	Transport & Infrastructure

APPENDIX 3B: STATE CORPORATIONS WITH STRATEGIC FUNCTIONS

S. No.	State Corporation	Sector
1	Kenya Animal Genetics Resource Centre	Agriculture, Livestock & Fisheries
2	Kenya Seed Company (KSC)	Agriculture, Livestock & Fisheries
3	Kenya Veterinary Vaccine Production Institute	Agriculture, Livestock & Fisheries
4	National Cereals & Produce Board (NCPB)	Agriculture, Livestock & Fisheries
5	Kenyatta International Convention Centre	East African Affairs, Commerce & Tourism
6	Geothermal Development Company (GDC)	Energy & Petroleum
7	Kenya Electricity Generating Company (KENGEN	Energy & Petroleum
8	Kenya Electricity Transmission Company (KETRACO)	Energy & Petroleum
9	Kenya Pipeline Company (KPC	Energy & Petroleum
10	Kenya Power and Lighting Company (KPLC)	Energy & Petroleum
11	National Oil Corporation of Kenya	Energy & Petroleum
12	National Water Conservation and Pipeline Corporation	Environment, Water & Natural Resources
13	Numerical Machining Complex	Industrialization & Enterprise Development
14	Kenya Broadcasting Corporation	Information, Communication & Technology
15	Postal Corporation of Kenya	Information, Communication & Technology
16	Kenya Development Bank (After merger of TFC, ICDC, KIE, IDB, AFC)	National Treasury
17	Kenya EXIM Bank	National Treasury
18	Kenya Post Office Savings Bank	National Treasury
19	Kenya Airports Authority (KAA)	Transport & Infrastructure
20	Kenya Ports Authority (KPA)	Transport & Infrastructure
21	Kenya Railways Corporation (KRC)	Transport & Infrastructure

APPENDIX 4: RELIABILITY OF INSTRUMENTS USING CRONBACH'S ALPHA

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
My organization pursues innovative strategies	266.91	894.492	.538	.913
My organization pursues defensive strategies	268.29	908.034	.139	.915
My organization copies its competitors' strategies	268.57	924.193	-.129	.916
Product Market	266.49	895.316	.593	.913
Quality of products and services	266.26	898.667	.482	.913
Revenue generation	266.54	907.491	.177	.915
External stakeholders	266.77	892.946	.441	.913
Internal organization resources like funds, employees & other resources	266.46	900.255	.424	.913
Clarity of Vision	266.31	904.751	.352	.914
Clarity of Mission	266.23	903.240	.434	.914
Adequacy of internal analysis	266.57	902.017	.404	.914
Adequacy of external analysis	266.80	895.929	.497	.913
Effectiveness of strategic goals	266.57	902.311	.396	.914
Measurability of strategic objectives	266.57	902.311	.396	.914
Clarity of strategic issues	266.43	895.723	.615	.913
Appropriateness of strategies	266.51	897.610	.421	.913
Effectiveness of implementation framework	266.77	900.946	.393	.914
Effectiveness of strategy monitoring framework	266.71	888.034	.707	.912
Serious issues affecting the organization	269.71	919.328	-.076	.915
Implementation plan	269.69	921.398	-.173	.915
Risk factors	269.66	923.467	-.254	.916
Key performance indicators	269.69	921.398	-.173	.915
Human resource projections	269.54	924.197	-.233	.916
Financial projections	269.49	925.375	-.261	.916
Sales volumes projections	269.57	923.076	-.199	.916
Stakeholder analysis	269.57	925.723	-.301	.916
Strategy implementation monitoring	269.60	920.600	-.108	.915
Strategy evaluation framework	269.46	927.667	-.334	.916
2012/13 Assets base category	269.11	906.045	.124	.916
2012/13 Work force (employees number) category	267.51	885.316	.213	.917
2012/13 Sales turnover category	269.74	917.844	.014	.915
Organization age category in years	266.94	901.173	.142	.916

Number of different products/services your organization produced in 2012/13	266.63	890.123	.237	.915
Number of new products/services your organization introduced within the last five years 2009/13	267.83	880.617	.338	.914
Number of board members who sit at the organization board	265.77	868.887	.441	.913
Ownership of your organization	269.26	922.020	-.087	.916
Contextual/Industry understanding	267.11	893.222	.379	.913
Educational background	266.74	907.079	.187	.915
Interpersonal relations	267.37	896.476	.282	.914
Analytical skills	267.14	884.067	.557	.912
Political maneuvers	268.11	904.457	.149	.915
Strategic capabilities	267.09	890.845	.478	.913
Our competitors engage in price undercut to outdo each other	267.74	917.785	-.017	.917
Our competitors engage in unfair advertising practices	268.83	927.617	-.167	.917
Our competitors engage in unfair market practices	268.51	928.434	-.166	.917
New players easily enter our industry	267.60	910.718	.063	.916
There are many substitutes in the market for our products	267.89	892.634	.328	.914
Buyers in our industry dictate prices of products and services to us	268.37	927.005	-.138	.917
Suppliers of our raw materials dictate the price to us	268.63	901.593	.204	.915
Our organization adequately cope with political factors	267.69	893.987	.346	.914
Our organization adequately cope with economic factors	267.51	881.022	.580	.912
Our organization adequately cope with social factors	267.46	890.432	.539	.913
Our organization adequately cope with natural environment factors	267.43	896.193	.338	.914
Our organization adequately cope with legal factors	267.23	892.770	.360	.913
Our organization adequately cope with technological factors	267.09	877.728	.653	.912
Organization structure get well realigned with strategic plan	266.66	881.291	.664	.912
Adequate resources are provided for strategy implementation	267.06	877.644	.622	.912

Staff are equipped with personal and corporate values	267.20	881.988	.650	.912
There is adequate staffing for strategy implementation	267.37	878.182	.614	.912
Our organization systems are appropriate for successful strategy implementation	267.06	881.938	.625	.912
There is good change management in our organization	267.43	873.840	.730	.911
Role conflict is promptly and adequately managed in our organization	267.60	886.659	.620	.912
There is effective leadership for strategy implementation in our organization	267.09	882.434	.684	.912
Return on capital employed	267.77	874.887	.588	.912
Cash flow	267.46	880.020	.533	.912
Profitability	267.83	881.852	.511	.912
Cost effectiveness in production/operation	267.57	877.017	.620	.912
Organization growth in profitability	267.66	879.879	.574	.912
Risk management	267.54	880.138	.617	.912
Customer continuous satisfaction	267.23	894.123	.458	.913
Dealer/distributor margins	267.74	883.432	.494	.912
Quality rating by customers	267.26	904.667	.260	.914
Timeliness of service delivery	267.03	887.911	.614	.912
Effectiveness and efficiency of Human Resource processes	267.20	888.459	.573	.912
Effectiveness and efficiency of Quality management processes	267.06	884.408	.601	.912
Technology adoption	267.37	888.829	.420	.913
Level of innovation	267.51	868.022	.672	.911
Development of organization's core competencies	267.37	874.182	.601	.912
Development of staff skills	267.49	879.787	.597	.912
Access to strategic information	267.34	885.173	.548	.912
Employee satisfaction	267.46	892.903	.434	.913
Research & Development	267.86	875.655	.644	.911
Highest level of formal education	267.11	903.516	.245	.914
Period for which your organization has existed	266.71	914.916	.003	.918
Number of cycles of strategic plans your organization has developed	268.09	914.669	.026	.916

APPENDIX 5: UNIVERSITY RESEARCH REFERENCE LETTER

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

19th June, 2014

TO WHOM IT MAY CONCERN

RE: KENNEDY OTIENO OLUOCH:D80/80035/2009

This is to certify that, **KENNEDY OTIENO OLUOCH:D80/80035/2009** is a Ph.D candidate in the School of Business, University of Nairobi. The title of his study is: **"Strategic Planning, Firm Characteristics, Competitive Environment, Strategy Implementation and Performance of State Corporations in Kenya".**

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.

Thank you.

PROF. MARTIN OGUTU
FOR: ASSOCIATE DEAN
GRADUATE BUSINESS STUDIES
SCHOOL OF BUSINESS

Graduate Studies Co-ordinator
P. O. Box 30197
NAIROBI
University Commerce Faculty

MO/nwk

APPENDIX 6 : RESEARCH PERMIT

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:

6th August, 2014

NACOSTI/P/14/6021/2275

Kennedy Otieno Oluoch
University of Nairobi
P. O. Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *"Strategic planning, firm characteristics, competitive environment, strategy implementation and performance of state corporations,"* I am pleased to inform you that you have been authorized to undertake research in **all Counties** for a period ending **30th September, 2014.**

You are advised to report to **the Chief Executive Officers of selected state Corporations, the County Commissioners and 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.

SAID HUSSEIN
FOR: SECRETARY/CEO

Copy to:

The Chief Executive Officers
Selected State Corporations.

The County Commissioners
The County Directors of Education
All Counties.