TOP MANAGEMENT DEMOGRAPHICS, STRATEGIC DECISION MAKING, MACRO-ENVIRONMENT AND PERFORMANCE OF KENYAN STATE CORPORATIONS

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DECLARATION

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

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DEDICATION

I dedicate this thesis to my husband Ben and my children, Lynda Mwisiwa, Jane Catherine (Kate) and Nathan Ososo (Jayden). If only to show you that it is possible to excel and to motivate you to always aim high. The sky should not be the limit but the hindrance.

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ABBREVIATIONS AND ACRONYMS

AfDB: African Development Bank

BSC: Balance Score Card.

CEO Chief Executive Officer

CGD Centre for Governance and Development

ESP: Environment Strategy Performance

GOK: Government of Kenya

IOE: Industrial Organization Economics

PTPR: Presidential Task Force on Parastatal Reforms

RBT: Resource Based Theory

SBSC: Sustainable Balanced Score Card.

SCAC*:* State Corporations Advisory Committee

SCP: Structure Conduct Performance

SCs: State Corporations

SDM Strategic Decision Making

TBL: Triple Bottom Line

TMTs Top Management Teams

ABSTRACT

The basis of this study is a conceptualization of the relationships between top management demographics, macro environment SDM and performance. Some researchers have argued that top management demographics influence performance positively while others contend that the influence is negative. There is also no agreement on the intervening influence of SDM on the relationship between top management demographics and performance. The moderating influence of macro environment on the relationship between top management demographics and SDM is also not conclusive. There was need therefore to explore further the existence of these relationships. The context of the study was Kenyan SCs. The broad objective of the study was to determine the influence of macro environment and strategic decision making on the relationship between top management demographics and performance of Kenyan state corporations. Arising from this broad objective, six specific objectives were formulated and each of these objectives had a corresponding hypothesis. The specific objectives were to; establish the influence of top management demographics on performance, determine the influence of top management demographics on SDM, determine the influence of strategic decision making on performance , examine the influence of SDM on the relationship between top management demographics and performance, examine the influence of the macro-environment on the relationship between top management demographics and strategic decision making and to establish the joint influence of top management demographics, macro-environment and SDM on the performance of Kenyan SCs. A cross sectional descriptive survey was used and data collected from 96 SCs using a semi-structured questionnaire. Data was analyzed using descriptive and inferential statistics. Hypotheses were tested using both simple and multivariate regression analysis while Baron and Kenny model and hierarchical regression analysis were used to test for intervening and moderating effects respectively. The findings indicated that top management demographics had a statistically significant influence on the performance of Kenyan SCs. This supported the upper echelons theory. Top management demographics were also found to have a statistically significant influence on SDM but SDM did not have a statistically significant influence on performance. Similarly, the moderating role of macro environment on the relationship between top management demographics and performance and the intervening role of SDM on the relationship between top management demographics and performance were found not to be statistically significant. These results partially supported the industrial organization economics theory and the environment dependency theory respectively. The study contributes to knowledge in the field of strategic management by establishing the influence of top management demographics on performance and the influence of top management demographics on SDM. Managers will use these findings to ensure that their organizations have TMTs with the right demographics to enable them properly interpret the environment and develop appropriate strategies for competitive advantage and to ensure that SDM dimensions are integrated in their decision making process. The study also offers suggestions for policy makers that will help improve performance and also proposes areas for further research.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations operate in a dynamic environment and have to develop strategies that will give them competitive advantage over their competitors. For this reason, performance is of great concern today to all organizations including public, private, profit and not for profit. For many years, both researchers and practitioners have attempted to learn why some organizations achieve high levels of performance than others (Ogollah, Bolo and Ogutu, 2011). Research in strategic management over the years has confirmed that success of organizations seldom depends upon a single factor but several such as top management demographics. Different demographics may affect strategic decision making (SDM) differently leading to variations in performance across organizations.

There has not been consensus in literature as to the contribution of top management demographics to organizational performance or which top demographic result to better performance than others. Some researchers have reported that top management demographics enhance organizational performance (Nielsen and Nielsen, 2012; Horwitz, 2005; Hambrick, 1994) while others have argued that for top management demographics to influence performance, they have to be intervened by other factors. For instance, Finkelstein and Hambrick (1990) argued that for top management demographics to have any meaningful influence on organizational performance, they have to be moderated by managerial discretion. Other researchers (Jehn and Bezrukova, 2004; Olson, Parayitam

and Twigg 2006) have further argued that variations in some of the top management demographics like the level of education, age and gender brings about fragmentation within top management and this may negatively affect performance.

The role of the macro environment on organizational performance has been the center of strategic research. Organizations are environment dependent and serving (Ansoff and McDonell, 1990; Pearce, Robinson and Mital, 2012). The type of macro environment that a firm operates in determines the strategic decisions that it makes (Smart and Vertinsky, 1984; Romanelli and Tushman, 1988).Thus, the propensity of top management teams to adopt a particular posture depends on their perception of the environment and how well their organization can adapt to the environment. The influence of top management demographics on decision making therefore may be subject to macro environment which eventually influences organizational performance.

Strategic decision making (SDM) is a critical process for any organization because it determines the strategic direction that an organization will focus on. The nature of the SDM that is adopted by organizations depends on top management demographics (Papadakis and Barwise, 1996) but this further depends on how well top management can interpret the macro environment in which their organizations operate. Fredrickson and Mitchell (1984) posited that SDM dimensions such as the comprehensiveness, the level of involvement, the level of formalization and the level of consensus and coalition building during the process may have an influence on performance.

The interface of top management demographics and organizational performance is anchored on the upper echelons theory (Hambrick and Mason, 1984) and the Resource Based Theory (RBT) (Penrose, 1959; Wernerfelt 1984). The key postulations of the upper echelons theory is that organizational outcomes, strategic choices adopted by organizations and the performance levels of organizations are partially predicted by management background characteristics which include age, education , relevant experience, functional background, gender and tenure in the organization. The theory argues that top management teams (TMTs) in organizations are very critical because they are the ones who are expected to develop strategies that align their organizations to the environment (Pearce, Robinson and Mital, 2012) in order to remain competitive. The way in which TMTs perceive and interpret the happenings in the environment influences the strategic propositions that they make hence affecting the strategic positions adopted by organizations. This consequently influences organizational performance. RBT argues that the resources that organizations possess are the primary source of performance. RBT postulates that human resources, though not tangible, can be a source of competitive advantage if properly harnessed.

The strategic decision making construct is explained by the industrial organization economics (IOE) theory whose key paradigm is the strategy- conduct- performance (SCP) construct of Bain (1951) and Mason (1939). The theory suggests that a change in the external environment or the structure of the industry in which a firm operates will dictate the strategic conduct and therefore the strategic position that a firm will adopt thus informing performance of these firms. Macro environment is anchored on the environment dependency theory whose postulations are those of the open system theory.

This theory argues that it is critical that when top management is developing strategies for their organizations, they must ensure that they also evaluate the environment so that there can be a strategic fit between the organization and the needs emanating from the environment. It follows that when top managers are developing strategies, the occurrences in the environment may influence the nature of the strategic decisions that they make. Performance is anchored on the stakeholder theory (Freeman, 1984). The key postulation of this theory is that performance should be assessed against the expectations of not only the shareholders, but also against a variety of other stakeholder groups which include employees, suppliers, government and so forth. Although these groups are not directly related to the organization, the theory posits that they are important and therefore organizational strategies must take cognizance of their needs.

The constitution of Kenya bestows the responsibility of the well-being of Kenyan citizens on the Government of Kenya (GoK). In order to achieve this obligation, the GoK has created various ministries that cut across all the sectors of the economy and state corporations (SCs) also referred to as parastatals, as the vehicles towards meeting the social and economic needs of its citizens. Kenyan SCs therefore play a key role to the success of implementing important Government programs that will help achieve the set objectives. Concerns over the performance of Kenyan SCs in Kenya have been growing over time (Kobia and Mohamed, 2006) because of the position they hold in the country's social - economic development agenda.

According to the Presidential Task Force on Parastatal Reforms (PTPR) (2013), TMT demographics may have a direct impact on the performance of SCs. However, since different SCs have varied TMTs demographics, they may adopt different dimensions of SDM thus creating variation in organizational performance. SCs do not operate in isolation but operate in a macro-environment whose factors they cannot control. Variations in TMT demographics may lead to differences in enacting the macro-environment and hence influencing the nature of SDM adopted by organizations thus bringing about variations in performance between organizations.

1.1.1 Top Management Demographics

The upper echelons theory (Hambrick and Mason, 1984) defines top management demographics as unique personal traits or attributes ascribed to individual managers, innate or learned, observable or cognitive and are indicators of givens that they bring to administrative situations (Knight, Pearce, Smith, Olian, Sims, Smith and Flood, 1999). Over time, there have been studies confirming, refuting and refining and characteristics of TMTs and their influence on performance. They include age, gender, previous experiences, functional background, ethnic diversity and education.

The extent to which a member of TMT has certain demographic characteristics predicts his/her perspectives and interpretations. An individual's age influences SDM perspectives and choices and affects flexibility, rigidity and confidence (Wiersema and Bantel, 1993). In essence, age is an important demographic variable that helps to predict an individual's non-work related experience and its diversity within an organization increases the variety

of perspectives on strategic issues facing a firm, thus stimulating the consideration of change. An organization that has a TMT with diverse age benefits from greater variance in ideas, creativity and innovation thus generating better group performance.

Gender diversity in top management is the mix of both men and women in top management teams. It has been argued that gender diversity in top management influences organizational performance positively (Dezso and Ross, 2012; Zenger and Lawrence, 1989).This is because gender diversity brings about informational and social diversity benefits on the TMT and enriches the behaviors exhibited by managers. However other studies have also argued that gender diversity brings with it ultra-group conflict (Pelled, 1996; Tsui and O'Reilly, 1989) which affects team work among the TMTs hence influencing performance negatively.

Education levels of TMTs are associated with capacity for information processing and ability to discriminate among a variety of stimuli (Horwitz, 2005). It is an indicator of their knowledge, skills and capability. Educated individuals are likely to engage in boundary spanning, tolerate ambiguity and show ability for integrative complexity. Education levels and specialization levels have further been associated with receptivity to innovation and reflect an individual's cognitive style and personality and are related to actual work group performances.

Functional background refers to an employee's work specialization and depth of relevant knowledge in specific area such as finance, marketing, engineering, human resource management, audit, planning and logistics (Bunderson, 2003).Expertise and knowledge

are therefore major sources of effectiveness. Employing functional expertise is efficient because organizations structure functional groupings to carry out business operations. The functional backgrounds of the TMTs build competences and bring together diverse knowledge domains. Managers who are well versed with their functional backgrounds are able to develop more dense connections and stimulate exchange within the top Management.

Finally, the time one has taken in the organization influences his/her SDM. Long organizational tenure is linked to higher commitment to the status quo, values of the firm, social cohesion, understanding of organizational policies and procedures (Hambrick, 2007; O'Reilly and Boothe, 1993).Tenure homogeneity is generally associated with team members' familiarity of policies, procedures and situational factors in organizations. This potentially offers the advantages of less communication interruptions, power struggles and conflict among employees. Long tenure in organizations has been argued to influence performance negatively because it lacks in team cohesion (O' Reilly, Caldwell and Barnet, 1989) but other researchers have argued that long tenure in organizations leads to high performance (Michael and Hambrick, 1992). This is because it has high levels of social integration among members of the TMT.

The influence of top management demographics on performance may be moderated or intervened by other factors. For instance, according to Finkelstein and Hambrick (1990) top management demographics offer good prediction of organizational outcomes in direct proportion to how much managerial discretion exists. Top management demographics have a great influence on SDM which eventually leads to performance (Papadakis and

Barwise, 2002). However, effectiveness of top management demographics differs from sector to sector and from organization to organization resulting to variations in performance.

1.1.2 The Macro Environment

Organizations exist in open systems. They cannot operate as closed systems because they are environment dependent and serving (Ansoff and McDonell, 1990). They depend on the environment to get their inputs for production and also to get somewhere to dispose off their goods and services. Organizations exist in turbulent, often hostile environments which pose constant threats to their growth and survival (Smart and Vertinsky, 1984) and in the long term, only effective organizations will survive and prosper. The higher the rate of change in the environment, the higher the number of major organizational goals that must be altered and vice versa. The ability to time organizational changes and keep pace with environmental change rate is an important indicator of an organization's coping abilities.

The macro-environment, also referred to as the remote environment, comprises of factors that originate beyond and usually irrespective of any firms operating situation (Hitt, Ireland and Hoskinson, 2011). They include political, economic, social, technological, ecological and legal factors (Pearce et al, 2012).Organization theorists emphasize that organizations must adapt to their environments if they have to remain viable (Ansoff and McDonnell, 1990; Ogollah et al, 2011). This environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence. Macro-environmental context represents an outer environment within which the elements of organizational strategy are blended.

Organizational performance is highly related to the dynamic evolutionary nature of the fit between the environment and the organization (Wiersema and Bantel, 1993; Romanelli and Tushman, 1988; Machuki and Aosa, 2011). As the environment change therefore, organization's survival entirely depends on devising appropriate responses to unforeseen discontinuities. There has been a debate as to whether top executives can strongly influence this fit through strategic decisions and actions. Indeed, it has been argued that the existing coping mechanism of a firm can influence its perceptions of the environment.

An organization's members can perceive the environment as posing a threat or offering an opportunity (Huber, 1984). However, with flexible coping strategies and a positive attitude towards uncertainty, a dynamic organization will find even the most turbulent environment as a source of opportunity rather than threat. The capacity of an organization to successfully adapt to its environment is facilitated to a large extent by its ability to know what the external environment is going to be like in the future. This would mean therefore that if an organization can predict the extent and direction of environmental change with some degree of certainty, it may adapt effectively to this change.

However, one of the shortcomings of the theoretical and empirical research on organizational environment has been failure to clearly conceptualize it (Machuki and Aosa, 2011). This could partly be due to the different perceptions of what constitutes the external environment. Different people perceive and act on occurrences in the external environment differently and will thus craft strategy depending on their perception of it bringing forth behavioral aspects in environmental analysis. Debate is inconclusive whether environment should be analyzed objectively or subjectively.

Understanding the upheavals in the external environment is important to the relationship between the top management demographics and SDM. This is because organizations are environmental serving and dependent (Ansoff and McDonell, 1990). Changes and turbulence in the macro-environment influence the SDM dimensions adopted by organizations and eventually the performance of each particular organization.

1.1.3 Strategic Decision Making

The quality of an organization's strategy can be attributed to the nature of the strategic decisions made by the organization's TMT. Strategic issues are defined as events, developments or trends that are perceived by decision makers as having potential to affect their performance (Ansoff and Survillan,1993).SDM is a conscious and analytical process, involving the creation of an organization's mission and objectives and deciding upon the courses of action an organization should pursue to achieve these goals (Allison, 1991). SDM is about organizations coming up with strategies that will enable it analyze internal and external resources to gain competitive advantage (Jemison, 1981; Summer, 1980). SDM therefore includes choosing the key factors that determine the performance of an organization in the long run and is one of the means through which management choice is effected.

Whereas some authors have argued that SDM is a sequence of steps (James and Iaquinto, 1989), others have argued that SDM is far from a clear sequence of activities (Bourgeois and Eisenhardt, 1988; Majorie, 1987). Therefore, instead of using step by step sequential models to describe SDM, it is more appropriate to identify certain dimensions of the process. This study has conceptualized SDM along the different SDM dimensions and

not the process per se (Hickson, Richard, Davies, Geoffrey and David, 1986; Lyles and Mintroff, 1980). This is because the dimensions of SDM are considered as the substance to the SDM process (Iaquinto and Fredrick; 1997, Bourgeois and Eisenhardt, 1988) since they shape the nature of the strategic decisions that an organization will adopt. They thus provide the avenue to organizational performance.

The dimensions of SDM include formalization, comprehensiveness, hierarchical decentralization, internal politicization, co-ordination devices and lateral communication of the process (Papadakis and Barwise, 1996). Fredrickson and Mitchell (1984) posit that comprehensiveness is a measure of rationality and is the extent to which organizations attempt to be exhaustive or inclusive in making and integrating strategic decisions. This infers that the process of decision making is exhaustive in the identification and selection of goals and also in the generation and evaluation of the various alternatives available. In determining the comprehensiveness of strategic decisions, one needed to examine the extent to which specific responsibilities are assigned to top managers, the level of involvement of employees and consultants and the extent to which developments outside the organization, functional expertise of managers and past performance are considered during the SDM process.

Papadakis and Barwise (1996) defined formalization as the degree to which the SDM process has clearly spelt out rules and procedures to be followed during the process. It involves the degree to which there is a written procedure guiding the process, the existence of a formal procedure to identity alternative ways of action, the existence of

formal screening procedures, formal documents guiding the final decisions and the existence of predetermined criteria for strategic decisions evaluation. The argument is that formalized rules bring about consensus among top management hence affecting performance positively.

Coordination devices are other dimensions of SDM. They are the special teams that are appointed by TMTs in organizations to spearhead the SDM process (Papadakis and Barwise, 1996; Papadakis, Lioukas and Chambers, 1998). The purpose of having special teams is to delve into issues in details and ensure that all information required for the process is obtained and availed and to also ensure that there is proper consultation during the process.

Hierarchical decentralization is another critical dimension of SDM. According to Andersen (2004), the SDM process requires the involvement and participation of the various levels and departments in the organization's hierarchy. The higher the involvement, the higher the commitment and understanding of organizational goals and hence the better the performance. Involvement of lower levels also promotes consensus, co-operation and co-ordination required to implement decisions successfully because it allows important strategic influences to emerge from managers at lower levels in the organization and hence positively influencing organizational performance.

Lateral communication is key in SDM. It is the degree of balanced participation of all major departments in the SDM process (Papadakis and Barwise, 1996). The performance of every functional area in an organization contributes to organizational performance.

There is need therefore that every head of a functional area is involved during the process. This will ensure commitment and understanding of the organizational objectives and makes implementation easy as it would have the support of all the functional areas in the organization hence positively influencing performance.

Finally, internal politicization where consensus is built is another critical aspect of SDM. It is the extent to which top management teams engage in negotiations and coalition building during the SDM process (Bourgeois and Eisenhardt, 1988). This is done to ensure that managers can see the point of view of other team members and support that position. This positively influences performance because the members within the TMT will be looking at an issue from the same point of view.

The depth of the manifestation SDM dimensions depend on top management demographics. Variations in organizational performance can be attributed to the different top management demographics manifested across organizations, the perceptions of TMTs and how they enact the environment. This influences SDM and eventually organizational performance.

1.1.4 Organizational Performance

Performance is the ability of an object to produce results in a dimension determined in relation to a target (Javier, 2002). It relates to efficiency and effectiveness of the firm (Machuki and Aosa, 2011). Organizational performance is an important if not the most important construct in strategic management research (Combs Crook and Shook, 2005) and remains a recurrent theme of great interest to both academic scholars and practicing

managers (Venkatraman and Ramanujam, 1986). The special focus on performance differentiates strategic management from other fields. The core of strategic management research is to increase understanding about determinants of organizational performance and explain how managers can create superior performance. In the wake of numerous corporate scandals, the need to improve organizational performance has garnered much attention from business practitioners and academics alike.

One of the greatest debates in strategic research has been what brings variations in performance between organizations? There is no one answer to this question, but one of the critical reasons why there is variation in performance is the indicators used to measure organizational performance. These indicators vary and largely depend on the core business of the organization and rationale for its existence. Therefore organizations from different sectors of the economy will measure performance differently and this will result to variations in performance. Another reason could be the manner in which an organization is able to configure and apply its internal resources and capabilities (Wernerfelt, 1984; Penrose, 1959) and how well an organization can create a fit with its environment.

Strategic management research attempts to explain the sustained superior performance of firms. The leading hypothesis is that sustained competitive advantage is achieved when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. Sustainable competitive advantage on the other hand is realized when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms

are unable to duplicate the benefits of this strategy. The measurement of organizational performance has received considerable attention. In order for organizations to properly measure their performance, there is need to redesign their measurement systems to ensure that they reflect their current environment and strategies.

An appropriate performance management system ensures that actions are aligned to the strategies developed by organizations. Despite the focus on performance, measurement of the same is yet to receive consensus among practitioners and researchers. This is partly because performance is a multidimensional and multifaceted construct. The way in which performance measurement systems are used can differ widely depending on their application. Hubbard (2009) posits that measuring organizational performance is difficult, especially when what has to be measured keeps changing. Nonetheless, a pattern of evolution of measuring can be noted.

Traditionally, performance was measured using financial indicators only (March and Sutton, 1997). Due to the separation between management and ownership, measures of return on investment were applied so that owners could monitor the performance that managers were achieving. This was largely financial. However, financial indicators of performance give inadequate and sometimes inaccurate perspective of firms' status. Consequently today, with increasing interest in performance of firms by social and environmental activities, dimensions of performance measurement such as sustainable balanced score card (BSC) (Kaplan and Norton, 1992), triple bottom line (TBL) (Elkington, 1997) and the sustainable balanced score card (SBSC) (Yongvanich, 2006) are now being used. This is because of a growing realization that the traditional

performance measures were no longer sufficient to manage organizations competing in modern markets. This notwithstanding, challenges still exist quantifying the non-financial indicators.

With more demanding customers and more competitive markets came the need for greater responsiveness and external focus for activities. The BSC provides a multifaceted view of an organization's performance. It balances financial measures with customer satisfaction, internal processes and organizations' innovation and improvement activities. The reason why the executives are adapting the BSC is that they now recognize the value of demonstrating transparency and accountability in ways that extend beyond the use of traditional financial performance measures. This trend is a consequence of increasing expectations for organizations to take greater responsibility for their non- financial impacts on the world.

The triple bottom line (TBL) is based on the stakeholder theory which assesses organizational performance against the expectations of a wider and a variety of stakeholder groups that have particular interest in the effects of the organization's activities than the BSC. The argument of the TBL is that organizations were responsible for more than just creating economic value. Thus, a firm should measure its performance in relation to stakeholders including local communities and governments not just those stakeholders with whom it has direct transactional relationships like employees, suppliers and customers. The sustainable balanced score card (SBSC) (Yongvanich, 2006) introduced social and environmental issues in the existing BSC. It thus incorporated both the BSC and TBL frameworks.

Strategic management scholars are interested in finding out which aspects or issues influence performance and with what magnitude. Top management demographics influence SDM in top Management (Horwitz, 2005) and positively contribute to firm performance (Amason, 1996; Amason and Sapienza, 1997). Researches in strategic management have varied arguments on what really influences performance. The demographics that the TMTs of organizations possess may influence performance. This is because demographics influence the way the TMTs will perceive the environment and the way the TMTs perceive the environment has an impact on the nature SDM adopted by organizations which in turn affect organizational performance.

1.1.5 The Public Sector in Kenya

Public sector is the totality of the administrative structures within which the work of government is carried out .The public sector in Kenya covers the following categories of institutions; the civil service meaning the ministries and departments of government, the legislature and judiciary, county governments, state corporations (SCs), security forces and professional regulatory bodies which regulate the conduct of its members.

Since the 1980's, the Government of Kenya has undertaken various public sector reforms in a bid to improve the capacity of institutions to make policy and deliver services to the public in an efficient, effective and accountable manner hence improve on their performance (World Bank, 2008). These reforms include; civil service reforms, financial and fiscal reforms, legal and judicial reforms and privatization of loss making SCs.

One of the notable public sector reforms was the introduction of performance contracting in the entire public sector. This was a way of introducing strategic management practices from the private sector into the public sector (Obong'o 2009). It involved the giving of responsibility to public service managers in ministries, government departments and SCs to manage and become accountable for public resources bestowed on them by government.

1.1.6 Kenyan State Corporations

Kenyan State Corporations (SCs) which are also referred to as parastatals are businesses owned by government to meet commercial and social goals. A state corporation in Kenya is created by an Act of Parliament which sets out its mandate or by Presidential Order to carry out the functions specified in the order (GoK, 1986). There are one hundred and eighty seven (187) SCs under eighteen (18) line ministries PTPR (2013).

According to PTPR (2013) Kenya identifies five roles for SCs in the national development effort. First, government owned entities are important in promoting or accelerating economic growth and development. Second, these entities are critical to building the capability and technical capacity of the state in facilitating and/or promoting national development. Third, they are important instruments in improving the delivery of public services, including meeting the basic needs of citizens. Fourth, they have been variously applied to the creation of good and widespread employment opportunities in various jurisdictions. Fifth, SCs are useful for targeted and judicious building of international partnerships (Kenya Vision 2030).

There has been a variation in performance of SCs (GoK, 2012). Centre for Governance and Development (CGD), (2010) posits that while some have performed well, others have continuously performed dismally forcing the government to continuously bail them out thus causing a drain on the exchequer. The task of managing SCs resources is bestowed on the top managers of individual SCs. The selection and identification of managers with the right demographics for specific SCs has been a factor that has influenced their performance (PTRP, 2013). Some managers have been argued to lack proper attributes that can enable the adaptation of proper SDM that have a positive influence on performance. They have been linked to the failure of SCs in aligning themselves to the ever dynamic external environment.

1.2 Research Problem

The major concern of organizations, whether public, private, for profit or not for profit has been how to achieve high performance. Organizational performance is a reflection of top management characteristics (Hambrick and Mason, 1984). Literature has proven that top management demographics influence performance (Nielsen and Nielsen, 2013). However, it has also been argued that top management demographics cannot by themselves influence performance but have to work together with other factors in order to do so.

Secondly, for any organization to be successful, TMTs must continuously develop strategies that will enable it achieve competitive advantage. SDM therefore influences the relationship between top management demographics and organizational performance.

Thirdly, in order for organizations to remain competitive, they need to respond to and operate upon the context in which they are embedded (Ansoff and McDonnell, 1990). TMTs must therefore understand these contexts and create the fit between their organizations and the environment. The relationship between top management demographics and SDM is therefore influenced by macro environment which consequently has an influence on performance.

Kenyan SCs occupy an important position in the delivery of government's agenda of bringing about socio-economic development to her citizens as envisaged by the Constitution of Kenya (Government of Kenya, 2010). This is the reason why their performance has continued to attract attention to both private and public sector and the public at large. According to PTPR (2013), some of the SCs have continuously underperformed hence exposing the successful implementation of government programs.

There is empirical evidence from previous studies on the relationship between top management demographics and organizational performance (Hambrick and Mason, 1984), the influence of top management team demographics on SDM (Papadakis and Barwise, 1996) and the influence of SDM and macro-environment on the relationship between top management demographics and organizational performance (Yoo, Reed, Shin and Lema, 2009). However, there still remain conceptual, contextual and methodological gaps which this study intends to address.

Some researchers argue that top management demographics influence performance positively, (Dezso and Ross, 2012; Marimuthu and Kolandaisamy, 2009). Others have argued that the diversity in top management demographics may bring about conflict and team fragmentation (Buyl, Boone, Hendricks and Mathyssens, 2011) hence influencing performance negatively. Secondly, there has been no consensus on which demographics have more influence on performance than others. Furthermore, most of the studies have only looked at one or two aspects of demographics and their influence on performance. There was therefore need to establish if indeed top management demographics in combination influence performance.

TMTs are responsible for developing strategic decisions for organizations and these decisions depend on the SDM adopted by organizations. However, there is very little literature on the influence of top management demographics on the SDM dimensions and the influence of SDM dimensions on performance. Most of previous studies were interested in the process of SDM and not the dimensions of the process which shape the strategic decisions that organizations adapt and therefore performance. Even the few studies that have tested these relationships have produced mixed results. The influence of top management demographics on SDM and SDM on performance therefore still remains unclear. Further, available local studies have used one or two of SDM dimensions to measure their influence on performance. Irungu (2007) used comprehensiveness while Mutuku (2012) used quality of decisions. There was a compelling need therefore to establish whether indeed top management demographics have an influence on SDM and whether the combined effect of SDM dimensions have an influence on performance.

Most empirical literature has used macro environment as an intervening variable between top management demographics and organizational performance. Given the importance of macro environment in shaping the strategic directions of organizations, this study sought to investigate whether macro environment had a moderating influence on the relationship between top management demographics and SDM. Various local studies have researched on the influence of top management demographics on organizational performance.

Irungu (2007) studied the influence of both TMT cognitive characteristics and TMT demographics on organizational performance. The findings were that top management demographics and cognitive characteristics did not have a statistically significant influence on organizational performance. The context of the study was publicly quoted companies in Kenya. Mutuku (2012) studied the influence of TMT demographics on organizational performance. The study established that that there was no significant influence of top management team diversity on performance. The context was Kenyan commercial banks.

Since the two studies did not consider macro environment which organizations have no control over and which could adversely affect performance and its influence on SDM, this study sought to study this moderating role of the macro environment. Also, performance in the two studies was measured using financial indicators only. The current study used both financial and non-financial indicators which according to contemporary strategic management practices like the balanced score card should be incorporated in order to have completeness in performance. The contexts of the studies were different

and therefore the results cannot be easily generalized to Kenyan SCs. There was need to investigate these relationships in the context of Kenyan SCs. Other studies on Kenyan SCs including Gachunga (2010), and Odundo (2012) focused on different variables from the ones in the current study.

It is evident from empirical studies that top management demographics have different influence on performance across organizations. Specific top management demographics have certain influences on SDM that impact on performance. However, several issues remain unresolved. For instance, studies on the moderating role of the macro-environment on the relationship between top management demographics and SDM are rare. Additionally, most studies have looked at top management demographics in isolation of each other. Gaps still exist on how a combination of various demographics influences performance.

Finally, no study known to the researcher has been undertaken on the joint influence of top management demographics, SDM and macro-environment on performance of Kenyan SCs. In addressing this gap, this study was an attempt to answer the following question; what is the influence of SDM and the macro-environment on the relationship between top management demographics and performance of Kenyan SCs?

1.3 Research Objectives

The main objective of this study was to establish the influence of strategic decision making and the macro-environment on the relationship between top management demographics and performance of Kenyan state corporations. The specific objectives were to:

i. Establish the influence of top management demographics on the performance of Kenyan state corporations.
ii. Determine the influence of top management demographics on strategic decision making of Kenyan state corporations.
iii. Determine the influence of strategic decision making on the performance of Kenyan state corporations.
iv. Examine the influence of strategic decision making on the relationship between top management demographics and performance of Kenyan state corporations.
v. Examine the influence of the macro-environment on the relationship between top management demographics and strategic decision making of Kenyan state corporations.
vi. Establish the joint influence of top management demographics, macro-environment and strategic decision making on the performance of Kenyan state corporations.

1.4 Value of the Study

This study has made several contributions to theory, policy and managerial practice. It has contributed to the existing body of knowledge by providing a better understanding of the relationship among top management demographics, SDM, macro-environment and

organizational performance. Various theories including the upper echelons theory, the industrial organization economics theory, the environment dependency theory, the resource based theory and the stakeholder theory have also immensely benefited from the findings of this study.

The upper echelons theory's (Hambrick and Mason, 1984) key argument is that top management demographics have a significant influence on organizational performance. However, there are critics who have argued that some of the demographics of top management like gender do not have a significant influence on organizational performance (Marimuthu and Kolandaismy, 2009) and that education and functional background of TMTs bring about team fragmentation among team members and hence affecting performance negatively (Ancona and Caldwell, 1992; Knight et al, 1999). There has not been conclusiveness in literature as to whether top management demographics influence performance positively. The results from this study confirmed that top management demographics have a statistically significance influence on performance.

This study also contributed to the industrial organization economics theory Bain (1951) and Mason (1939) which argues that the structure of an industry influences the strategy and decision making of an organization ultimately influencing performance. Although this study did not establish any statistically significant relationship between SDM and performance, it found that SDM had some weak positive relationship with performance. It also found a relationship between top management demographics, performance and SDM.

This confirmed the importance of top management demographics and SDM on performance. There are studies that have confirmed that there is a positive relationship between SDM and performance (Papadakis and Lioukas, 1998; Papadakis and Barwise, 1996).This is because SDM is a process that enables organizations to come up with strategies that will enable them develop a fit between them and the environment to gain competitive advantage (Jemison, 1981; Summer, 1980; Ansoff and McDonnell, 1990).

The environment dependency theory also benefited from the study. The main postulation of this theory is that organizational survival depends on its relationship with the environment and how well they create that fit. Although the moderating role of macro environment returned a result that was not statistically significant, there was a clear indication that top management demographics and macro environment has an influence on SDM which is the argument by the theory. Further, the joint effect of top management demographics, macro environment and SDM was found to be greater than their independent influence on performance which further confirms the argument by the theory.

This study has also made contributions to policy. SCs are important in enabling the government achieve its objectives and programs. The findings of this study have clearly shown that top management demographics which include age, education, gender, tenure in the organization, and functional background bring value to organizations and have a significant influence on performance. Emanating from this study therefore, government and other policy makers will be guided in making clear policies that will ensure that both

government and SCs have top management teams (TMTs) that have the right demographics required for improved performance.

Management practice in organizations in the public sector especially SCs will benefit from this study. Managers will therefore understand the position they hold in determining organizational performance and survival. Managers in charge of recruitment will use the findings of this study to ensure that their organizations have the right TMT demographic diversity that will drive performance. Although SDM dimensions reported no influence on organizational performance, it was clear that there was some positive influence of SDM on performance meaning that SDM was important. SCs will use the findings of this study to entrench the five dimensions of SDM which include comprehensiveness, hierarchical decentralization, lateral communication, co-ordination devises, internal politicization and formalization when they are developing their strategies. This is because it has been argued in literature that when these dimensions are used during SDM, there is enhanced performance (Bourgeois and Eisenhardt, 1988; Iaquinto and Fredrickson, 1997).

SCs will also use the findings of this study to understand the role of the environment in organizational performance. They will be able to know the need to understand the changes in the environment that they operate in and therefore develop appropriate strategies that will create a fit with the environment (Porter, 1993; Ansoff and Survillan, 1993). This will make their organizations relevant, competitive and sustainable and enable them compete not only in the region but also in the international business arena.

1.5 Organization of Thesis

This thesis has a total of six chapters. Chapter one gives the introduction of the study which covers both the conceptual and the contextual background against which the study is grounded. The conceptual background covers the concepts of the study which are top management demographics, SDM, macro-environment and organizational performance. The context of the study is the Kenyan state corporations. The chapter also covers the research problem, study objectives and the value of the study.

Chapter two of the thesis deals with literature review which includes theoretical, conceptual and empirical review. Theories which underpin the study and the relationship of the concepts are also discussed. Selected empirical literature that supports the study concepts has also been reviewed. The chapter also presents selected study gaps and the conceptual model and finally the study hypotheses are presented and discussed. Chapter three of this thesis covers the research methodology used in the study. The research philosophy guiding the study is discussed. Additionally, the research design, the population of the study, sampling and data collection methods are discussed. Finally, the operationalization of the study variables and the techniques used in analyzing data collected in the field to address the study objectives are discussed.

Chapter four focuses on preliminary findings of the study. It presents the study responses rate, the tests for normality and multicollinearity and the results on each of the study variables. The descriptive statistics used were the one sample t-tests and significance tests. Reliability, validity and normality tests on the data are also presented. Chapter five

presents the test for all the hypotheses of the study. These tests were meant to confirm the objectives of the study. The tests for the hypotheses were then followed by discussions of the findings for each of the study objectives which were done along the hypotheses, theory and past empirical studies. Finally, chapter six covers the summary and conclusions of the study as well as the implications of the study for theory, policy and managerial practice. Finally the limitations of the study and suggestion for further research are presented.

1.6 Chapter Summary

This chapter has provided the background of the study. The manifestations of the concepts of the study are discussed in brief. These concepts are top management demographics, SDM, macro environment and organizational performance. The context of the study, which is the Kenyan SCs, is also discussed.

A discussion of the research problem follows and it elaborates on the conceptual, contextual and methodological gaps that the study intended to fill. The main objective of the study which was to establish the influence of SDM and macro environment on the relationship between top management demographics and performance of Kenyan SCs is presented together with six specific objectives which form the basis of study hypotheses later on in chapter two. The value of the study is finally discussed and this includes the contributions that the study was expected to make to theory, policy and managerial practice. The next chapter presents a review of literature along the conceptual, theoretical and empirical spheres as guided by the hypothesized relationships between and among variables.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the literature review on top management demographics, strategic decision making, macro-environment and organizational performance. The chapter begins by discussing the theoretical underpinnings informing these concepts and then delves in a pairwise discussion of the concepts, by reviewing literature on the relationships. This is followed by a discussion on the research gaps identified in the literature review which finally culminates in the extraction of the conceptual framework and finally the presentation of the hypotheses.

2.2 Theories Underpinning the Study

This study was anchored on five main theories. They include the upper echelons theory (Hambrick and Mason, 1984), the industrial organization economics (IOE) theory (Mason, 1939; Bain, 1951), the resource based theory (RBT) (Penrose, 1959; Wernerfelt, 1984), the environment dependency theory (Ansoff and Survillan, 1993) and the stakeholder theory (Freeman, 1984).

2.2.1 The Upper Echelons Theory

Top management demographics, which was the independent variable of this study is anchored on the upper echelons theory. The upper echelons theory was developed by Hambrick and Mason (1984). This theory provided a framework within which the role of TMT demographics in influencing organizational outcomes can be interpreted.

The key postulation of the upper echelons theory is that organizational outcomes and strategic choices are partially predicted by top management demographics. It suggests that managerial choices are not always following rational motives but are to a large extent influenced by the natural limitations of managers as human beings (Nielsen, 2010; Usdiken, 1992; Liang, Ndofor, Priem and Picken, 2010). The manner in which organizations respond to and align themselves to the environment (Machuki and Aosa, 2011; Andersen, 2004) is what assures the competitiveness and sustainability of an organization. How organizations respond to the environment will depend on how well the organizations' TMTs trigger and interprets the issues emerging from the environment (Hambrick, 1994).Therefore, the manner in which the TMT perceives the environment will influence the kind of interpretation that they give to the happenings in the environment and eventually, the strategic positions that they adapt. This process provides the basis for strategic choice.

According to this theory, top management demographics include age, education, functional background and financial positions. Other researchers have also included tenure (Nielson and Nielsen, 2013) and gender (Marimuthu and Kolandaisamy, 2009) as part of what comprises top management demographics. The proponents of the upper echelons theory posit that firms with younger managers were inclined to make risky strategies than those with older managers and that, organizations with younger managers were able to experience growth and profitability. This position was supported by other researchers who argued that younger managers tended to be related to organizational performance due to the fact that they were receptive to change (Hambrick 1994; Tihanyi,

Ellstrand, Daily and Dalton, 2000). The proposition on functional background argues that each TMT brings to his/her job the expertise they have acquired in a specific functional area and this has an influence on developing strategies for growth (Certo, Lester, Dalton, and Dalton, 2006) and hence influencing performance positively.

The theory also developed the proposition that long tenured TMTs seemed to bend towards status quo and would be reluctant to implement change strategies (Michael and Hambrick, 1994; Nielsen, 2010; Horwitz, 2005). An organization that has a TMT with diverse tenure, benefits from the different experiences and perspectives brought by the individual TMTs and this positively affects performance. On education, the theory argued that education indicates a person's knowledge and skill base and was the foundation of understanding the organizational goals among TMTs. The theory brought a proposition that the amount of formal education of a TMT influenced performance specifically in relation to innovation but had no influence on the average organizational performance.

The propositions by the upper echelons theory have brought forth significant literature in the research of the role of TMTs and organizational performance. TMTs are critical in any organization (Kinuu, Murgor, Ongeti, Letting, Aosa and Machuki 2012; Zenger and Lawrence, 1989). Owners of organizations bestow the responsibility of utilizing resources in a way that they will enable the organizations achieve good performance. They, therefore, form the core of organizational success because they play a key role in developing strategies which is important for the survival of organizations. It is the responsibility of TMTs to redirect and align their organizations to the environment (Miles

and Snow, 1978) in order to be able to respond to the needs of the ever changing environment. Seemingly, the theory still requires empirical data especially in different contexts. Additionally, the combination of top management demographics with other variables is necessary to strengthen this theory. This theory guided the conceptualization of top management demographics' influence on performance of Kenyan SCs in this study.

2.2.2 The Resource Based Theory

Resources of the firm are the foundation for its long-term strategy because they provide the basic direction for a firm's strategy and they are the primary source of profit. The RBT postulates that resources possessed by a firm yield significant influence on performance (Wernerfelt, 1984; Penrose, 1959). It argues that organizations should look inside themselves to find sources of competitive advantage. This way, organizations will use the internal resources to exploit external opportunities.

Although human resources do not find themselves on financial statements, they are one of the most valuable resources of an organization. Notably, organizations do not own human resources meaning that staff/employees can easily move from one organization to another. Conversely, RBT posits that organizations that are able to attract high level skills and expertise from their managers tend to outperform others .Managers are therefore critical in yielding high performance of organizations. This theory guided the conceptualization of top management demographics influence on organizational performance in this study.

2.2.3 The Industrial Organization Economics Theory

The industrial organization economic (IOE) theory anchors the SDM construct which was the intervening variable between top management demographics and organizational performance. This theory is based on the strategy-conduct-performance paradigm of Bain (1951) and Mason (1939). The theory posits that organizations achieve high performance when there is a fit between organizational strategy and the environment and that the structure of an industry has an influence on the strategy and decision making of an organization. According to this theory, there is a causal link between the structure of a market in which an organization operates, the organization conduct, that is the strategic decisions and choices adopted by organizations and in turn the organization's performance.

The strategic choices adopted by organizations are influenced by the environment that the organization operates (Porter, 1993). Therefore to operate optimally, organizations require TMTs who can influence SDM. The role of TMT demographics in the structure-conduct-performance is of paramount importance. This is because TMT demographics influence the manner in which they interpret the environment and therefore how they allocate resources to sufficiently deal with emerging issues. In order to properly allocate resources during the SDM process, TMTs must be able to align their organizations to the environment in which they operate (Thomas and Ramaswamy, 1996). This enables them to determine the strategies that the organizations must adopt to remain relevant. In situations where organizations operate in a stable environment, they tend to adopt comprehensive strategies (Iaquinto and Fredrickson 1989; Papadakis et al, 1998) which

required deep analysis. However, in unstable environment, organizations would adopt less comprehensive strategies (Fredrick and Mitchell, 1984). In order for TMTs to create this fit with the environment, their demographics come into play. (Weick, 1969) argued that managers will only be able to enact an environment based on the level of their psychological set. This theory guided the conceptualization of the role of SDM on the relationship between top management demographics and organizational performance in the study.

2.2.4 The Environment Dependency Theory

The environment dependency theory whose postulations are grounded in the open systems theory argues that organizations cannot operate as closed systems because they are environment dependent and serving (Ansoff and McDonnell, 1990). Therefore the survival of organizations is dependent upon its relationship with the environment. External factors are outside the physical confines of an organization and firms do not have control over them. These factors cause turbulence and uncertainty and could have a significant impact on the SDM of an organization.

The theory argues that it is therefore important that organizations to continuously scan, analyze and evaluate the environment that they operate in. The objective is to detect trends at early stage before they affect the organization. This means as top managers develop strategic decisions, they will be subject to macro-environment influences and will need to continuously ensure that SDM takes cognizance of such influences. However, different managers perceive and enact environments differently leading to variations in performance of organizations.

2.2.5 The Stakeholder Theory

Performance, which was the dependent variable in the study, was anchored on the stakeholder theory (Freeman, 1984). In the 1980s, performance was viewed as belonging to the shareholders only. The shareholder theory, which uses shareholder return, was used to measure performance. However, given the changes in the business environment from the 1990s, a more stakeholder view started creeping in. The stakeholder theory is a theory of organizational management of stakeholders. Stakeholders are groups or individuals who benefit from or who are harmed by, and whose rights are violated or respected by organizational actions (Freeman, 1984). They are therefore groups of people or individuals who are crucial for the success of organizations and they can affect or are affected by the actions of organizations.

The traditional view argued that the shareholders of a company, who are the owners, are the only ones who matter and the organization therefore has a fiduciary duty to put their needs first to increase value for them. Stakeholder theory instead argues that there are other parties involved in an organization, including shareholders, employees, customers, suppliers, financiers, the community and so forth. The theory suggests that the purpose of a business is to create as much value as possible for stakeholders. Its perspective of organizational performance incorporates shareholder value, but also recognizes that shareholders are just one group of stakeholders and only relevant to those organizations that issue shares. In order to succeed and be sustainable over time therefore, executives must keep the interest of all the stakeholders important to the organization aligned and going in the same direction.

Organizations have developed different performance measurement tools and in recent times the BSC has become the best known tool because it incorporates both financial and non-financial targets. The performance contracts for SCs have also adopted the BSC features. The BSc is based on the stakeholder theory and has brought forth a way for organizations to report back to their owners on how well the resources that were put under their watch were utilized for the benefit of the owners and the wider group of stakeholders. Performance in this study takes cognizance of various stakeholders and shareholders as posited in this theory.

2.3 Top Management Demographics and Organizational Performance

Organizational performance is a reflection of the demographics and actions of managers who are central to the organization (Nielson, 2010; Kinuu et al, 2012). Top management demographics influence the decisions that they make and therefore the actions adopted by organizations that they lead. This occurs because demographic characteristics are associated with many cognitive bases, values, perceptions and rationality that influence the decision making of the managers. Top management demographics such as age, gender, education, tenure, experience and functional background, are believed to influence organizational performance.

Various researchers in strategic management have established varied findings on the influence of age of top management on organizational performance. For instance, age enhances the frequency of communication in a wider range of perspectives and experiences among members of work teams (Zenger and Lawrence, 1989; Tihanyi et al,

2000) and was related to performance in organizations. The age of top managers influences the nature of strategic decisions that they make. Younger managers have been argued to be inclined to more aggressive strategies (Hambrick, 1994) which call for comprehensiveness of the SDM process. This position has been supported by the propositions by the upper echelons theory which posits that organizations with younger managers adapt risky strategies and thus experience growth than those that only have older TMTs.

Conversely, age has also been argued as having a negative influence on team performance (O'Reilly, et al 1989; Tsui and O'Reilly, 1989) and was found to have a negative relationship with strategic choice which affects performance negatively. This is especially where there were big age differences within the TMTs. There is no agreement on the influence of age on organizational performance.

Diversity in educational backgrounds has a positive impact on team performance because educated individuals have been argued to be able to tolerate ambiguity and show better ability of being able to integrate and deal with complex matters (Jehn and Bezrukova, 2004). This is because diverse educational backgrounds bring with it the strategies of different experiences and strategic positives of individual managers. A person's education can be a significant indicator of their knowledge, skills and capability and also an indicator of a person's cognitive preferences. Every member of a TMT brings to his/her job and to the entire organization an orientation that has usually developed from experience in a particular functional area.

However, different educational backgrounds can also negatively affect team performance (Cohen and Bailey, 1997; Knight et al, 1999) and can lead to an increase in task oriented debates among work teams hence reducing consensus in TMTs. This argument seems to suggest that heterogeneous educational backgrounds tend to increase the level of discomfort and conflict that may lead to decreased social integration in teams. However, education background of TMTs alone cannot influence performance positively. Jehn, Northcraft and Neale (1999) argues that this relationship entirely depends on how well managers understand the environment in which the organization operates, and more importantly, how well they can be able to use their education to develop strategies that would bring about a proper match with customer needs. Seemingly, there is no clear consensus among the researchers in strategic management as to how the educational backgrounds of TMTs influence organizational performance. Similarly, arguments are varied in literature on the influence of functional background of TMTs on performance.

Functional background is the expertise and specialization in a particular functional area that TMTs bring to an organization. The expertise of team members has been found to be positively related to team efficiency and effectiveness (Certo et al, 2006) which stimulates effective decision making and hence organizational performance. This is because organizations are divided into functional groupings (departments). Structurally, TMTs with diverse functional expertise have a large pool of perspectives and skills and non-overlapping knowledge at their disposal. Therefore, it is expected that when a TMT of an organization has an experience on how to develop products in their functional area, this would be associated with growth.

Conversely, it has also been argued that functional diversity provokes team fragmentation and complicates internal communication (Ancona and Caldwell, 1992; Buyl et al, 2011) which results in team members not having shared understanding of tasks and hence affecting performance negatively.

The effect of tenure of top management on performance has been largely inconclusive. Some researchers have argued that work teams with homogenous organizational tenure tend to have a high level of team cohesion and social integration (Michael and Hambrick, 1992; O'Reilly, Caldwell, and Barnett, 1989) and such a team brings diverse experiences and are more receptive to change hence creating an impetus for organizational flexibility and strategic changes. This diversity comes with varied perspectives among members hence becomes easy to build consensus among TMTs leading to good performance.

Other researchers have argued that organizational tenure diversity lowers team cohesion, reduces open communications among members and lowers organizational performance (O' Reilly et al, 1993). On the same breadth, teams with lengthy and homogenous tenure increases reluctance to organizational changes and innovations while maintaining the status quo and were unwilling to make strategic changes. This may affect performance negatively. This supports the proposition by the upper echelons theory that long tenure was negatively related to strategic choices that involved change and that long tenured TMTs resist change and opt for status quo.

Arguments on the influence of gender diversity on organizational performance have equally been varied. For instance, there has been an argument that gender diversity in TMTs improves task performance, information processing and decision making which leads to better organizational performance (Certo, et al, 2006). Other studies have argued that gender diversity may also impact social cohesion negatively which in turn affects employee satisfaction and eventually organizational performance (Tsui and O'Reilly, 1989).

It has also been argued that there is no correlation between gender diversity and performance. Marimuthu and Kolandaismy (2009) argued that although there was women involvement at corporate level (TMT) in large firms, they were unable to impact on organizational performance. Dezso and Ross (2012) argued that female representation in TMT improves firm performance but only to the extent that firm's strategy focused on innovation. There is notably no agreement as to the contribution of gender diversity of top managers on overall organizational performance.

Consensus among researchers on which combination of demographics lead to high performance is yet to be arrived at. It is an area that will continue to draw the attention of researchers due to the critical role that TMTs demographics play in shaping the competitive future of organizations. It can thus be posited that top management demographics have a significant influence on organizational performance.

2.4 Top Management Demographics and Strategic Decision Making

There has been a lot of interest in the SDM process. Strategic decisions are among the main means through which management choice is actually made. Although a lot of research has been done on the SDM process, empirical research has not been extended to rigorous investigation on the role of top management demographics on specific SDM dimensions (Papadakis and Barwise, 1996; Eisenhardt and Bourgeois, 1988).

The ability of an organization to anticipate and respond to opportunities or pressures, both internal and external, is one of the most important ways in which its long term competitiveness and viability are ensured (Pearce et al, 2012; Porter, 1985). The nature and effectiveness of organizational responses vary in part with how top management triggers and interprets strategic issues (Mintzberg, 1994; Dean and Sharfman, 1993a). Internal or external stimuli may thus be interpreted quite differently by managers in different organizations or even by managers within the same organization. Organizations that are able to achieve an alignment between managerial characteristics and strategic direction perform better than firms where such an alignment is absent.

There is a link between top management demographics and SDM. The upper echelon's theory (Hambrick and Masons, 1984) posits that organizational strategies and outcomes reflect the characteristics of TMTs. Top management demographics explain the kind of strategic orientation that an organization takes. Cyert and March (1963) argued that the SDM of TMTs is partially defined by top management demographics. This relationship occurs in sequential steps. First, TMT cannot scan every aspect of the environment. The

managers' field of vision is restricted, posing a sharp limitation on eventual perceptions. Secondly, the managers' perceptions are further limited because they perceive only the phenomena included in the field of vision. Finally, the bits of information selected for perception are interpreted through a filter woven by one's cognitive base and values.

These steps provides the undertaking therefore that the managers overall perception of the situation combines with his or her values to form the basis of strategic choice. Therefore, the SDM process and the overall strategies developed by the TMTs on behalf of their organizations reflect to some extent on the top management demographics. Therefore, it can be argued that when confronted with the same objective environment, different managers will make different decisions based on their individual experiences.

Hambrick and Mason (1984) posit that organizational outcomes and strategic decisions are partially predicted by top management demographics. This position has been supported by other researchers (Miller and Droge, 1986) who argued that organizational strategies can be influenced by the personalities of TMTs. Therefore, understanding why organizations do the things they do, or why they perform the way they do, requires the consideration of the biases and dispositions of their most important actors- the top executives. The role of TMTs is important enough to determine strategy content, process and performance. Executive orientation works through a perceptual or filtering process that results in what is called managerial perceptions and actions (Hambrick and Mason, 1984) or construed reality (Finkelstein and Hambrick, 1996). Different top management perception, in turn, influence SDM adopted by the organizations that they lead.

Studies on the relationship between top management demographics and SDM have produced mixed results. There is evidence in literature that where TMTs have been in an organization for a long time, they become inculcated in its culture and will be bent towards status quo and a reluctance to change (Yoo et al, 2009; Bantel, 1993). These managers will therefore most likely adopt more biased, less rational and less formalized SDM processes.

Further, well-educated TMTs are oriented towards organizing and rationalizing (Papadakis and Barwise, 1996; Michael and Hambrick, 1992). This is so because of their high level of knowledge which would usually show an inclination towards strategic change and brings consensus in the decision making process. They have higher level of knowledge and contribute to more rational approaches to decision making and more creative solutions to complex situations. Well educated TMTs thus positively influence SDM.

Literature on the relationship between top management demographics and internal politicization has focused on varied issues. These include among others politics (Dean and Sharfman, 1996), negotiation/bargaining (Hickson et al.1986), individual versus group dynamics (Kraatz and Zajac, 2001), power and consensus/dissension (Miller, 1987). There has been no consensus on the influence of top management demographics on politicization of SDM. Eisenhardt and Bourgeois III (1988) argued that politics within top management teams are associated with poor firm performance. This is because politics are organized into stable coalitions that may sometimes pursue wrong decisions

to satisfy their interests. Conversely, Papadakis et al (1998) argued that politicization can be the source of understanding among team members because each one of them sees the point of view of the other and this may influence performance positively.

Thompson (1967) argues that where there is high uncertainty, managers ignore procedures and rules or use very little of formalized rules but rely on intuition in order to deal with emerging issues. The reverse is the case, that where there is certainty, there is a tendency of TMTs to follow organizational systems that are more formalized. It can therefore be posited that although there is no consensus on which top management demographic influences SDM more than the others, or in fact whether top management demographics influence SDM at all, and given the important position that TMTs occupy in setting the strategic directions that organizations will adapt, it can be posited that top management demographics have a significant influence on SDM.

2.5 Strategic Decision Making and Organizational Performance

Successful organizational performance requires effective decision making and the strategies developed by organizations must enable the organization to achieve competitive advantage in the market. Strategic decisions are important because they determine the actions that organizations take, and the resources that are allocated to implement decisions in order to meet organizational goals and objectives (Yoo et al, 2009). The process of SDM is therefore one of the most important processes for organizational sustainability which must unfold smoothly and the managers must be able to select a course of action that will enable the organization meet its mission and vision.

There is empirical literature confirming that the comprehensiveness of the SDM process has an influence on organizational performance. Comprehensiveness refers to the degree to which organizations are exhaustive and integrative during the SDM process. Comprehensiveness is an important dimension in SDM but there has not been a convergence as to whether it affects performance positively.

According to Papadakis and Lioukas (1996) and Bourgeois and Eisenhardt (1988), comprehensiveness may lead to better performance. This is because TMTs are able to evaluate alternative strategies, brainstorm together and therefore would be having the same understanding of the strategic decision that an organization chooses to adapt. However, Fredrickson and Mitchell (1984) and Papadakis et al (1998) argued that comprehensiveness exhibited a consistently negative relationship with performance especially in turbulent industries but there was a positive relationship between corporate performance and comprehensiveness in relation to return on assets. There is therefore no consensus on the contribution of comprehensiveness on organizational performance.

Hierarchical decentralization is about the involvement of all levels of individuals in the organization right from the Board of Directors, Chief Executive Officer (CEO), heads of department and lower level managers. Hierarchical decentralization has been argued to positively influence performance (Wong, Orison and Tetlock, 2011; Andersen, 2004) because it allows for subordinate participation which leads to higher commitment and understanding. It is a decision structure that allows important strategic influence to emerge from managers at lower hierarchical levels in an organization, which eventually

influences an organization's strategic outcomes. Therefore, decentralized SDM is characterized by the level of influence managers within the organization can exert on strategic outcomes through participation in strategic decisions and their ability to come up with initiatives that have potential strategic impact.

The participatory process causes more market views and organizational perspectives to be considered in SDM which should consequently lead to better outcomes. There has however been no consensus in literature that hierarchical decentralization of decision making positively influence organizational performance. Some scholars argue that subordinate participation leads to higher commitment and shared understanding (Papadakis et al, 1998; Andersen, 2004) of organizational objectives which lead to good organizational performance. This is because a participatory decision process causes more market views and organizational perspectives to be considered in strategic decisions which should lead to better outcomes. Other researchers have argued that a centralized process achieves higher performance because information is contained and is easy to access hence making it easy to make decisions (Miller, 1987; Wally and Baum, 1994). This is because information does not have to go through too many layers where different people may have divergent views and also there in no distortion of information because information is dealt with by just a few members in the organization.

Good strategic decisions are a reflection of the degree of internal politicization during the SDM process. Internal politicization plays a critical role during SDM (Boeker, 1997; Eisenhardt& Bourgeois, 1988). Internal politicization is about the degree to which

coalitions amongst top managers are created and negotiations undertaken during the decision making process. The aim is to ensure that there is consensus and understanding among the top managers which build support within the organizations for the proposals advanced by Managers.

Scholars have argued that debate which is one of the characteristics of politicization tends to decrease efficiency (Hickson et al, 1986). This is because it takes a lot of time, energy and effort to engage in an attempt to negotiate with team members to understand and support the position of a team member. There are two types of conflicts; cognitive which is task oriented and affective which is interpersonal. Amason (1996) argues that groups that encourage cognitive conflicts while avoiding affective conflict achieve higher commitment and understanding of organizational goals and hence good performance. Thus, strategy may emerge through a political process where strategic issues are formed around coalitions among managers in the organization that share the same cognitions. It is likely that seeking allies and lobbying others may be constructive especially with respect to building, understanding and commitment. This would ultimately generate support and may persuade others of the merits of a decision.

Formalization is the degree to which organizations have put in place rules and procedures to be followed during the SDM process. There has been no conclusiveness on the influence of formalized rules on organizational performance. Some scholars have argued that formalized rules inhibit efficiency, adaptability, open communication and rapid competitive response (Khandwalla, 1997). However, other scholars posit that formalized

rules are able to help persuade others of a proposal merit (Boeker, 1997). The argument is that formalized rules provides a means of educating top managers about projects and therefore creating and getting the required support leading to better understanding among top executives and hence improving on performance.

From the foregoing, it is clear that there has not been agreement among researchers as to which SDM dimension influences performance more than the others. Further, it is inconclusive as to whether SDM in its totality influences performance. What is clear however is that SDM has an influence on organizational performance. It is only the degree of influence that has not been agreed upon.

2.6 Top Management Demographics, Macro-Environment and Strategic Decision Making

Organizations today more than any other time before exist in turbulent, often hostile environment which pose constant threats to their growth, existence and survival. This means that only organizations with the ability to perceive and respond to occurrences in the external environment can survive competition (Machuki and Aosa, 2011). Managers undertake SDM with the intention of influencing organizational performance. However, occurrences in the external environment will either accelerate or decelerate the influence of top management demographics on SDM.

The moderating role of macro-environment on the relationship between top management demographics and SDM has received little attention in strategic management research (Fredrickson and Mitchell, 1984; Eisenhardt, 1989). The few empirical studies that have looked at this relationship have produced contradictory results. Iaquinto and Fredrickson

(1989) as well as Papadakis et al (1998) argued that organizations that operated in stable environments followed comprehensive SDM processes. The argument is that the organizations have sufficient time to evaluate and re-evaluate alternative strategies in a given situation.

On the other hand, organizations that operated in highly dynamic environments employed fewer searches and less explicit analysis of alternatives because there was really no time to be comprehensive due to environmental dynamism and so they take quick decisions relying on the available information. This position was contradicted by Bourgeois and Eisenhardt (1988) who concluded that where organizations operated in high-velocity environment comprehensive decision making processes were followed.

Organizations both respond to and operate upon the context in which they are embedded. Top management teams are critical in understanding these contexts and creating the fit between the organization and the environment. The primary task of top management is therefore to intervene on ongoing patterns of commitments and re direct the character of an organization's relationship with its environment (Miles and Snow, 1978). Management must therefore keep re-examining the macro environment to determine whether the current fit is appropriate or whether there is need for strategic interventions. This would enable TMTs to develop systems to support already identified strategic decisions critical for organizational competitiveness and survival.

The process of evaluating and interpreting the macro environment is uncertain and complex. It has been argued in literature that managers' perceptions reflect their backgrounds and experiences (Finkelstein and Hamrick, 1990). Indeed, managers' unique backgrounds greatly affect the adaptation of organizations to the environment and the direction of the organization. TMT cognition, understanding and interpretation of the external environment therefore becomes the key to ensuring that a proper fit will see the survival and the competitiveness of the organization realized. When TMT put strategies that match the environment that the organization operates appropriately then this has a positive impact on the SDM process and influence on performance.

Wally and Becerra (2001) argued that individual perceptions need not correspond to any objective reality. Managers will enact an environment that is consistent with their psychological set. An environment that one organization perceives as simple, static and with little uncertainty, may be perceived by a second organization as complex, dynamic and with a high degree of uncertainty. This means therefore that organizational responses to an identical environment will be highly variable from organization to organization and this will also apply to responses of different parts of the same organization. While a firm's success depends on how well TMT are able to interpret and match the environment to the organizational strategies, a poor match may arise if TMTs do not update their perspectives in a dynamic environment setting or if the TMT fails to act upon a shift in environmental conditions because their power base is routed in existing strategic approaches. This mismatch may affect organizational performance negatively.

Studies have shown that managers who perceive their environment as complex and dynamic and therefore uncertain adopt comprehensive strategies, while others have argued that managers in more complex and uncertain environments tend to assume greater risks and employ more innovative strategies than managers in a less turbulent environment (Khandwalla, 1997; Miles and Snow, 1978; Smart and Vertinsky, 1984). Therefore managers in the more uncertain environments attempt to anticipate events and implement preventive actions rather than merely respond to events that already occurred.

According to Hitt et al (2011), a firm's ability to achieve competitive advantage and earn above average returns is threatened when managers fail to respond appropriately and quickly to the changes in the macro-environment. This is because strategic decisions are adaptations to external opportunities, threats, constraints and other features of the environment and the role of the TMTs is to facilitate this adaptation. Top management judgment is therefore an important part about analyzing and enacting an environment.

Effective managers with particular demographics build strong ties with the external stakeholders, are able to read the signals in the macro environment by accessing information and advice on events in the particular environment. The SDM dimensions adopted by organizations and the eventual success of organizations are therefore subject to occurrences in the external environment. It can thus be posited that the relationship between top management demographics and SDM can be influenced by the macro-environment.

2.7 Top Manaement Demographics, Strategic Decision Making and Organizational Performance

Hambrick and Mason (1984) ignited the debate in strategic management literature on the central part that TMTs play in developing strategies that will align organizations with the environment and consequently influence organizational performance. The argument is that top management demographics such as age, education, tenure, gender and functional background which reflects the underlying cognitive and affective managerial characteristics, predict the nature of strategic decisions that organizations make hence influencing performance.

SDM is critical for organizations. This is because it is the process that determines whether organizations will survive or not (Machuki and Aosa, 2011). It is the process where organizations adopt strategic positions that will guide their strategic directions both in the short and long term. The complexity of SDM processes put great demands on organizations and their TMTs because it can affect performance (Kaplan and Norton, 2006; Kraatz and Zajac, 2001). The role of interpreting the environment by TMTs therefore becomes key in ensuring that there is a proper fit of the organization with the external environment. The manner in which TMT interpret the environment depends on their demographics (Hambrick and Mason, 1984; Finkelstein and Hambrick, 1996; Nielsen and Nielsen, 2013) and how they understand and interpret the environment. Managers, who for example perceive the environment to be complex, may adopt more comprehensive strategies. This will certainly affect performance depending on the strategic decisions that they develop.

TMTs that have diverse demographics are better suited to manage in turbulent environments (Pitcher and Smith, 2001; Stewart, 2006; Wally and Becerra, 2001) and are inclined towards being receptive to change which has a positive impact on performance. Diverse demographics of TMTs bring varied knowledge and SDM styles which in essence enables them to successfully address the organizational dynamism and environmental complexity. These variations are likely to yield positive effects on performance.

Further, differences in perspective broaden the scope of the available information and stimulate diversity in interpretation of situations (Papadakis and Barwise, 2002). TMTs are therefore able to properly develop strategies that will keep their organizations competitive and hence influence performance. SDM therefore has an influence on the relationship between top management demographics and organizational performance.

2.8 Top Management Demographics, Macro-Environment, Strategic Decision Making and Organizational Performance

Organizational outcomes, SDM and performance levels are partially predicted by managerial background characteristics (Hambrick and Mason, 1984). However, organizations do not operate in isolation but in an environment which they have no control over. From time to time, organizational environments undergo catastrophic upheavals which lead to changes that are so sudden and extensive that they alter the trajectories of entire industries, overwhelm the adaptive capacities of resilient organizations, and surpass the comprehension of seasoned managers (Machuki and Aosa, 2011).

The characteristics of a firm's environment can have an impact on managerial perceptions. Organizations that operate in a stable environment adopt more rational SDM while those operating in turbulent environment will adopt more comprehensive and formalized strategic decision processes in order to remain competitive. According to Duncan (1972a) behavioral aspects of individuals differ leading to different perceptions of the macro-environment thus affecting SDM. As principal decision makers, top managers use their pre-existing knowledge structure to selectively interpret information obtained both internally and externally (Hambrick and Mason, 1984).

Managers' mental models influence the strategic decisions they make (Nielson, 2010). Managerial perceptions of the macro-environment also referred to as construed reality influence SDM which eventually have an impact on performance. It can thus be postulated that top management demographics, SDM and the macro-environment have an influence on performance.

2.9 Summary of Knowledge Gaps

A review of literature indicates that the concepts in this study have been used in various other studies. However, there are still unanswered issues which constitute conceptual, contextual and methodological knowledge gaps. Notably, the variables seem to have been studied over time, but contradictions exist on some of the relationships while other relationships are yet to be tested empirically.

Conceptual gaps include those regarding how the variables have conceptually related in previous studies. Contextual gaps include gaps in studies done on Kenyan SCs while methodological gaps are gaps unearthed on previous study designs, choice of population, sampling, analysis and interpretation of findings. Table 2.1 has summarized these previous studies, highlighting their findings and knowledge gaps as well as indicating how the current study addressed them.

Table 2.1: Summary of Knowledge Gaps

STUDY BY	FOCUS OF THE STUDY	FINDINGS	KNOWLEDGE GAP	HOW CURRENT STUDY ADDRESSED THE GAPS
Dean and Sharfman (1996)	Investigations to determine whether strategic decision making processes related to decision making effectiveness.	Procedural rationality is positively related to decision effectiveness and political behavior is negatively related to strategic decision effectiveness.	Study variables were different from the current study. Strategic decision processes was the independent variable and strategic decision effectiveness was the independent variable.	Top management demographics and the macro-environment which are key to organizational performance were used to show their role in decision making.
Eisenhardt and Bourgeois III (1988)	Investigations to determine whether politics affect the strategic decision process.	Politics arise from power centralization and that politics within top management teams are associated with poor firm performance.	Politics was used as the independent variable and SDM was the dependent variable. The context was companies in the USA.	Top management demographics was the independent variable and performance was the dependent variable. The context of this study was Kenyan State Corporations.
Irungu (2007)	The effect of top management teams on performance of publicly quoted companies.	Top Management demographics and cognitive characteristics have no significant effect on organizational performance.	Strategic decision making process and Macro-environment were not studied. The context was SCs quoted in the stock exchange	The influence Strategic decision making and the Macro-environment on performance were considered. The context was Kenyan SCs
Marimuthu and Kolandaisamy (2009)	Whether demographics diversity in top management contribute for greater financial performance.	The involvement of women in TMT did not have significant influence on firm performance.	Study used only one top management demographic and did not consider the influence of SDM on organizational performance.	This study focused on the combined effect of top management demographics on performance and also the influence of SDM on organizational performance.

STUDY BY	FOCUS OF THE STUDY	FINDINGS	KNOWLEDGE GAP	HOW CURRENT STUDY ADDRESSED THE GAPS
Dezso and Ross (2012)	Influence of female representation in TMT on firm performance.	Women representation in top management improves firm performance.	Macro-environment and SDM not considered.	This study focused on the joint influence of environment, and SDM on organizational Performance.
Buyl et al (2011)	The moderating role of CEO's characteristics on the relationship between TMT functional diversity and firm performance.	There was evidence for the existence of CEOs' moderation effects on the relationship between TMT functional diversity and firm performance.	Used information exchange and integration and CEO's characteristics as the intervening variable business TMT functional diversity and organizational performance.	This study used SDM as the intervening variable between top management demographics and organizational performance.
Mutuku (2012	The influence of involvement culture and diversity management strategies on the relationship between TMT diversity and organizational performance.	There was no significant effect of TMT diversity on organizational performance.	The influence of SDM and macro-environment on performance was not studied. The context was commercial banks in Kenya.	The influence of SDM and macro-environment were studied and the context was Kenyan SCs.

Source: Secondary Data (2014)

2.10 Conceptual Framework

The proposition that top management demographics influence organizational performance has been the center of strategic management research for a while. Top management demographics include: age, education, functional background, gender and tenure in organization. However, most of the previous studies have used a single or two demographics to establish their influence on performance. Most studies also only looked at the financial indicators of performance. It is important to mention that both financial and non-financial factors have been combined in this study to provide the completeness of organizational performance.

Top management demographics are critical in influencing organizational performance. No single managerial demographic can account singly for the performance of organizations, rather they work in combination to bring about good performance. This study therefore used a combination of five top management demographics in order to have objective findings on their individual and combined influence on performance.

Top management demographics were also conceptualized to influence SDM dimensions which include comprehensiveness, formalization, coordination devices, hierarchical decentralization, lateral communication, internal politicization. Further SDM was conceptualized as an intervening variable between top management demographics and organizational performance. This was considered critical because the success of organizations depend on how well its TMTs are able to adapt appropriate SDM in order to generate strategies that will ensure their competitiveness. Previous studies have used

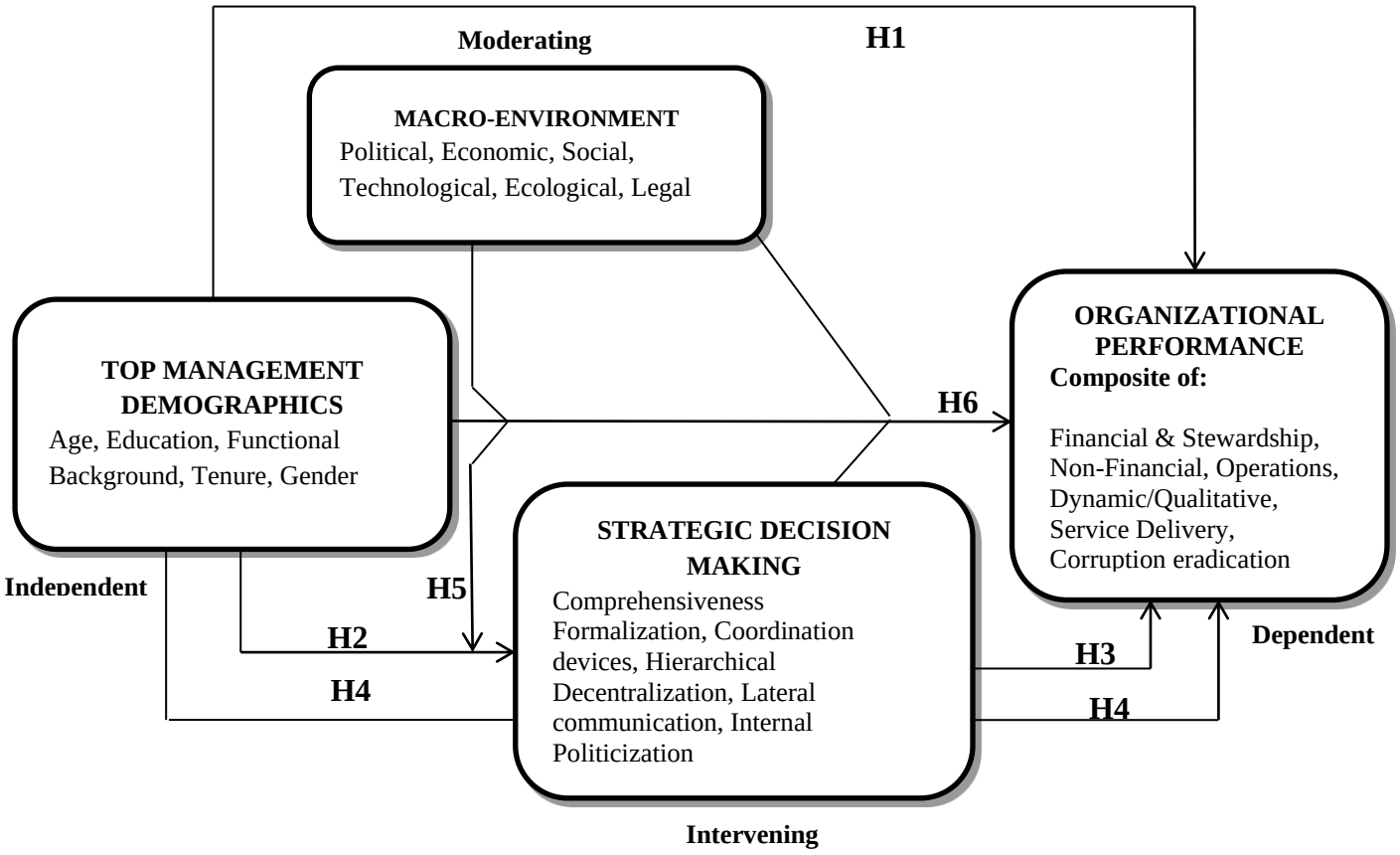
one or two SDM dimensions to test their influence on performance. This study used a combination of five different SDM dimensions to establish their individual and combined influence on performance.

Macro- environment was conceptualized as a moderating variable in the relation between top management demographics and SDM. This was done in order to establish the important role that the macro environment and top management demographics play in SDM which is key in the performance of organizations. TMTs must always align their organizations to the macro environment in order to develop a proper fit that will give them a competitive edge in the market and hence influence their performance positively. Previous studies have mostly used the macro environment as an intervening variable between top management demographics and organizational performance.

Performance in this study was the dependent variable and was indicated by a single composite index which was obtained from the performance contract reports from the department of performance contracting in the Ministry of planning and devolution. It had six indicators namely; finance and stewardship, non-financial, operations, service delivery, dynamic/qualitative and corruption. These indicators are financial and non-financial. This conceptual discussion was schematized in the model in Figure 2.1.

2.11 Conceptual Hypotheses

Figure 2.1: Conceptual Model



Source: Researcher 2014

Emerging from the relationship in the conceptual model in Figure 2.1 above, the following formulated Hypotheses were formulated:

H1: Top management demographics have a significant influence on the performance of Kenyan state corporations.

H2: Top management demographics have a significant influence on strategic decision making of Kenyan state corporations.

H3: Strategic decision making has a significant influence on the performance of Kenyan State Corporations

H4 Strategic decision making has a significant intervening influence on the relationship between top management demographics and the performance of Kenyan state corporations.

H5: The Macro-environment has a significant moderating influence on the relationship between top management demographics and strategic decision making of Kenyan state corporations.

H6: The joint effect of top management demographics, strategic decision making and macro environment is greater than the independent effects of the variables on the performance of Kenyan state corporations.

The study had the above six hypotheses and were all tested. H_1 was the primary hypothesis of the study which tested the relationship between top management demographics and organizational performance. TMTs are the ones that develop strategies for their organizations and are therefore responsible for their performance. In order to test this relationship, both the individual and combined effects of top management demographics on organizational performance were tested. The study also hypothesized the relationship between top management demographics and SDM. Individual top management demographics were tested against the combined SDM dimensions to confirm their influence on SDM. This relationship was stated and tested as H_2.

The third hypothesis was stated as H_3 and it tested the influence of SDM on organizational performance. To this end, the individual and combined influences of SDM dimensions on performance were tested. SDM was also hypothesized and tested as an intervening variable in the relationship between top management demographics and organizational performance. This is because of the critical position that SDM occupy in ensuring that organizations achieve their objectives. It is the SDM process that develops strategies for the short, medium and long term sustainability of organizations. This relationship was stated and tested in the study as H_4. The moderating effect of macro environment on the relationship between top management demographics and SDM was stated and tested as H_5. Finally, the joint effect of top management demographics, macro-environment and SDM on organizational performance was stated and tested as $H_{6.}$

2.12 Chapter Summary

This chapter was devoted to a detailed literature review. The review was important to help the study appreciate what previous studies on the study variables existed. The chapter provided a detailed description of various theories that guided the study and which formed the foundation of the study. The main theories anchoring the study are the upper echelons theory, resource based theory, the Industrial organization economics theory, the environment dependency theory and the stakeholder theory.

The chapter then delved in a pairwise review, assessing the conceptual relationships of the study variables. The pairwise reviews carried out included; top management demographics and performance, top management demographics and SDM and SDM and

organizational performance. Also, the relationship between top management demographics, macro environment and SDM; the relationship between top management demographics, SDM and organizational performance and finally the relationship between top management demographics, macro environment, SDM and performance were discussed.

The literature review on the relationships between the variables brought to fore the gaps in literature that needed to be addressed by the study. A conceptual framework demonstrating the relationship among the variables of this study was then schematized along arguments in literature which was followed by the stating of the hypotheses of the study. These were tested and presented in chapter five of this thesis. The next chapter presents the research methodology employed in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

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

3.2 Research Philosophy

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

Positivism is an epistemological position based on the assumption that the observer is independent of what is being observed and that its properties should be measured through objective criteria rather than being inferred subjectively (Mugenda and Mugenda, 2003).

The belief of the positivists is that only phenomena that can be scientifically measured can validly be referred to as knowledge. Positivism assumes that the research is based on real facts, neutrality, impartiality, consistency, measurements and validity of results. It is further assumed that the approach is methodologically quantitative and value free (Zikmund, 2003) and involves complete separation of the researcher and the phenomenon being investigated.

This study was based on the positivist philosophy because it was anchored in theory from which hypotheses were drawn. Data was collected from the field and analyzed. The hypotheses were tested empirically with the aim of either rejecting or failing to reject the hypotheses. The researcher was independent of the study and did not influence its outcome. Rather, the outcome was determined by empirical testing of the operationalized variables.

3.3 Research Design

A research design is the blueprint that guides a researcher in the various stages of the research. It assists the researcher to structure how to collect data, how to analyze data that has been collected in the field and finally how to interpret that data. This helps the researcher to establish a structure for specifying relationships among study variables. This study adopted descriptive cross-sectional survey research design. This design was appropriate because the study sought to establish relationships among variables at only one point in time and data was collected across a large number of organizations at one point in time. Cooper and Schindler (2006) posit that cross sectional studies are carried

out once and represent a snap shot of one point in time. In a descriptive cross sectional survey either the entire population or a subset thereof is selected, and from these individuals data are collected to help answer the research question of interest.

Descriptive cross sectional surveys help a researcher to establish whether significant associations among variables exist at some point in time (Cooper and Schindler, 2006; Nachmias and Nachmias, 2004). This study set out to establish the influence of top management demographics on performance of Kenyan SCs , the intervening effect of SDM on that relationship, the moderating effect of the macro environment on the relationship between the top management demographics and SDM and the joint effect of top management demographics, macro environment and SDM on the performance of Kenyan SCs. This design was used successfully by other researchers Aosa (1992), Munyoki (2007), Ongore (2011) and Irungu (2007) to test hypotheses and draw conclusions.

3.4 Population of Study

The target population for this study was all Kenyan State Corporations. According to PTPR (2013) Kenya had a total of one hundred and seventy eight (178) SCs spread across eighteen (18) government ministries as a 30th June 2013. The list of all the SCs is attached as Appendix III. SCs are broadly classified as commercial and non-commercial and narrowly classified in their functional categories which include: financial, commercial/manufacturing, regulatory, public universities, training and research, service, regional development authorities and tertiary education. According to the PTPR (2013),

seventy (70) SCs had been earmarked for either dissolution or merger, and the process of had already commenced when data collection of this study was on course. The seventy (70) SCs were therefore eliminated from the study population of one hundred and seventy eight (178). Consequently, the study was carried out on the one hundred and seventeen (108) SCs that were not affected by this exercise.

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

3.5 Sampling Design

The SCs that were in existence as at 30th June 2013 which is the context of this study were one hundred and seventy eight (178). This study adopted criterion sampling to come up with the appropriate sample for the study. Criterion sampling involves selecting a sample using specific criteria that has been set by the researcher (Stiles and Taylor, 2001). It deals with the identification of particular criterion of importance, articulation of these criterion and systematic reviews and study of cases that meet the set criterion. This sampling was relevant for the study because it is purposive and it is intended to compare relevant data from specific SCs.

According to PTPR (2013), seventy (70) SCs were earmarked either for dissolution or merger. Criterion Sampling was therefore used to eliminate the seventy (70) SCs from the population under study leaving a total of one hundred and eight (108) SCs. Therefore, the 108 SCs were approached to participate in the study.

3.6 Data Collection

This study relied on primary and secondary data. The two methods are meant to reinforce each other (Stiles and Taylor, 2001). Primary data was collected on top management demographics, SDM, and the various dimensions of the macro-environment. Secondary data on organizational performance in the five year period between 2008/09 and 2012/13 was collected from the department of performance contracting in the Ministry of planning and devolution. The questionnaire comprised of closed ended questions drawn from previous empirical studies, the concepts of this study and other instruments used by previous researchers.

A five point likert scale ranging from not at all (1) to a very large extent (5) was used to construct most of the items on the questionnaire. This tool was successfully used by Irungu (2007) and Mutuku (2012) who undertook similar studies. The questionnaire was divided into five sections. Section A collected data on the characteristics of Kenyan SCs. Section B collected data on top management demographics, Section C was dedicated to data on SDM and Section D was dedicated to macro-environment.

The study's key target respondents were the Chief Executive Officers (CEOs) and heads of departments. They were chosen because they were well conversant with the relevant information concerning the four study variables. TMTs play a crucial role in defining the strategic positions that their organizations adapt in order to achieve their objectives. Senior management is involved in strategic planning and execution of plans at corporate level and is therefore best placed to answer research questions.

Nachmias and Nachmias (2004) further avers that although the Board of directors are involved to some extent in the development of strategies, they are not the implementers and may therefore not have the necessary details that a researcher would be looking for when examining organizational processes and procedures. Zikmund (2003) has also argued that as a researcher picks respondents, he or she must choose respondents who are well conversant with the area of study in order to achieve an acceptable level of objectivity and reliability in the findings that arise from the data collected.

Only one respondent was targeted per organization to ensure reliability, objectivity and consistency of data. Questionnaires were administered using a drop and pick method by the researcher and four research assistants. This method was used successfully in other studies (Machuki and Aosa, 2011). The questionnaire is attached hereto as Appendix I. A letter of introduction from the University of Nairobi's business school assisted the data collection to a great extent. It is attached as Appendix II.

Secondary data on performance was collected from annual performance contract reports for SCs for the five performance contracting cycles of 2008/2009, 2009/2010, 2010/2011,

2011/2012 and 2012/2013, from the department of performance contracting in the ministry of Planning and Devolution. Other secondary data reviewed included studies and policy documents of SCs which were obtained from SCAC and other policy documents obtained from SCs including performance contracts, human resource manuals, ISO procedure manuals and Board manuals. These reports and policy documents were found to be important as they assisted in understanding organizational processes and comparing performance across SCs.

3.7 Operationalization of Study Variables

Operationalization of study variable facilitates the reduction of abstract notions of constructs into observable characteristics that can be measured (Sekaran, 2000) and facilitates the testing of the relationships among the variables in the theoretical model. It defines variables into measurable factors. The study variables were: top management demographics, SDM, macro environment and organizational performance.

The independent variable of the study was top management demographics which was disintegrated according to the upper echelon's theory (Hambrick and Mason, 1984), Nielsen and Nielsen (2013) Irungu (2007), Mutuku (2013) and Marimuthu and Kolandaismy, (2012). These researchers defined top management demographics as those unique personal attributes that are ascribed to an individual and they include age, functional background, gender, tenure, educational background and experience.

For purposes of this study, top management was operationalized as CEOs (or their equivalent), executive directors and heads of departments. Age was operationalized as the number of years a top manager possessed. Functional background was defined as the specialization or expertise that a top manager had in a given functional area for example audit, finance, marketing and so on. Gender was operationalized as the sex category of top managers that is either male or female while educational background was defined in terms of the level of academic qualifications that a top manager had attained for example: diploma, degree, masters degree and PhD. Finally, tenure was operationalized as the length of time (in years) that a member of the TMT had continuously stayed in an organization

SDM was the intervening variable of the study. This variable was operationalized by using the dimensions of the SDM process and not the SDM process per se. This was according to Fredrickson and Mitchell (1984); Papadakis and Barwise (1996); Andersen (2004); Wong et al (2011) and Papadakis et al (1998) who argued that SDM dimensions and not the SDM process form the core of decision making because they determine the sustainability of an organization. The dimensions of SDM were operationalized to include comprehensiveness, hierarchical decentralization, lateral communication, internal politicization and co-ordination devices.

Comprehensiveness was operationalized as the degree to which Kenyan SCs attempted to be exhaustive and inclusive in making and integrating strategic decisions. This include the involvement of consultants, the assignment of key responsibilities to top managers,

having scheduled meetings to discuss important matters and the use of external information and past performance during SDM.. Formalization was operationalized to mean the degree to which the SDM process followed clearly defined and written down guidelines, rules and procedures. This include the existence of formal screening processes, formal documents guiding final decisions and formal written down procedures of evaluating alternatives and final decisions. Hierarchical decentralization was defined as the degree to which Kenyan SCs involved all levels in the organizational structure during SDM including the Board of directors, CEOs, heads of departments and lower level managers.

Co-ordination devices were operationalized as special teams that are created to spearhead the SDM process. These include task forces and interdepartmental committees. Lateral communication also was operationalized to mean the inclusion of all heads of departments during the decision making process to ensure all the needs of the organization were considered during SDM. Internal politicization on the other hand was defined to mean the level of negotiations and coalition building among members of the top management teams during the SDM process.

Macro-environment was the moderating variable because it has significant contingent effect to the relationship between the independent and dependent variable. It was operationalized according to Pearce et al (2012), Ansoff and McDonnell(1990), Hitt et al (2011), to include factors that originate beyond any firms' operating situations, which organizations have no control over. These include political, economic, social, technological, ecological and legal factors.

Finally, the dependent variable of the study was organizational performance. Performance was operationalized according to performance contracting guidelines (GoK 2008/09; GoK 2009/10; GoK 2010/11; GoK 2011/12; GoK 2012/13) issued by the performance contracting department in the Ministry of Planning and Devolution. Performance contracting guidelines borrow heavily from the balance score card (BSC) by Kaplan and Norton (1992) because it has both financial and non-financial indicators.

According to the performance contracting guidelines, there are six broad areas of performance that are measured. These include finance and stewardship, non-financial, operations, dynamic/qualitative, service delivery and corruption eradication. Each of these indicators is scored and a raw score is derived. The raw score for all the indicators are then put together to produce the composite score for performance for each Kenyan SC. It is this composite score that has been used in the study. The study variables have been operationalized as illustrated in Table 3.1

Table 3.1: Operationalization of Study Variables

Variable	Nature	Operational Indicators	Supporting Literature	Measurement Scale	Questionnaire items
Top Management Demographics	**Independent**	**Age:** Number of years ascribed to a top manager. **Education background:** Level of education possessed by a top manager. **Functional background** Area of specialization and expertise that a top manager has acquired. **Tenure:** Number of years that a manager has spent in an organization. **Gender**: Male or Female	Hambrick and Mason (1984) Mutuku (2013) Irungu, (2007); Marimuthu and Kolandaismy (2009) Nielsen and Nielsen (2013)	5-point Likert scale	Section B Questions 8,9, 10 and 11
Strategic Decision Making	**Intervening**	**Comprehensiveness** Exhaustiveness and inclusiveness in the SDM process. Include: key responsibilities assigned to top managers, scheduled meetings to discuss important issues, use of external information, use of consultants, and use of past performance information. **Formalization:** Existence of; written rules and procedures, formal screening processes, formal documents guiding final decisions, written procedures for evaluating alternatives ,formal criteria for evaluating decisions	Fredrickson and Mitchel (1984) Papadakis et al (1998) Wong et al (2011) Andersen (2004) Papadakis and Barwise (1996)	5 -point Likert scale	Section C Question 12

Variable	Nature	Operational Indicators	Supporting Literature	Measurement Scale	Questionnaire items
		Hierarchical Decentralization: Involvement of all levels in the organization in the SDM process from Board of Directors, CEO's, heads of departments, low level managers. **Lateral communication:** Seeking information from the heads of functional areas during SDM. **Co-ordination devices:** Use of special teams appointed to spearhead the SDM process for example, task forces and departmental committees. **Internal Politicization**: Degree to which negotiations and coalition building occur during the SDM process			
Macro-environment	**Moderating**	Political, Economic, Social, Technological, Ecological, Legal	Machuki & Aosa, (2011) Pearce et al (2012) Hitt et al (2011).	5 -point Likert scale	Section D Question 13
Organizational Performance	**Dependent**	**Composite Index of Performance.** **Financial and stewardship**: Utilization of allocated resources, Appropriation in Aid, Cost Reduction, Development Index Service delivery,	GoK 2008/09 GoK 2009/10 GoK 2010/11 GoK 2011/12	5 -point Likert scale	Secondary data from the performance contracting department in the Ministry of Planning and Devolution.

Variable	Nature	Operational Indicators	Supporting Literature	Measurement Scale	Questionnaire items
		Non-Financial: Compliance with Strategic Plan, Disposal of Idle assets, ISO Certification, Statutory Obligations, Competency Development. **Service Delivery:** Customer satisfaction, compliance with statutory obligations, IT, ISO 9001 certification, **Operations:** Targets that deal with the specific mandate of the organization **Dynamic and qualitative:** Work Environment; Employee Satisfaction; Safety Measures, Gender Mainstreaming, Disability Mainstreaming, Training **Corruption eradication:** Corruption Eradication	GoK 2012/13		

Source: Researcher 2014

3.8 Data Analysis

Data was analyzed using descriptive and inferential statistics. Descriptive statistics including mean and standard deviation, CVs were used to evaluate variations in manifestation of the variables in the organization. The mean evaluated the general perception of the respondents while the standard deviation evaluated the consistency of the responses. A higher mean depicted higher appreciation for the particular variable while a higher standard deviation depicted higher inconsistency among the responses. Frequencies were used in few instances to establish the percentages in terms of scope of operations, year of incorporation, organization category and ownership structure.

Inferential statistics were used to evaluate the hypothesis presented in the study. Simple linear regression models were used to evaluate the individual influence of the various variables of interest on performance of SCs while multiple regression models were used to evaluate the influence of combination of variables including interactions on performance.

Based on the conceptual model employed in this study, top management demographics was conceptualized as the independent variable, SDM was the intervening variable while macro environment was the moderating variable. These were tested for their influence on performance of SCs. Pearson correlation coefficient was used to establish the relationship between top management demographics, SDM and performance (Cohen, Cohen, West and Aiken, 2003).

Multiple regressions were used to test the nature and magnitude of relationships between the variables in the study which are more than one. Hierarchical regression was used to determine how much the extra variable adds to the prediction of the dependent variable over and above the contribution of previously included independent variables. Baron and Kenny (1986) model was employed in the testing of the moderating and intervening roles. Path analysis was used to test the magnitude and strength of effects within hypothesized causal system. An average of performance for the five year period of 2008/2009; 2009/2010; 2010/2011; 2011/2012 and 2012/2013 was obtained.

To establish the relationship between firm performance and top management demographics, the following equation was modeled;

$Y_{\text{organizational performance}} = f$ (Top Management Demographics)

$Y = \beta_0 + \beta_{11}X_{11} + \beta_{12}X_{12} + \beta_{13}X_{13} + \beta_{14}X_{14} + \beta_{15}X_{15} + \varepsilon$

Where Y = firm performance

$X_{11}, X_{12}, X_{13}, X_{14}, X_{15},$ = age, functional background, tenure, experience, gender and education.

β_0 = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5,$ = Regression coefficients

ε = Error term

To establish the relationship between the dependent, the independent, moderating and intervening variables the following equation was modeled;

In the hierarchical regression, the regression is of the form

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2$ -------- $\beta_n X_{n.} + \varepsilon$

Where Y = is the dependent variable

X_{1-n} = are the independent variable

β_0 = Constant

B_{1-n} = Regression coefficients induced on Y by each X

ε = Error term

Table 3.2: Analytical Model of Data

Objective	Hypotheses	Analytical Model	Interpretation of Data
To establish the influence of top management demographics on the performance of Kenyan SCs.	**H1:** Top management demographics have a statistically significant influence on the performance of Kenyan SCs.	Simple regression analysis. $Y_1 = \beta_0 + \beta_1 X_1 + \varepsilon$ where, Y_1 = Performance β_0 = y intercept/constant β_1 = regression coefficient X_1 = Top management demographics ε = error term/ random variation due to other unmeasured factors	**F**-Significance of overall model **R**- Strength of the relationship between TMD and performance variables $\mathbf{R^2}$- Extent to which variations in firm performance indicators are explained by Top Management Demographics
To determine the influence of top management demographics on strategic decision making of Kenyan SCs.	**H2:** Top management demographics have a statistically significant influence on strategic decision making of Kenyan SCs.	Simple regression analysis. $Y_2 = \beta_0 + \beta_1 X_1 + \varepsilon$ where, Y_2 = strategic decision making β_0 = y intercept/constant β_1 = regression coefficient X_1 = Top management demographics ε = error term/ random variation due to other unmeasured factors	**F**-Significance of overall model **R**- Strength of the relationship between SDM and performance variables $\mathbf{R^2}$- Extent to which SDM indicators are explained by Top management demographics.
To establish influence of strategic decision making on performance of Kenyan SCs	**H3:** strategic decision making has significant influence on performance of Kenyan SCs.	Simple regression analysis. $Y_3 = \beta_0 + \beta_2 X_2 + \varepsilon$ where, Y_3 = Performance β_0 = y intercept/constant β_1 = regression coefficient X_2 = SDM ε = error term/ random variation due to other unmeasured factors	**F**-Significance of overall model **R**- Strength of the relationship between SDM and performance variables $\mathbf{R^2}$- Extent to which variations in firm performance indicators

Objective	Hypotheses	Analytical Model	Interpretation of Data
To establish the intervening influence of strategic decision making on the relationship between top management demographics and performance of Kenyan SCs.	**H4:** Strategic decision making has a statistical intervening influence on the relationship between top management demographics and performance of Kenyan SCs.	Hierarchical Regression Analysis: Model 1 $Y_4= \beta_{01}+ \beta_1X_1 +\beta_2X_2+\varepsilon$ Where: β_{01}= intercept Y_4 = Performance $\beta_{1,}$ and β_2 are beta coefficients for X_1 represent Top management demographics X_2represent Strategic decision making ε is the error term	**F**-Significance of overall model **R**- Strength of the relationship between TMD and performance variables **R^2**- Extent to which variations in firm performance are jointly explained by SDM Dimensions and independent variable.
To establish the moderating influence of the macro-environment on the relationship between top management demographics and strategic decision making of Kenyan SCs.	**H5:** The Macro-environment has a statistically significant moderating influence on the relationship between top management demographics and strategic decision making of Kenyan SCs.	Hierarchical Regression Analysis Model 1 $Y_5=\beta_0+\beta_1X_1 +\beta_2X_2+\beta_3X_{1.}X_{2+}\varepsilon$ Where: β_{01}= intercept Y_5 = Strategic decision making $\beta_{1,}$ β_2 and β_3 are beta coefficients X_1 represent top management demographics X_2represent macro environment ε is the error term	**F**-Significance of overall model **R**- Strength of the relationship between organizational capabilities on relationship between TMD and SDM and performance variables **R^2**- Extent to which variations in firm performance are jointly explained by the moderating effect.

Objective	Hypotheses	Analytical Model	Interpretation of Data
To establish the influence of top management demographics, strategic decision making and the macro-environment on performance of Kenyan SCs.	**H6:** The joint effect of top management demographics, strategic decision making and macro environment is greater than the independent effects of the variables on the performance of Kenyan state corporations.	Hierarchical Regression Analysis Organizational Performance $Y=\beta_0+ \beta_1X_1 +\beta_2X_2+\beta_3X_3 +\varepsilon$ β_1,β_2 and β_3 are beta coefficients X_1 represent top management demographics X_2 represent strategic decision making X_3 represent macro environment and ε is the error term Stepwise Regression Model	**F**-Significance of overall model **R**- Strength of the relationship between TMD and performance variables $\mathbf{R^2}$- Extent to which variations in firm performance are jointly explained by combined effects of TMD, ME and SDM.

3.9 Chapter Summary

This chapter dealt with the research methodology used in the study. The research philosophy and research design were discussed. The population of the study, sampling design and the data collection methods were also discussed. Further an explanation was given that this was a descriptive cross sectional survey design because the data was collected across several SCs at one point in time.

The operationalization of the study variables was discussed in detail in order to define the variables into measurable factors. Literature supporting the operationalization was also presented. The operationalization of the variables was presented in Table 3.1. Finally, data analysis techniques were discussed and the objectives, hypotheses and analytical models were summarized in Table 3.2.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

The main objective of this study was to establish the influence of strategic decision making and the macro-environment on the relationship between top management demographics and performance of Kenyan state corporations. To achieve this, six objectives with corresponding hypotheses were set and formulated. To test the hypotheses, data were obtained from SCs using a structured questionnaire. Respondents were presented with descriptive statements for each variable and were required to rate the extent to which they applied to their organizations. A 5 point likert scale was used. In the case of organizational performance which was the dependent variable, performance scores were obtained as a composite score from the performance contracting evaluation reports from the performance contracting department in the Ministry of planning and devolution for the five year period from 2008/2009 to 2012/13 financial year.

This chapter discusses the preliminary study findings based on information that was collected from Kenyan state corporations laying focus on the manifestations of the variables of the study across SCs. The preliminary study findings form the basis for testing both the hypothesis and sub hypotheses developed. Findings of the pretests of reliability and validity on the data that were gathered are presented. The study response rate and the demographics of the organizations were analyzed using percentages and frequencies. The use of descriptive and inferential statistics in explaining the manifestations of the variables under the study is explained. Mean scores have been used

to show the extent of the manifestations of the variables across the organizations that were studied. In order to determine whether the variation of the levels of manifestation of the variables were statistically significant, one sample t-test at test value 3 (the mid-point of the likert scale that was used for ranking responses) and at 95 percent level of confidence were used.

4.2 Response Rate

The population for the study was all Kenyan State Corporations as at 30th June 2013 numbering 178 (SCAC, 2013). According to the PTPR (2013), seventy (70) SC had been earmarked for either dissolution or merger. These were eliminated from the study leaving a total of one hundred and eight (108) SCs. Questionnaires were sent to all the one hundred and eight (108) out of which ninety six(96) questionnaires were filled and returned representing a response rate of eighty nine percent (89%).This response rate was considered adequate for analysis.

According to Awino (2011), a response rate of 65 percent is acceptable for such studies. The study rate was adequate and compares to other studies on the relationship between top management demographics and performance. For instance, Awino and Mutua (2014) studied business process outsourcing in Kenyan state corporations and recorded a response rate of 77 percent.

4.3 Reliability Test

Reliability is a measure of the degree to which instruments yield consistent results or data after repeated trials (Mugenda and Mugenda, 2003). It establishes whether the measure is able to yield the same results on other occasions and whether similar observations are

reached by other observers. This is therefore a measure of consistency in order to avoid Type I and Type II errors.

Cronbach's alpha coefficient which is used to assess the internal consistency among research instrument items was used to test whether the variables are within the acceptable range of between 0 and 1 (Mugenda and Mugenda 2003). The closer the Cronbach Alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale and the closer the Cronbach coefficient is to zero (0), the less the internal consistency of the items in the scale. Nunnally (1978) suggests that a value of not less than 0.7 to be acceptable while Sekaran (2000) posits that any values between 0.5 and 0.8 are adequate to accept internal consistency. This study adopted the lowest alpha as 0.5 upwards. Table 4.1 presents the alpha values of the questionnaire items.

Table 4.1: Results for Test of Reliability

Variables	**No of Items**	**Cronbach's Alpha**	**Decision**
Top management demographics	25	.689	Reliable
Strategic decision making	28	.921	Reliable
Macro environment	35	.914	Reliable

Source: Field Data (2014)

The results in Table 4.1 indicated a relatively high degree of consistency in the variables. Top management demographics returned the lowest alpha of .689 while strategic decision making and macro environment had alphas of above .90. The decision points therefore confirm that the study variables were all reliable.

4.4 Validity Test

Validity is the ability of the research instrument to measure what it is supposed to measure (Cooper and Schindler, 2006; Aiken and West, 1991). It is a criterion used to show the extent to which conclusions drawn in a study provide an accurate description or explanation of what happened (Ericksson and Kavalainen, 2008). If the instrument contains a representative sample of the universe subject matter, then the validity is good. There are various types of validity including: construct, content, face and criterion related validity.

To ensure content validity, the researcher went through a review of literature and identified items that required to measure the concepts, and to also ensure that questions covered all areas of the study. The researcher also piloted the questionnaire in 5 SCs not included in the study which were chosen randomly before commencing data collection. This enabled the researcher to establish the respondents' ability to respond without difficulties. Any ambiguous, double edged and unclear questions were identified and rectified. The researcher also used experts to examine and review the instrument for validity as successfully done by Munyoki (2007).

4.5 Pretesting for Multiple Regression Assumptions

Usually, there are assumptions that are made about variables during statistical tests. One of the main assumptions is that data follows a normal distribution. Statistical procedures used in analyses may however have some errors and therefore need to be tested. This is to ensure that the findings are worth using in decision making. Testing for assumptions is beneficial because it ensures that analysis meets associated assumptions and helps avoid

Type I and Type II errors (Osborne et al, 2001). This study therefore carried out test of normality and Multicollinearity tests.

4.5.1 Tests of Normality

Statistical errors are common in scientific literature. Many of the statistical procedures including correlation, regression, t- tests and analysis of variance are based on the assumption that the data follows normal distribution. Thus, it is assumed that the populations from which the samples are taken are normally distributed. Normality is important because if the assumptions do not hold, it is the impossible to draw accurate and reliable conclusions about reality. Since the assumptions are not always the case, the test of normality is usually carried out to assess the extent to which the variables of interest assume a normal probability distribution.

In the event that normality is not achieved for some of the variables, then these variables would end up depicting the wrong picture of the relationships between the variables. In this study, the Shapiro-Wilk and Kolmogorov-Smirnov statistics were used to test the fit of the variables to a normal distribution. For variables that assume a normal distribution, both the two statistics should be statistically insignificant. The results of the test for normality were as represented in Table 4.2.

Table 4.2: Results for Tests of Normality

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Top management demographics	.148	73	.000	.960	73	.022
Strategic decision making	.081	73	.200*	.980	73	.285
Macro environment	.076	73	.200*	.983	73	.455

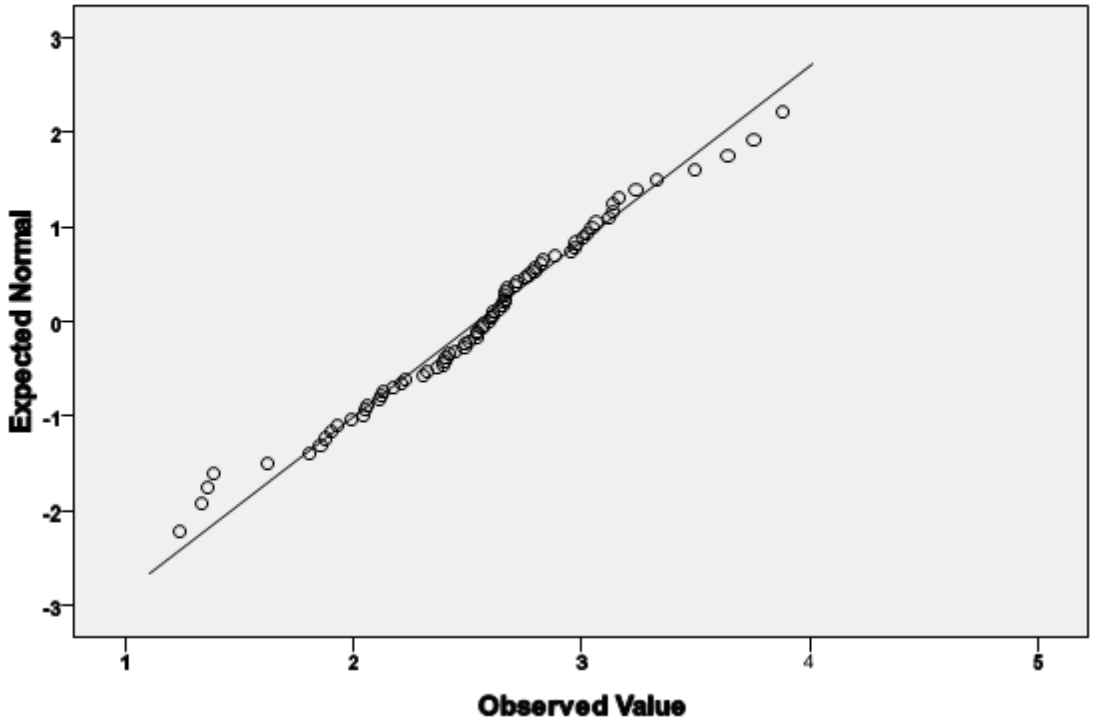
a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

Source: **Field Data (2014)**

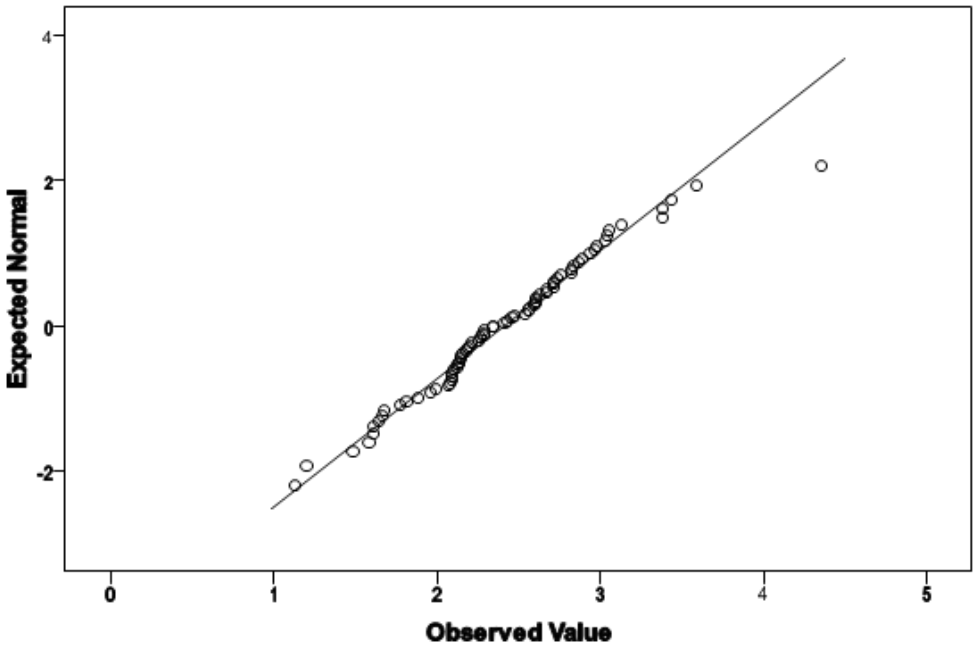
The results in Table 4.2 indicated that the results of the test for SDM and macro environment was greater than the alpha level (P value> .05) and therefore had a good fit in the normal distribution. However, Top management demographics poorly fitted the normal distribution (P value< .05). The normality of the variables was then done by plotting a Quantile Quantile (QQ) plot. Q-Q plots are as presented in Figures 4.1(a), 4.2(b) and 4.3(c). All the variables had a good fit in the normal distribution

Figure 4.1(a): Normal Q-Q Plot of macro environment



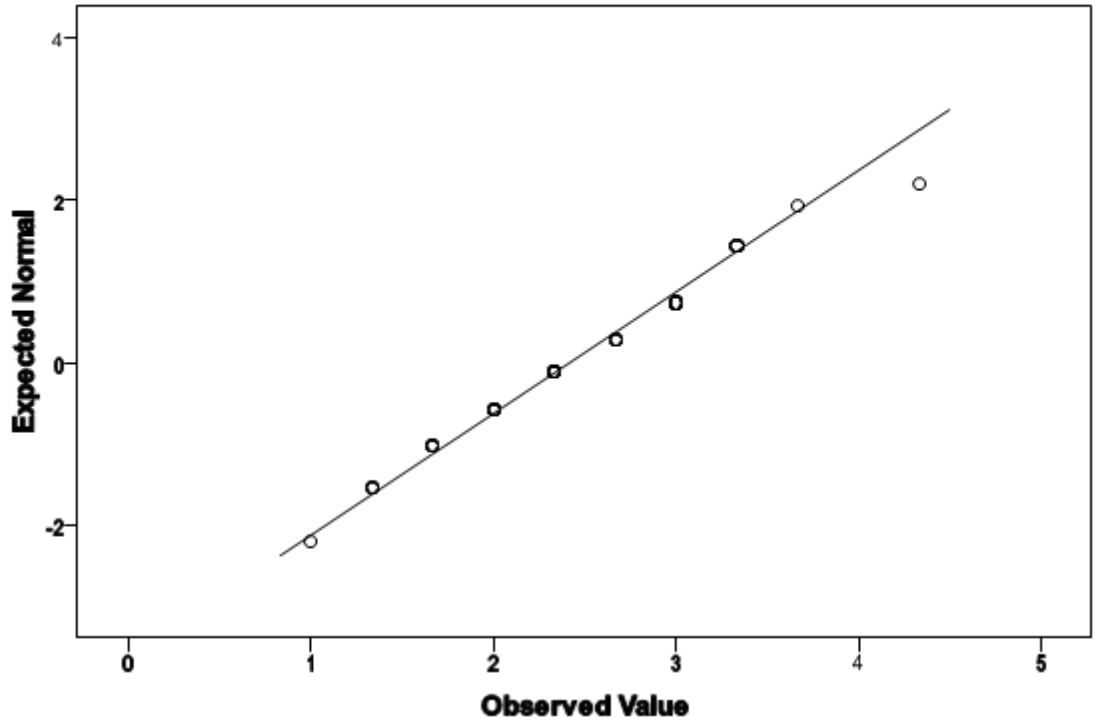
Source: Field Data (2014)

Figure 4.1(b): Normal Q-Q plot of strategic decision making



Source: Field Data (2014)

Figure 4.1(c): Normal Q-Q plot of top Management demographics



Source: Field (2014)

4.5.2 Test for Multicollinearity

Multicollinearity is a test that evaluates whether the independent variables are highly correlated. It occurs when two or more predictors in the model are highly correlated leading to unreliable and unstable estimates of regression coefficients hence causing strange results when attempting to study how well individual independent variables constitute to an understanding of the dependent variable. The consequences of Multicollinearity are increased standard error of estimates of the Betas, meaning decreased reliability and often confusing and misleading results.

The test for Multicollinearity was conducted to assess whether one or more of the variables of interest is highly correlated with one or more of the other independent variables. The variance inflation factor (VIF) was used to evaluate the level of correlation between variables and to estimate how much the variance of a coefficient was inflated because of linear dependence with other predictors. As a rule of thumb if any of the VIF are greater than 10 (greater than 5 when conservative) then there is a probability of a problem with Multicollinearity and is harmful to the study (Newbert, 2008). The results for tests of Multicollinearity were as presented in Table 4.3.

Table 4.3: Results for Tests of Multicollinearity

Model	Collinearity Statistics	
	Tolerance	**VIF**
Top management demographics	772	1.295
Strategic decision making	698	1.433
Macro environment	873	1.146

Source: Field Data (2014)

The results in Table 4.3 revealed that there was no serious problem with multicollinearity. The variance inflation factors for the variables were all below 5 meaning that the variables were not highly correlated.

4.6 Organizational Demographic Profiles

The demographics and company profiles section evaluated the general information of the organizations in terms of the year of incorporation, the sector and category within which the organization belonged, their scope of operation and the ownership structure. Each of these aspects was important for the study. For instance, the information on the year of incorporation sought to establish the length the organizations had been in existence because the study focused on the organizations that had been in existence for a period of five (5) years or more in order to be able to compare their performance objectively. The information also sought to establish the categorization of the SC.

This was important in that it was possible to group the SCs in the two broad categories adopted by the study that is commercial and non- commercial SCs. The ownership structure and source of funding had implications on where decisions were centered .The findings were as presented in Table 4.4.

Table 4.4: Profiles of State Corporations

Age of Organization	Frequency	Percent
20 years and above	54	62.1
15-19 years	11	12.6
10- 14 years	21	24.1
5-9 years	1	1.1
Total	**87**	**100.0**
Organization Categorization		
Commercial	30	31.6
Non-commercial	65	68.4
Total	**95**	**100.0**
Scope of operations		
National	65	69.1
Regional	29	30.9
Total	**94**	**100.0**
Ownership structure		
Fully government owned	74	79.6
Both government and private	19	20.4
	93	**100.0**
Total		

Source: Field Data (2014)

The results in Table 4.4 showed that 62 percent of SCs had been in operation for more than 24 years. 68.4 percent of the SCs studied were categorized as non-commercial while 31.6% were commercial. Notably most of the state corporations operated within Kenya and 79.6 percent of the respondents indicated that they were fully owned by GoK.

4.7 Top Management Demographics

Top management demographics was of the independent variable of the study. They are unique personal attributes ascribed to individual managers in organizations that determine the nature of decisions that the managers make and consequently influencing organizational performance (Hambrick and Mason, 1984; Norburn and Birley, 1988). Top management demographics can influence organizational performance.

In this study, top management demographics were operationalized along the argument by Hambrick and Mason, 1984; Mutuku, 2012; Nielsen, 2010 depicted in chapter three of this thesis as age, education, tenure, experience, gender and functional background of TMTs. For the purpose of this study, top management was defined to include all managers from the level of heads of departments to the chief executive officer/managing director/director general or their equivalent.

In order to capture data on the various top management demographics, statements were developed and presented on a 5-point likert scale to the respondents who were requested to indicate the extent to which the statements were applied in their organizations. In some instances, the respondents were asked to state absolute figures/ numbers .The findings for each of the top management demographic are presented in the subsequent subsections.

4.7.1 Gender for Top Managers

Gender diversity in an organization can influence performance. The GoK has developed a gender policy and defined the mix of both genders in SCs. The gender rule in the policy stipulates that the minimum percentage for either gender in the organization should not be less than 30 percent. This rule is expected to be adhered to at all levels in all the SCs including Management. The current study operationalized gender to be the mix of men and women in TMTs in SCs (Marimuthu and Kolandaisamy, 2009). First, the current study sought to find out if the rule was adhered to in the composition of top management in these corporations. To establish this, respondents were requested to indicate the number of top male managers and top female managers within top management of their organizations. The results are presented in Table 4.5.

Table 4.5: Distribution of Top Managers

Gender	Frequency	Percentage
Male Top Managers	1136	61.61
Female Top Managers	708	38.39
Total	1844	100%

Source: Field Data (2014)

The results in Table 4.5 shows that from the 96 SCs studied, there were a total of 1844 top managers. Out of this, 1136 top managers, which represented 61.6 percent of the total top managers, were men and 708, which represented 38.39 percent, were women. This was an indication that the 30 percent gender rule had been adhered to by the SCs albeit by a small margin.

Secondly, the study also sought to find out the importance attached to gender in organizational processes like recruitment and SDM. To this end, descriptive statements were formulated and the respondents were asked to indicate the extent to which the statements were applied in their organizations. The results are presented in Table 4.6.

Table 4.6: Manifestations of Gender of Top Managers

Variables	**N**	**Mean**	**Std. Dev**	**CV**	**t**	**Sig. (2-tailed)**
When recruiting top management the gender rule has been adhered to	96	3.58	1.22	0.34	4.69	.000
When choosing teams during the decision making process gender is an important consideration	96	2.90	1.45	0.50	-.71	.482
Gender as a consideration is critical in choosing team leaders	96	2.80	1.43	0.51	-1.35	.179
When making decisions views from either gender are considered	96	3.15	1.37	0.43	1.04	.299

Source: Field Data (2014)

The results in Table 4.6 show moderately low ranking with respect to gender manifestation. This is with respect to gender being important when choosing team leaders (Mean= 2.90) and during SDM (Mean=2.80). Notably, most of the statements were not statistically significant. Further, the highest variations (CV=0.51) were reported on the statement that gender as a consideration is critical in choosing team leaders, although not statistically significant. Conversely, the lowest CV of 0.34 was reported on the statement that when recruiting top management the gender rule had been adhered to. These results imply that gender is yet to be a matter of concern or consideration in TMTs within Kenyan SCs.

4.7.2 Age for Top Managers

The age of the TMT in organizations is an important factor because it determines how well TMTs can interpret the environment (Miles and Snow, 1978) and therefore adapt to changes from the environment (Bourgeois and Elsenhardt, 1988) and consequently make decisions for their organizations that will eventually influence performance. In this study, age was operationalized as the number of years ascribed to a top manager (Irungu, 2007). The study first set to establish the average age of top managers in SCs. To achieve this, the respondents were asked to indicate the number of top managers that fell within a given age bracket. The results are presented in Table 4.7.

Table 4.7: Age Distribution for Top Managers

Age Category	Frequency	Percentage
30-35	81	5.72
36-40	240	16.95
41-45	373	26.34
46-50	383	27.05
Above 50	339	23.94

Source: Field Data (2014)

The results in Table 4.7 showed that most of the SCs had top managers within the age bracket 41-45 (26.34 percent), 46-50 (27.05 percent) and above 50 (23.94percent). The age bracket of 30-40 years formed only 22 percent of the total TMTs in SCs. This showed that 85 percent of all top managers in SC studied were within the active age of between 30-50 years. This is an indication that SCs had most of their managers within the active age. However, top managers within the age bracket 30-40 was low and needed to be enhance for proper succession planning.

The study also set out to establish whether age was important as a demographic characteristic in state corporations. Statements were presented to respondents on various manifestations of the age of TMTs in SCs and the respondents were requested to indicate the extent to which the statements were applied in their organizations. The results are presented in Table 4.8.

Table 4.8: Age Manifestations of Top Managers

Aspects of Age	**N**	**Mean**	**Std. Dev.**	**CV**	**t**	**Sig. (2-tailed)**
Age has been a critical factor in recruitment of the organizations top managers	94	2.62	1.12	0.43	-3.32	.001
There is a formal written guideline that defines age limit for each TMT position during recruitment	96	2.91	1.47	0.51	-.62	.534
The ability to adopt to changes in the organization is a reflection of the age of the manager	96	2.78	1.38	0.50	-1.56	.123
Age is considered as an important attribute during strategic decision making process	96	3.14	1.40	0.44	.950	.344

Source: Field Data (2014)

The results in Table 4.8 show moderately low ranking with respect to aspects of age within Kenyan SCs (Mean scores below 3.0 for most of the age descriptions). Notably, there appears to be responses that are not statistically significant across the corporations regarding age manifestations (relatively low t values, $p>0.05$), although one statement was statistically significant. The highest variations with CV=0.51 was reported on the statement that there is a formal written guideline that defines age limit for each TMT position during recruitment, although not statistically significant. The lowest variations (CV=0.44) was noted on the responses for the statement, age has been a critical factor in recruitment of the organizations top managers. These results are an indication that the age of TMTs within SCs is not given a lot of consideration during recruitment and SDM process.

The results on the importance of age during the recruitment of TMTs in SC agree with PTPR (2013) which was categorical that age of TMTs was critical in influencing performance.

4.7.3 Education Level for Top Managers

Education is the level of academic and professional qualifications that was possessed by TMTs. It is an indicator of their knowledge, skills and capability (Horwitz, 2005) and can influence performance. In most organizations the level of education is a key consideration in defining demographic characteristics of TMTs. The current study first sought to establish the level of education among the TMTs. On the level of education, questions were asked for the respondents to indicate the number of top managers that had acquired a particular level of education. The results were as indicated in Table 4.9.

Table 4.9: Manifestations of Education Levels of Top Managers

Education Level	Frequency	Percentage
High School Certificate	4	0.17
Diploma	52	2.18
Bachelor's Degree	1329	55.70
Masters Degree	876	36.71
PhD	125	5.24

Source: Field Data (2014)

The results in table 4.9 show that 97 percent of top managers in the SCS studied had an education level of a bachelor's degree and above. This was a clear indication that

education levels of TMTs were considered as important and most of the top managers were well educated.

Secondly, the study also sought to establish the extent to which SCs in Kenya consider the level of education as important. To achieve this objective, various statements on the manifestation of level of education were presented to the respondents and they were required to indicate the extent to which these statements applied to their organization. The results are presented in Table 4.10.

Table 4.10: Education Level for Top Managers

Education Level Manifestations	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
The organization has had a set criterion of minimum academic qualification that are considered while recruiting managers	96	3.98	1.15	0.29	8.33	.000
The organization has had minimum professional qualifications that have been considered while recruiting managers	95	3.99	1.15	0.29	8.36	.000
The level of education is considered during the strategic decision making process	95	2.01	1.15	0.57	-8.36	.000
The ability to adapt to changes in the organization is a reflection of the level of education of the managers	96	2.80	1.31	0.47	-1.48	.142

Source: Field Data (2014)

The findings in Table 4.10 indicate mixed results. Some statements show moderately high ranking with respect to level of education of top managers in Kenyan state corporations (mean scores above 3.0). Others show moderately low ranking (mean scores below 3.0). The statement that the level of education is considered during the SDM process had the highest variations in responses (CV=0.57). Conversely, the statements that the organization has had a set criterion of minimum academic qualification that are

considered while recruiting managers and the organization has had minimum professional qualifications that have been considered while recruiting managers had jointly the lowest variations in responses (CV=0.29), and were both statistically significant. This meant that SCs took academic and professional qualification seriously when sourcing for TMTs. These results agree with the PTPR (2013) which argued that the academic and professional qualifications of the TMTs are important to SCs because the TMTs are the ones who craft and implement organizational agenda.

4.7.4 Functional Background for Top Managers

Functional background was operationalized as the level of expertise that was possessed by the TMTs in a specific functional area (Buyl et al, 2011). In order for managers to manage and provide leadership in a given functional area, it is important to have requisite expertise in the given field because they are able to build competences in those functional areas and organizations benefit from the information base that each member of the TMT brings to the organization. Based on this argument, the current study sought to evaluate the extent to which consideration of functional background was important in TMTs. Various statements depicting the different manifestations of TMT functional backgrounds were posed and respondents were required to indicate the extent to which these statements applied to their organization. The results are presented in Table 4.11.

Table 4.11: Manifestations of Functional Background

Manifestations of Functional Background	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Previous experience has been considered during the recruitment exercise of top managers	96	3.93	1.03	0.26	8.83	.000
Most of the organization's top managers have been recruited from within the organization	96	2.91	1.08	0.37	-.853	.396
Functional skills of a manager are considered during the strategic decision making process	96	3.14	1.37	0.44	.966	.337
We relate functional skills of a candidate to the post we are recruiting for	96	3.13	1.33	0.43	.920	.360

Source: Field Data (2014)

The results in Table 4.11 show moderately high ranking with respect to experience of top managers in Kenyan SCs (Mean scores above 3.0 for most of the functional background descriptions). However, most responses were statistically not significant. Highest variations (CV=0.44) were reported for the statement that functional skills of a manager are considered during the SDM process, although not statistically significant. Conversely, the lowest variations (CV=0.26) were noted on the statement that previous experience has been considered during the recruitment exercise of top managers, although statistically significant. This may therefore imply that there could be instances in SCs where top management jobs are held by individuals without requisite expertise.

4.7.5 Tenure for Top Managers

Tenure in the study was defined as the number of years a top manager had stayed in a given organization (Nielsen, 2010). The period (number of years) that a top manager has taken in an organization can influence performance. The study set to .establish the importance of tenure as a demographic characteristic in SCs. To do this end, statements

were presented to respondents on a 5-point Likert scale and they were required to indicate the extent to which these statements applied to their organizations. The results are presented in Table 4.12.

Table 4.12: Tenure for Top Managers

Tenure Manifestations	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Length of service of a manager in the organization is considered important during the strategic decision making process	96	2.91	1.36	0.47	-.675	.502
There are clear guidelines that define the tenure of top managers in our organization	96	2.78	1.52	0.55	-1.40	.163
Length of service of top managers is regulated to a maximum number of years	96	3.04	1.40	0.46	.292	.771
The ability to adopt to new ideas in the organization is a reflection of the length of service of the managers	96	3.10	1.37	0.44	.744	.459

Source: Field Data (2014)

The results in Table 4.12 show moderately low ranking with respect to tenure of top managers in Kenyan SCs (Mean scores below 3.0 for most of the tenure descriptions), although most responses were statistically not significant. Variations were also noted in most responses with the highest variations (CV=0.55) reported on the statement that there are clear guidelines that define the tenure of top managers in our organization. The lowest variations (CV=0.44) were noted on the responses for the statement that the ability to adapt to new ideas in the organization is a reflection of the length of service of the managers.

Overall, consideration of the tenure of a TMT during SDM and clear guidelines to define the tenure of top managers ranked very low (mean scores less than 30) while the length of service being regulated was slightly above a moderate extent. Some of the respondents noted that their organizations did not define the tenure of the TMTs.

4.8 Strategic Decision Making

Strategic decision making (SDM) is one of the critical processes that organizations go through. It defines the reasons for the existence of the organizations and develops strategies that enable organizations to remain competitive and sustainable. It is during this process that TMTs are expected to align the organization to the emerging needs from the environment so as to be able to respond appropriately and therefore influencing performance. In this study, SDM was evaluated in terms of its dimensions which include comprehensiveness, formalization, coordination devices, hierarchical decentralization, and lateral communication (Papadakis and Barwise, 1996).

In order to establish the importance of SDM, respondents were asked to indicate the extent to which the specific aspects of the SDM dimensions mattered to their organizations to support organizational performance. All SDM dimensions were measured using a five likert scale. The subsequent subsections present the test of manifestations of the aspects of SDM in Kenyan SCs.

4.8.1 Comprehensiveness of Strategic Decision Making

Comprehensiveness also referred to as rationality is the degree of inquiry and scrutiny adopted by TMTs during the SDM process and it enables TMTs to better understand the organizational strategic direction in depth by scrutinizing the available strategies for their organizations (Papadakis and Lioukas, 1996). To establish the level of comprehensiveness in SDM, descriptive statements were presented to the respondents on a 5-point Likert scale. They were required to indicate the extent to which these statements applied to their organizations. Table 4.13 presents the results.

Table 4.13: Comprehensiveness of Strategic Decision Making

Comprehensiveness	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
During strategic decision making there are key responsibilities that are assigned to specific top managers	95	3.83	1.04	0.27	7.81	.001
There are scheduled/planned meetings to discuss important decisions in the organizations	96	3.90	1.02	0.26	8.60	.001
There are laid down activities that generate information for decision making	95	3.79	0.81	0.21	9.49	.001
Information from developments outside the organization is analyzed and considered for decision making	96	3.46	0.98	0.28	4.57	.001
All employees in the organization are involved in strategic decision making	96	2.72	1.03	0.38	-2.67	.009
The advice of consultants is sought during strategic decision making	96	3.70	0.94	0.25	7.26	.001
The organizations past performance forms the basis for making future decisions	96	3.53	0.86	0.24	6.07	.001
The functional expertise of top managers is sought during strategic decision making	96	3.85	0.89	0.23	9.36	.001

Source: Field Data (2014)

The results in Table 4.13 show that the average mean score for comprehensiveness was 3.6. This was a moderately high ranking on the likert scale. This meant that the SDM process in most SCs was comprehensive. The practice of having scheduled/planned meetings to discuss important decisions in the organizations, assigning of key responsibilities to specific top managers, seeking of functional expertise of top managers during SDM and the presence of having laid down activities that generate information for decision making had moderately high means of 3.90, 3.83, 3.85 and 3.79 respectively. Other factors recorded a ranking that was moderate. These include the statements that organizations past performance form the basis for making future decisions, information from developments outside the organization was considered for decision making and seeking the advice of consultants during SDM with means of 3.53, 3.70 and 3.46

respectively. Only one factor that is all employees in the organization are involved in SDM had a low mean of 2.72. This therefore show moderately high ranking with respect to manifestation of comprehensiveness in Kenyan SCs (Mean scores above 3.0 for most of the comprehensiveness descriptions).

There are statistical significant responses across the corporations on the level of comprehensiveness (relatively high t values, $p<0.05$). The highest variations in responses (CV=0.38) was noted in the statement that all employees in the organization are involved in SDM, while lowest variations in responses (CV=0.21) were reported for the statement that there are laid down activities that generate information for decision making.

4.8.2 Formalization of Strategic Decision Making

Formalization is the extent to which the SDM process has been standardized by having written rules and procedures to allow for objective decision making by TMTs (Papadakis and Barwise, 1996). Formalization of the SDM process creates understanding and clarity among members of TMTs on the objectives of the organization and how to realize them. To capture this data, descriptive statements were presented to the respondents on a 5-point Likert scale. They were required to indicate the extent to which these statements applied to their organizations. Table 4.14 presents the results.

Table 4.14: Aspects of Formalization of Strategic Decision Making

Aspects of Formalization	N	Mean	Std. Deviation	CV	t	Sig. (2-tailed)
There is a written procedure that guides the making of strategic decisions in the organization	96	3.54	1.065	0.30	4.98	.001
There is a formal written procedure guiding identification of alternative actions	96	3.40	1.021	0.30	3.80	.001
Final decisions are arrived at through a formal screening procedure	96	3.71	.951	0.26	7.30	.001
The final decisions arrived at are formally documented	96	4.31	.799	0.19	16.10	.001
There is a clear predetermined criteria used in evaluating long term decisions taken	95	3.62	.958	0.26	6.32	.001

Source: Field Data (2014)

The results in Table 4.14 show moderately high ranking with respect to manifestation of formalization of the SDM process in Kenyan SCs with an average mean of 3.72. In fact all the aspects of formalization returned a mean greater than 3.0. This means that the SDM process in SCs is highly formalized. The documentation of final decision had the highest mean of 4.31 followed by the presence of a screening process through which decisions are arrived at with a mean score of 3.71 and there being clearly predetermined criteria used in evaluating long term decisions taken with a mean score of 3.62 respectively.

There was statistical significant responses across the corporations on all statements regarding formalization (relatively high t values, $p<0.05$). Some of the responses received supported this position. One of the respondents indicated that the performance contracts signed between SCs and the GoK required all the SCs to document all their processes and this forms part of performance evaluation at the end of the financial year.

The highest variations in responses (CV=0.30) was noted on two statements (there is a written procedure that guides the making of strategic decisions in the organization and there is a formal written procedure guiding identification of alternative actions). Conversely, low variations in responses (CV=0.19) were reported on one statement (the final decisions arrived at are formally documented).

4.8.3 Coordination Devices of Strategic Decision Making

Coordination devices were used to evaluate the extent to which SCs organize the SDM process by having special groups like task forces and interdepartmental committees to lead the process (Bourgeois and Eisenhardt, 1988). Coordination devices in the SDM process delve into the depth of the issues being considered and ensure that all the details are brought to bear. Descriptive statements were presented to the respondents on a 5-point Likert scale. They were required to indicate the extent to which these statements applied to their organizations. Table 4.15 presents the results.

Table 4.15: Aspects of Coordination Devices of Strategic Decision Making

Coordination Devices	N	Mean	Std. Dev.	CV	t	Sig. (2 tailed)
There are specifically formed task forces that look into specific issues that that give input to long term decision making	95	3.55	1.008	0.28	5.292	.001
There are specific inter departmental committees formed to participate in long term decision making	95	3.48	1.050	0.30	4.493	.001

Source: Field Data (2014)

The results in Table 4.15 show moderately high ranking with respect to manifestation of co-ordination devices in Kenyan SCs (Mean scores above 3.0 for the two coordination devices descriptions). There were statistically significant responses across the SCs on the

level of the use of coordination devices during the SDM process (relatively high t values, $p<0.05$). Variations were low in the responses (CVs below 0.30). The results indicate that SCs use coordination devices to a moderate extent during the SDM process.

4.8.4 Hierarchical Decentralization of Strategic Decision Making

Hierarchical decentralization is the extent to which there is vertical involvement during the SDM process. It measured the total amount of participation of various levels in the organization including the chief executive officers/ Managing Directors, the board of Directors, Heads of departments, lower management cadre (Roberto, 2004). In order to determine the level of involvement during the SDM process, descriptive statements were posed to the respondents and they were required to indicate the extent to which these statements applied to their organizations. Table 4.16 presents the results.

Table 4.16: Aspects of Hierarchical Decentralization of Strategic Decision Making

Hierarchical Decentralization	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
The main shareholders are involved in strategic decision making for the organization	94	3.93	1.08	0.27	8.31	.000
Members of the board are involved in long term decision making	93	4.66	0.58	0.12	27.52	.000
The CEO/MD provides effective leadership in long term decision making	95	4.55	0.87	0.19	17.29	.000
The input of executive directors is taken into consideration during strategic decision making	94	4.49	0.70	0.16	20.65	.000
The input of heads of department is taken into consideration during strategic decision making	95	3.78	1.06	0.28	7.14	.000
Input form middle level management is taken into consideration when making long term decisions	95	3.13	1.23	0.39	1.00	.320
Input from lower level management/first line supervisors is considered important during long term decision making	95	2.91	1.26	0.43	-0.73	.467

Source: Field Data (2014)

The results in Table 4.16 show moderately high ranking with respect to manifestation of hierarchical decentralization of the SDM process in Kenyan SCs (Mean scores above 3.0 for most of the hierarchical decentralization descriptions). Some aspects of hierarchical decentralization had very high means.

Aspects relating to the involvement of the board in long term decision making had a mean of 4.66, the CEO/MD providing effective leadership in long term decision making had a mean of 4.55 while the input of executive directors during SDM had a mean of 4.49. Statistically significant responses were reported across the corporations on the level of comprehensiveness (relatively high t values, $p<0.05$). Notable though was the fact that input from lower and middle level managers is accorded little consideration during the entire process with a mean score of 2.91 and 3.13 respectively. Test statistics also indicated insignificant outcomes concerning their input. Highest variations in responses (CV= 0.43) were noted for the statement that input from lower level management/first line supervisors is considered important during long term decision making while lowest variations (CV=0.12) were reported for the statement that members of the board are involved in long term decision making. The findings are a pointer to the fact that the decision making process in SCs in Kenya is mostly guided and controlled at the top levels only. This position was supported by several respondents who contended that SDM was the preserve of the CEO and the Board of Directors.

4.8.5 Internal Politicization of Strategic Decision Making

Internal politicization is the extent to which negotiations and coalition building take place among participants from different levels during the SDM process (Eisenhardt and

Bourgeois, 1988). Descriptive statements were presented to the respondents on a 5-point likert scale. They were required to indicate the extent to which these statements applied to their organizations. Table 4.17 presents the results.

Table 4.17: Aspects of Internal Politicization of Strategic Decision Making

Aspects of Internal Politicization	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Issues related to specific interest groups are taken into consideration during strategic decision making	95	3.37	1.10	0.33	3.26	.002
There are high levels of negotiation and consensus building between the various departments during long term decision making	95	3.58	1.15	0.33	4.93	.001
All the stakeholders input are sought during long term decision making	95	3.84	1.17	0.31	7.02	.001
External resistance is expected during the strategic decision making process	95	2.44	1.21	0.50	-4.50	.001
The decision making process is prone to frequent interruptions from outside the organization	95	2.48	1.25	0.51	-4.01	.001

Source: Field Data (2014)

The results indicated mixed outcomes with respect to internal politicization. Some statements reported moderately high ranking with respect to manifestation of internal politicization in Kenyan SCs (Mean scores above 3.0). These statements include seeking the input of stakeholders during long term decision making, the presence of high levels of negotiation and consensus building between the various departments during long term decision making and the presence of high levels of negotiation and consensus building between the various departments during long term decision making with means of 3.84, 3.58 and 3.37 respectively. While others had moderately low rankings (Mean scores of less than 3.0).

Notably, all statements were statistically significant. Highest variations (CV=0.51) were reported for the statement positing that the decision making process is prone to frequent

interruptions from outside the organization. Conversely, the statement that all the stakeholders input are sought during long term decision making had the lowest variations in responses (CV= 0.31). The results indicate that internal politicization was considered as important during the SDM process across the organizations that were studied.

4.9 Macro Environment

Macro environment include external factors that operated beyond organization and which organizations have no control over (Hitt et al, 2011). Macro environment is very critical when organizations are developing strategies for their sustainability. The macro environment was operationalized in terms of political, economic, social, ecological and legal aspects. The TMTs in organizations must be able to properly read the developments in the environment in order to devise appropriate responses to meet the emerging needs. The respondents were asked to indicate the extent to which the aspects of the macro environment matter to their organizations to support the decision making process and organizational performance.

4.9.1 Political Environment

The political environment was meant to evaluate the extent to which the Government and stakeholder actions are considered important to the organizations' decision making process and organizational performance. The results are as presented in Table 4.18.

Table 4.18: Aspects of the Political Environment

Aspects of the Political Environment	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Interests from stakeholders	94	3.72	0.97	0.26	7.26	.000
Government pronouncements on changes in policy from time to time	94	4.27	0.83	0.20	14.76	.000
The political stability of the country	94	3.52	1.02	0.29	4.94	.000
Change of political regime	94	3.07	1.16	0.38	.624	.534
Devolved government structure	93	3.29	1.10	0.33	2.55	.013
The country's overall political stability	94	3.68	0.95	0.26	6.93	.000

Source: Field Data (2014)

The results in Table 4.19 show that the average mean for the aspects of the political environment was 3.6. This was a moderately high ranking which means that political aspects of the macro environment were important during the SDM process. Government pronouncements on changes in policy from time to time had the highest mean score of 4.27 which means that whenever government changed its policy, it had an effect on decision making. Several respondents noted that government sometimes changed policies through circulars without any consultation and with little regard to the plans laid down by SCs. An example from the responses is where the government changes priorities in project implementation.

The country's overall political stability and interests from stakeholders had moderately high ranking with mean scores of 3.68 and 3.72 respectively. Change of political regime and devolved government structure had moderate mean scores of 3.07 and 3.29 respectively. Most statements reported statistically significant responses across the corporations (relatively high t values, $p<0.05$). The highest variations (CV=0.38) were reported on the statement regarding change of political regime, although not statistically

significant while lowest variations (CV= 0.20) were reported for the statement stating that Government pronouncements on changes in policy from time to time. The results meant that the occurrence in the political environment in which the SCs operated was considered important during the SDM process among SCs.

4.9.2 Economic Environment

The economic aspect of the macro environment was meant to evaluate the extent to which economic factors in the organization's market and the broader economy affected the decisions taken by organizations and their performance. Economic factors are critical and are the heartbeat of the survival of organizations (Pearce et al, 2012). In order to establish the importance of the economic environment, descriptive statements were presented to the respondents on a 5-point Likert scale. They were required to indicate the extent to which these statements applied to their organizations. Table 4.19 presents the results of one-sample t-test statistics carried out.

Table 4.19: Aspects of the Economic Environment

Aspects of the Economic Environment	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Government's fiscal policies	94	4.35	0.70	0.16	18.75	.001
Taxation policies	94	4.16	0.86	0.21	13.09	.001
Inflationary trends in the country	93	3.99	0.87	0.22	11.07	.001
Level of country's overall economic development	94	4.26	0.92	0.21	13.30	.001
Foreign exchange rates	94	3.51	1.14	0.33	4.33	.001
Interest rates	94	3.61	1.14	0.32	5.17	.001
Availability of credit	92	3.52	1.25	0.36	3.99	.001
Changes in taxation regime	93	3.42	1.17	0.34	3.45	.001
Annual budget allocations to the organization	95	4.07	1.33	0.33	7.86	.001
Intermittent budget reviews and reallocations by government	95	3.48	1.27	0.37	3.72	.001

Source: Field Data (2014)

The results in Table 4.19 showed that annual budget allocations to the organization, level of country's overall economic development, taxation policies and Government's fiscal policies had means that were above 4.0. These four factors were therefore very important in the SDM process of SCs. Inflationary trends in the country, foreign exchange rates, interest rates and availability of credit had moderate means of between 3.5 and 4.0. Changes in taxation regime and availability of credit had means of 3.42 and 3.52 respectively. In effect therefore all economic factors had means that were above 3.0.

Notably, all statements reported statistically significant responses across the corporations (relatively high t values, $p<0.05$). The highest variations (CV=0.37) in responses was noted on the intermittent budget reviews and reallocations by government aspect. Conversely, government's fiscal policies scored the lowest CV (0.16). The results are a clear indication that the economic factors in the macro environment affected SDM in SCs.

4.9.3 Social Environment

The social aspect of the macro environment was meant to evaluate the extent to which demographics and cultural aspects of the macro environment matter in assisting in shaping the decisions taken by organizations (Hitt et al, 2011). Social issues are important considerations that organizations need to take into account during the SDM process. The results were as presented in Table 4.20.

Table 4.20: Aspects of the Social Environment

Aspects of the Social Environment	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Societal norms and values	94	3.07	1.060	0.35	.681	.497
Customs of various communities	95	2.75	1.220	0.44	-2.02	.046
Religion of host communities	95	2.57	1.226	0.48	-3.43	.001
Demands of host communities	93	2.86	1.221	0.43	-1.10	.272
Cultural practices e.g. land demarcation, farming Practices, pastoralism etc.	94	2.77	1.239	0.45	-1.83	.070
Population growth rate	95	3.06	1.070	0.35	0.58	.566
Crime rates and terrorism	95	3.02	1.229	0.41	0.17	.868
Tribal inclinations	95	2.31	1.203	0.52	-5.63	.000
Gender issues	94	2.71	1.206	0.45	-2.31	.023

Source: Field Data (2014)

The findings in Table 4.20 indicate mixed agreement on issues of social environment. Of the nine (9) aspects studied, only three (3) had a moderate ranking namely societal norms and values (mean=3.07), population growth rate (mean= 3.06) and crime rate and terrorism (Mean= 3.02). The rest recorded means that were less than 3.0. This was an indication that most of the organizations evaluated did not regard factors in the social environment as important in their decision making and organizational performance.

Further, crimes rates and terrorism, societal norms and values, population growth rate, demands of host communities and cultural practices returned insignificant outcomes ($p>.05$). Customs of various communities religion of host communities, tribal inclination and gender issues returned outcomes that were not significant ($p<.05$). However, there was agreement to a less extent that these issues mattered to the organizations. Highest variations were reported on tribal inclinations (CV=0.52) while lowest variations (CV=0.35) were noted on societal norms and values as well as population growth rate.

4.9.4 Ecological Environment

The ecological environment was meant to evaluate environmental factors that affect the decisions that organizations make and performance. When planning for performance organization should consider environmental issues as proposed by the sustainable balanced score card (Yongvanich and Guthrie, 2006). Statements were modeled around ecological matters and the respondents were required to indicate the extent to which these statements applied to their organizations. Table 4.21 presents the results of one-sample t-test statistics carried out.

Table 4.21: Issues of Ecological Environment

Issues of Ecological Environment	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Occurrences in the natural environment e.g. drought rainy season etc.	95	3.45	1.12	0.32	3.95	.001
Climate change	93	3.25	1.22	0.38	1.95	.054
Land and air pollution levels	93	2.95	1.22	0.41	-0.43	.672
Civil society organizations' agitation for environmental concerns	95	3.06	1.05	0.34	0.59	.559
Environmental legislation	92	3.36	1.02	0.30	3.36	.001

Source: Field Data (2014)

The results in Table 4.21 indicated mixed outcomes. While most aspects ranked moderately high (Mean scores above 3.0), land and pollution levels scored a low mean (2.95). Some responses (Occurrences in the natural environment e.g. drought, rainy season etc. as well as environmental legislation) reported statistically significant results ($p<0.05$) while the rest were found to be statistically not significant. Highest variations in responses (CV=0.41) were noted for land and air pollution levels, although not statically

significant. Conversely, lowest variations (CV= 0.30) for environmental legislation. The results indicate that ecological factors were not important in SDM process in SCs.

4.9.5 Legal Environment

The legal environment was meant to evaluate the extent to which the laws that create and define the mandates of organizations and other laws of the land are considered important to the decisions taken and consequently performance. Descriptive statements were presented to the respondents on a 5-point Likert scale. They were required to indicate the extent to which these statements applied to their organizations. Table 4.22 presents the results of one-sample t-test statistics carried out.

Table 4.22: Issues of the Legal Environment

Issues of the Legal Environment	N	Mean	Std. Dev.	CV	t	Sig. (2-tailed)
Environmental legislation	92	3.36	1.02	0.30	3.36	.001
Changes in the Kenya constitution 2010 and subsequent legislation	95	3.95	0.91	0.23	10.22	.001
The legal framework prescribing the mandate of the organization	94	4.22	0.83	0.20	14.26	.001
Legislative activities touching on the organization's business	95	4.37	0.83	0.19	16.15	.001
New laws emanating from county governments	94	3.39	1.17	0.34	3.27	.001

Source: Field Data (2014)

The results in Table 4.22 show moderately high ranking with respect to manifestation of the legal environment in Kenyan SCs (Mean scores above 3.0 for all the manifestations). Legal framework defining the mandate of the organization, legislative activities touching on the organization's business and changes in the Kenya constitution had the highest means of between 4.0 and 4.4.

Environmental legislation and new laws emanating from county governments had moderate means of 3.36 and 3.39 respectively. Arising from these results, the legal environment that SCs operated in affected SDM. Notably, all statements reported statistically significant responses across the corporations (relatively high t values, $p<0.05$). The highest variations (CV= 0.34) were reported on new laws emanating from the counties. Conversely, the lowest variations were noted on the legal framework prescribing the mandate of the organization.

4.10 Organizational Performance

The performance of organizations continues to draw interest in strategic management research because it is the optima for any organization. It is what determines the survival of an organization. Due to the critical position that performance holds in organizations, its measurement is key because it brings forth a report to the owners of the organization on how well the resources were utilized to derive benefits for them.

The measurement of organizational performance varies from organization to organization. This is because performance is multi-dimensional (Hubbard, 2009). For years, the measurement of performance concentrated on financial indicators, but this has changed and now includes both Financial and non-financial indicators. Kaplan and Norton (1992) introduced the balance score card which has both financial and non-financial indicators after realization that even the non-financial indicators like internal and external stakeholders of an organization play a critical part in influencing organizational performance. This model of measurement has been replicated world over due to the benefits that it brings to organizations.

State Corporations play a critical role in ensuring that Government achieves its objectives towards meeting the socio economic needs of its citizens. The performance of SCs therefore now than ever before has been the center of discussions and several measures have been put in place to ensure that performance is monitored. Notable is the introduction of performance contracting in 2003. The performance contract guidelines have borrowed a lot from the balanced score card since it has both financial and non-financial indicators.

Performance guidelines require all SCs and other state organs to negotiate performance targets at the beginning of every financial year. This is followed by the signing of performance contracts which have targets and weights attached to them. Performance is then monitored by the use of quarterly reports to the department of performance contracting in the ministry of planning and devolution then an annual evaluation follows at the end of the year. This evaluation uses the weights attached to each of the negotiated performance targets.

The targets include finance and stewardship which deal with how well an organization has attracted additional revenue and how well it has utilized its resources; non-financial indicators which mainly deal with compliance matters; operations targets that are specific to the mandate of the organization; dynamic/ qualitative indicators that deal with mainly employee matters ; service delivery and corruption eradication. Each of the targets is evaluated and a raw score derived. In order to ascertain the performance for each SC, a composite score is calculated from the raw scores using the performance contracting tool. SCs are then ranked using the composite scores. These are the results that are usually announced at the end of each financial year.

From the foregoing, the composite scores for the SCs and their rankings were obtained from the performance contracting department and their means compared using one sample statistics. The findings are presented in Table 4.23.

Table 4.23: Performance of State Corporations

	N	Mean	t	Sig. (2-tailed)
Performance 2008/9	96	2.6244	-8.926	.000
Performance 2009/10	96	2.4761	-10.884	.000
Performance 2010/11	96	2.4826	-10.120	.000
Performance 2011/12	96	2.8768	-3.080	.003
Performance 2012/13	96	2.8527	-3.383	.001

According to the performance contracting guidelines, Kenyan SCs' performance is rated on a scale of 1.00 to 5.00 where 1.00 represents excellent and 5.00 represents "Zero" achievement and below or poor. A composite score of between 1 and 2.4 is excellent, 2.4 and 3 is very good, 3.0 and 3.6 is good, 3.6 and 4.0 is fair and 4.0 and 5.0 is poor. The results in Table 4.23 indicate that state corporations performance mean scores ranged between 2.476 and 2.876 in the financial years 2008/09 to 2012/13. This indicates that performance of these organizations was significantly very good across the years.

4.11 Chapter Summary

This chapter presented the initial findings from the responses received and showed how the various variables manifested in the SCs that were studied. The response rate was 89 percent which was considered as sufficient and representative of the study population. Manifestation of the study variables were also tested and interpreted using one sample t-tests, mean scores, coefficients of variations and significance levels. Varied outcomes of the manifestations were noted. Most of the responses reported moderately high rankings with statistically significant levels across organizations on the aspects presented to the respondents.

The summary of the individual top management demographics had varied levels of manifestations. Most of the aspects under gender, age, tenure and functional background were not statistically significant showing that these aspects were not considered important by SCs. On the other hand, most of the manifestations for functional and educational levels were significant meaning that the SCs had well educated managers who had the necessary functional background.

The manifestations in all the dimensions of SDM were statistically significant meaning they contributed to SDM and to the performance of organizations. Also, it was clear from the findings that the manifestations in all the aspects of the macro environment were significant an indication that the aspects that were significant were considered important across the organizations that were studied. The findings also indicated that for the five year period under study, the average performance for all SCs was very good.

CHAPTER FIVE

TESTS OF HYPOTHESES AND DISCUSSION

5.1 Introduction

The broad objective of the study was to establish the influence of strategic decision making and macro environment on the relationship between top management demographics and performance of Kenyan state corporations. To achieve this objective, six specific objectives and their corresponding hypotheses were set and formulated respectively. To achieve the objectives and test the hypotheses, the study utilized a number of inferential statistical operations. Both simple and multiple regression analyses were used to establish the influence of independent variables on the dependent variable. To test for intervening effects of the variables, the study used the Baron and Kenny (1986) model while hierarchical regression was used to test for moderating effects.

Regression analyses yielded various values including R, R^2, F ratio, t-values and p-values. The R-value reflects the strength of the relationship between the variables while R^2 values depict the extent to which variations in indicators are explained. The F-value shows the statistical significance of the overall model, while t-values represent the significance of individual variables. Additionally, beta values show the positive or negative effect of the independent variable on the dependent variable. Finally, p-values represent the significance level. This study tested the relationships at 95 percent confidence level ($p=0.05$) at which point a decision to confirm the hypothesis was made at values of F-ratio where $p<0.05$. Results that yielded p values > 0.05 led to rejection of hypotheses while, results with $p<0.05$ resulted in failure to reject hypotheses.

For the intervening and moderating effect, the study utilized hierarchical regression analysis where the intervening or moderating variables are added to independent variables to check the direct influence of independent variables on dependent variable. The results are presented in two broad categories. First, the results of the independent effects of the independent variables on the dependent variable are presented after which the results of the combined effect of the independent variable on the dependent variable are presented.

5.2 Top Management Demographics and Organizational Performance

The first objective of the study was to establish the influence of top management demographics on the performance of Kenyan SCs. Top management demographics were operationalized in the study as attributes ascribed to individual managers. They include age, education, functional background, tenure, gender and experience (Hambrick and Mason, 1984). Empirical and conceptual literature on this relationship exists. Studies on these two constructs present lack of agreement among researchers.

Some have argued that top management demographics positively influence organizational performance while other studies have argued that some of the top management demographics like diversity in age, education and functional background affect performance negatively. It is along this evidence that the current study sought to establish the influence of top management demographics on the performance of Kenyan SCs. These attributes of top managers were evaluated with reference to top managers in the SCs who were defined as heads of department, executive directors, chief executive officers/ Managing Directors.

Performance scores for the SCs studied was obtained as a composite score from the performance contracting evaluation reports from the performance contracting department in the Ministry of planning and devolution for the five year period from 2008/2009 to 2012/13 financial year. The composite include both financial and non-financial measures of performance.

In order to establish the first objective of the study, a corresponding hypothesis ***H_1 Top management demographics have a significant influence on the performance of Kenyan state corporations*** was stated and tested. First the individual influence of top management demographics on performance was tested and then the influence of the combined effect of top management demographics on performance was tested. The results of the tests are presented in Tables 5.1 and 5.2.

Table 5.1: Independent effects of Top Management Demographics on performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.224[a]	.050	-.005	.3096700

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.439	5	.088	.915	.475[a]
	Residual	8.343	87	.096		
	Total	8.782	92			

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.221	.324		6.853	.000
	Age	.014	.048	.032	.298	.766
	Education	.032	.049	.069	.640	.524
	Gender	-.006	.052	-.013	-.124	.902
	functional background	.100	.050	.216	2.009	.048
	Tenure	.019	.045	.046	.430	.668

a. Predictors: (Constant), Tenure, Age, Gender, Education, Functional background
b. Dependent Variable: Performance
Source: Field Data (2014)

Overall, the results show that top management demographics had a weak but positive relationship with performance (R= 0.224). This relationship explains 5 percent variation in performance. 95 percent of performance is explained by other factors not considered in this model. This proportion was however not statistically significant (P>0.05). The individual contribution of each of the variables defining top management demographics on performance gave mixed results. The results indicated that age positively influenced performance but the influence was not statistically significant (B= .014, t=.298, sig= .766).

These results supported the study by Olson, Parayitam and Twiggs (2006) who found a negative relationship between age and strategic choice which affected performance negatively. Education also positively influenced performance though the influence was also not statistically significant (B= .032, t=.640, sig= .524). The findings supported the findings by Jehn et al (1999) who found that for education levels to bring about performance, they had to be combined with other aspects in the organization.

Gender influenced performance negatively but the influence was also not significant (B=0 -.006, t= -.124, sig= .902). The findings were in agreement with Marimuthu and Kolandaismy (2009) who found that although women were present at corporate level (TMT) in large firms, they did not have any reasonable impact on organizational performance. Functional background had positive effects and statistically influenced performance (B= 0.100, t=.2.009, sig= .048). This finding is supported by Certo et al (2006) who argued that the expertise of team members was related to team efficiency and effectiveness hence having a positive influence on performance. Tenure however did not

have significant influence on performance (B= .019, t=.430, sig= .668). The findings agree with O'Reilly, Synder and Booth (1993) that tenure homogeneity brought about conflicts among team members. The equation defining the relationship would thus be:

$$P= 2.221+ 0.014\ A + 0.032\ E - 0.006\ G + 0.100\ FB + 0.019T$$

Where: Y= Performance

A= Age

E= Education

G= Gender

FB= Functional Background

T= Tenure

In the equation, positive effects were reported for age, education, functional background and tenure but a negative effect was reported on gender. This means that a unit change in age of top managers yields .014 positive change in performance, a unit change in the education levels of top managers yields 0.032 positive change in performance, a unit change in the functional background of mangers yields 0.100 positive change in performance while a unit change in tenure of top managers yields 0.019 positive change in performance. Although most of the variables were not significant, it was notable that gender negatively influenced performance. This is indicative in the equation in that a unit change in the gender of top managers yields negative change (-.006) in performance. This negative change could be attributed to the fact that the initial results indicated that most of the SCs studied had very few women in top management and in fact in some instances, there were no women completely in top management.

The combined effect of top management demographics on organizational performance was also tested and the results are presented in Table 5.2.

Table 5.2: Combined effect of Top Management Demographics on Performance

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.216	.047	.037	.3012992

ANOVA						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	.414	1	.414	4.566	.035[a]
	Residual	8.443	93	.091		
	Total	8.857	94			

Coefficients						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		B	Std. Error	Beta	**T**	**Sig.**
1	(Constant)	2.437	.111		21.885	.000
	Top management demographics	.095	.045	.216	2.137	.035

a. Predictors: (Constant), Top Management Demographics

b. Dependent Variable: Performance

Source: Field Data (2014)

The findings as per Table 5.2 indicated that when combined, top management demographics influence performance of Kenyan SCs. The influence was statistically significant (B=.216, t=2.137 p<.05). Overall, top management demographics correlate with performance up to 0.216 meaning it is a weak positive relationship and explain 4.7 percent variation in performance. 95.3 percent of performance is explained by other factors not considered in this model. This proportion that is explained by the combined effect of top management demographics is statistically significant (Higher F-value,

$p<0.05$). On the basis of these results H_1 is supported. The study therefore failed to reject the hypothesis. These findings were represented by the following equation:

$$P= 2.437 + 0.095TMD$$

Where; P=Performance, T=Top Management Demographics

In the equation, a unit change in top management demographics yields a positive coefficient of 0.095 positive change in performance. This change is statistically significant. The findings of the combined top management demographics influence on performance support the argument of the upper echelons theory (Hambrick and Mason, 1984) that top management demographics positively influence organizational performance.

5.3 Top Management Demographics and Strategic Decision Making

The second objective of the study was to determine the influence of top management demographics on strategic decision making of Kenyan state corporations. SDM was operationalized along its dimensions and not the process. These dimensions include comprehensiveness, formalization, hierarchical decentralization, lateral communication, co-ordination devices and internal politicization (Papadakis and Barwise, 1996).Whereas some literature argue that top management demographics influence SDM dimensions therefore influencing performance positively, others argue that top management demographics affects SDM orientation negatively hence having negative effects on performance. It is against this backdrop that this study set to establish whether indeed top management demographics influenced SDM.

In order to test this relationship, a hypothesis H_2 ***Top management demographics have a significant influence on SDM of Kenyan State Corporations*** was stated and tested. First, the individual effects of top management demographics were tested then the combined effect of top management demographics on SDM was tested. The results are presented in Tables 5.3 and 5.4.

Table 5.3: The Independent Influence of Top Management Demographics on Strategic Decision Making

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.497[a]	.247	.199	.52448

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.133	5	1.427	5.186	.000[a]
	Residual	21.731	79	.275		
	Total	28.864	84			

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.506	.587		.862	.391
	Age	-.021	.084	-.025	-.244	.808
	Education	.063	.089	.072	.712	.479
	Gender	.088	.093	.096	.950	.345
	Functional background	.420	.088	.484	4.792	.000
	Tenure	.122	.079	.154	1.544	.127

a. Predictors: (Constant), Tenure, Age, Gender, Education, Functional Background
b. Dependent Variable: Strategic Decision Making
Source: Field Data (2014)

Overall, the results in Table 5.3 indicated that top management demographics had a weak but positive relationship with SDM (R=0.497). The model could explain 24.7% of the variation in SDM. 75.3 percent of SDM is explained by other factors not considered in

this model. The proportion was statistically significant (High F-value, p<.005). The individual contribution of each of the attributes defining top management demographics gave mixed results. The results indicated that age negatively influenced SDM but the influence was not statistically significant (B= -0.021, t= 0.244, sig= 0.808). This finding contradicts the finding by Yoo et al (2009) who argued that the younger TMTs tended to be more aggressive and adopted comprehensive strategies. Education also positively influenced SDM though the influence was also not statistically significant (B= 0.063, t= 0.712, sig= 0.479). This finding goes against the argument by Michael and Hambrick (1992) who found that educated managers tended to lean towards more comprehensive approaches to SDM.

Gender influenced SDM positively but the influence was also not significant (B= 0.088, t= -0.950, sig= 0.345). Functional background had a statistically significant and positively influence on SDM (B= 0.420, t=4.792, sig= 0.000). This finding supported the argument by Thomas and Ramaswamy (1996) who argued that functional background influenced SDM and managers in functional areas tended to be inclined towards lateral communication in and comprehensive processes in SDM. Tenure however did not have a statistically significant influence on SDM (B= .122, t=1.544, sig= .127). This finding did not support the findings by Yoo et al (2009) who found that managers who had a long tenure in organizations adopted less comprehensive SDM. The equation defining the relationship would thus be:

$$Y= 0.506 - 0.021A +0.063 E+ 0.088G + 0.420 FB+ 0.122T$$

Where Y= Strategic Decision Making

A= Age

E= Education

G= Gender

FB= Functional Background

T= Tenure

In the equation, positive effects were reported for education, functional background, gender and tenure but a negative effect was reported on age. This means that , a unit change in the education levels of top managers yields 0.063 positive change in SDM, a unit change in gender yields 0.088 positive change in SDM, a unit change in the functional background of managers yields 0.420 positive change in SDM while a unit change in tenure of top managers yields 0.122 positive change in SDM. Though most of the variables were not significant it was notable that age negatively influenced SDM. This is indicative in the equation in that a unit change in the age of top managers yields -0.021 negative change in SDM. This negative change could be attributed to the fact that the initial results indicated that most of the SCs did not consider age as important during the SDM process.

The combined effects of Top management demographics on SDM were tested and the results are presented in Table 5.4.

Table 5.4: Combined effect of Top Management Demographics on SDM

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.435[a]	.189	.180	.52547

ANOVA						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	5.487	1	5.487	19.873	.000[a]
	Residual	23.470	85	.276		
	Total	28.958	86			

Coefficients[a]						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		B	Std. Error	Beta	**T**	**Sig.**
1	(Constant)	1.474	.220		6.708	.000
	Top management demographics	.394	.088	.435	4.458	.000

a. Predictors: (Constant), Top Management Demographics

b. Dependent Variable: Strategic Decision Making

Source: Field Data (2014)

The findings as per Table 5.4 indicated that when combined, top management demographics influence SDM of SCs in Kenya. The influence was statistically significant (B= 0.435, t=4.458 p-value<.05). Overall, top management demographics correlate with SDM up to 0.435 meaning it is a weak positive relationship and explain 1.9 percent variation in SDM. 98.1 percent of SDM is explained by other factors not considered in this model. This proportion that is explained by the combined effect of top management demographics is statistically significant (Higher F-value, $p<0.05$). On the basis of these results H_2 is supported. The study therefore failed to reject the hypothesis. These findings were represented by the following equation:

SDM = 1.474 + .394TMD

Where; SDM=Strategic Decision Making

TMD=Top Management Demographics

In the equation, top managements' coefficient is positive which means that a unit change in top management demographics yields a positive change of 0.394 in SDM. This change is statistically significant. The findings concur with Michael and Hambrick(1992) that top management demographics influences the thought process of its TMT which in effect influence the dimensions of SDM that they adopt in defining the strategic orientation of their organizations.

5.4 Strategic Decision Making and Performance

The third objective of the study was to establish the influence of strategic decision making on the performance of Kenyan SCs. As indicated in the earlier chapters, SDM was operationalized along its six dimensions and not along the process itself. These dimensions are: comprehensiveness, formalization, hierarchical decentralization, lateral communication, co-ordination devices and internal politicization.

There has been a lot of literature on the influence of SDM and organizational performance. This is because of the central position of SDM in determining organizational survival. Nielson (2010) argued that SDM is important because it includes choosing the key factors that determine organizational performance in the long run. Studies have confirmed that SDM has an influence on organizational performance (Fredrickson and Mitchell, 1984; Bourgeois and Eisenhardt, 1988). Other studies have on

the other hand argued that some dimensions of the SDM process influence performance negatively. It is along this background that the study sought to establish the influence of SDM on the performance of Kenyan SCs.

In order to establish this third objective, a corresponding hypothesis, H_3**:** ***Strategic decision making has a significant influence on the performance of Kenyan State Corporations***, was stated and tested. First, a test on the independent influence of the six dimensions of SDM on performance was performed then the combined effect of the SDM dimensions on performance was also performed. The results are presented in Table 5.5 and 5.6 respectively.

Table 5.5: Independent effects of SDM on performance

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.266[a]	.071	.002	.2990091

ANOVA						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	.552	6	.092	1.029	.413[a]
	Residual	7.242	81	.089		
	Total	7.794	87			

Coefficients						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1	(Constant)	2.652	.153		17.324	.000
	Comprehensiveness	-.141	.097	-.295	-1.457	.149
	Formalization	-.040	.059	-.095	-.674	.502
	Coordination devices	.083	.051	.234	1.624	.108
	Hierarchical decentralization	.091	.099	.209	.921	.360
	Internal politicization	-.013	.048	-.034	-.277	.782
	Lateral communication	.041	.055	.117	.734	.465

a. Predictors: (Constant), Lateral Communication, Internal Politicization, Formalization, Coordination Devices, Comprehensiveness, Hierarchical Decentralization

b. Dependent Variable: Performance

Source: Field Data (2014)

Overall, the results in Table 5.6 show that the dimensions of SDM had a weak but positive relationship with performance (R= 0.266) and explains 7.1 percent variation in performance. The variation was however not statistically significant (P>0.05). The results indicated that all the dimensions of SDM did not have statistically significant influence on performance (P values < 0.05). These findings were represented by the following equation:

$$P = 2.652 - 0.141C - 0.040F + 0.083CD + 0.091HD - 0.013IP + 0.041LC$$

Where;

C=Comprehensiveness

F=Formalization

CD=Coordination devices

HD= Hierarchical Decentralization

IP=Internal Politicization

LC= Lateral Communication

In the equation, co-ordination devices, hierarchical decentralization and lateral communication have positive effects on performance while formalization, comprehensiveness and internal politicization have a negative relationship with performance. A unit change in co-ordination devices, Hierarchical decentralization and lateral communication causes a positive change of 0.083, 0.091 and 0.041 respectively. On the other hand, a unit change in formalization, comprehensiveness and internal politicization causes a positive change of -0.040, -0.041 and -0.013 respectively though not statistically significant.

These results indicated that lateral communication was not considered as a critical component in the SDM process in Kenyan SCs. This position contradicted the argument in literature that SDM was an important process for any organization because it is the process that developed strategies that would enable an organization to remain competitive and therefore sustainable (Snow and Hambrick, 1980; Miller and Droge, 1986).The results of the combined effects of SDM on performance are presented in Table 5.6.

Table 5.6 Combined Effect of SDM Dimensions on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.114[a]	.013	.002	.2990791

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.101	1	.101	1.134	.290[a]
	Residual	7.693	86	.089		
	Total	7.794	87			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.539	.138		18.389	.000
	Strategic Decision Making	.059	.056	.114	1.065	.290

a. Predictors: (Constant), Strategic Decision Making
b. Dependent Variable: Performance
Source: Field Data (2014)

The findings in Table 5.6 indicated that when combined SDM dimensions have no influence on performance of Kenyan state corporations. The influence was not statistically significant (B= .114, T= 1.065 P>0.05). Overall, SDM correlate with performance up to .114 meaning that it is a weak positive relationship and explains 1.3 percent variation in performance. 88.7 percent of performance is explained by other

factors not considered in this model. This proportion that is explained by the combined effects of SDM is not statistically significant (Low F. value, P>0.05). On the basis of these results, H_3 is not supported. The study therefore rejected the hypothesis. These findings were represented by the following equation:

$$P=2.539 + .059 \text{ SDM}$$

Where; P= Performance

SDM= Strategic Decision Making

In the equation, SDM co-efficient positive which means that a unit change in SDM yields a positive change of 0.059 in performance. This change is however not statistically significant. (P>0.05).The findings concur with some studies. For instance, Fredrick and Mitchel (1984) who argued that comprehensiveness exhibited a negative relationship with performance especially in turbulent industries.

5.5 Top Management Demographics, Strategic Decision Making and Performance of State Corporations

The fourth objective of the study was to establish the influence of SDM on the relationship between top management demographics and performance of Kenyan SCs. SDM was conceptualized as an intervening variable in the relationship between top management demographics and organizational performance. In order to test for this influence, a corresponding hypothesis was formulated as H_4: ***The influence of top management demographics on performance is significantly intervened by Strategic Decision Making*** and tested.

Studies on top management demographics, SDM and performance have reported varied outcomes based on either the relationship between top management demographics and Performance or SDM and performance. The earlier analysis in this chapter established the relationship between top management demographics and organizational performance, the relationship between top management demographics and SDM and the relationship between SDM and performance. In light of the contradicting outcomes, the current study sought to evaluate whether indeed the influence of top management demographics on performance was mediated by SDM.

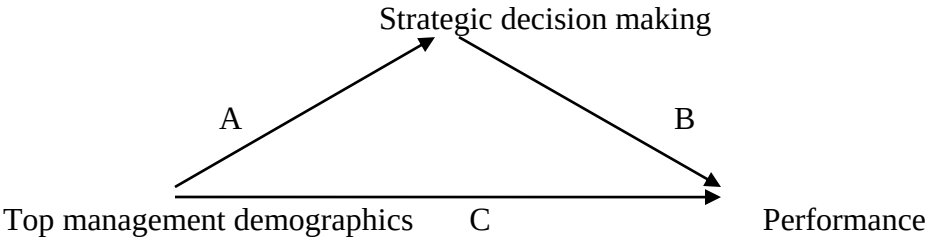
An intervening variable is a hypothetical internal state that is used to explain relationships between observed variables such as independent and dependent variables in empirical research. It is one that occurs between the independent and dependent variables. It is caused by the dependent variable and is itself a cause of the dependent variable. That is, it is causally affected by the independent variable and itself affects the dependent variable. In testing for the intervening effect of SDM on the influence of top management demographics on performance, the Baron and Kenny (1986) approach was employed.

The approach includes a three step process as follows; Step one evaluates the influence of top management demographics on performance. According to the model, this influence should be statistically significant. Step two evaluates the influence of top management demographics on SDM and the requirement is that the influence should be statistically significant. Step three evaluates the influence of SDM on performance and the

requirement is that this influence should also be statistically significant. Finally, Step four evaluates the influence of top management demographics on performance while controlling for SDM. The influence of top management demographics on performance should not be statistically significant when controlling for SDM for moderation to be confirmed.

The direct and indirect effect in testing for the intervening effect was as represented in the path diagram in figure 5.1:

Figure 5.1: Path Diagram for Direct and Indirect effects



Path C represents the direct effect of TMD on performance. Path A represents the interaction of top management demographics and SDM which is the indirect effect (intervening) while path B represents the influence of SDM on performance. Paths A and B represent the indirect effect.

Step one of the tests for the intervening effect of SDM on the relationship between TMD and performance was performed. This step involved evaluating the influence of top management demographics on performance. The results are presented in Table 5.7a

Table 5.7a: Influence of Top Management Demographics on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.216[a]	.047	.037	.3012992

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.414	1	.414	4.566	.035[a]
	Residual	8.443	93	.091		
	Total	8.857	94			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.437	.111		21.885	.000
	Top Management Demographics	.095	.045	.216	2.137	.035

a. Predictors: (Constant), Top Management Demographics

b. Dependent Variable: Performance

Source: Field Data (2014)

The results in Table 5.7a indicated that top management demographics had a weak but positive relationship with performance (R=.216). The model could explain 4.7 percent of the variation in performance. 85.3 percent of performance is explained by other factors not considered in the model. The proportion was statistically significant. (High F value, $P< 0.05$). The results thus confirmed the first step of testing for the intervening effect of SDM on the relationship between top management demographics and performance since it was significant.

The second step of the test for the intervening effect of SDM on the relationship between top management demographics and performance involved testing the influence top management demographics on SDM. The results of the tests are presented in Table 5.7b.

Table 5.7b: Influence of Top Management Demographics on Strategic Decision Making

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.435[a]	.189	.180	.52547

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.487	1	5.487	19.873	.000[a]
	Residual	23.470	85	.276		
	Total	28.958	86			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.474	.220		6.708	.000
	Top Management Demographics	.394	.088	.435	4.458	.000

a. Predictors: (Constant), Top Management Demographics

b. Dependent Variable: Strategic Decision Making

Source: Field Data (2014)

The results in Table 5.7b indicate that top management demographics had a positive but weak relationship with SDM (R=.435). The model could explain 18.9 percent of the variation in SDM. 81.1 percent of SDM is explained by other factors not considered in the model. The proportion was statistically significant. (High F values, P<0.05). The results therefore confirmed the second step of testing for the intervening effect of SDM on the relationship between top management demographics and Performance because it was also significant.

The third step of the test for the intervening effect of SDM on the relationship between top management demographics and performance involved testing the influence SDM on performance. Step four of the process involved the testing of the influence of top

management demographics on performance while controlling for SDM. The results for the two steps are presented in Table 5.7c.

Table 5.7c: Influence of Top Management Demographics and Strategic Decision Making on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.111[a]	.012	.001	.2989420
2	.201[b]	.040	.017	.2964213

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.094	1	.094	1.057	.307[a]
	Residual	7.596	85	.089		
	Total	7.691	86			
2	Regression	.310	2	.155	1.763	.178[b]
	Residual	7.381	84	.088		
	Total	7.691	86			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.548	.138		18.427	.000
	strategic decision making	.057	.056	.111	1.028	.307
2	(Constant)	2.440	.153		15.918	.000
	Strategic decision making	.015	.061	.030	.252	.802
	Top Management Demographics	.087	.055	.186	1.566	.121

a. Predictors: (Constant), Strategic Decision Making

b. Predictors: (Constant), Strategic Decision Making, Top Management Demographics

c. Dependent Variable: Performance

Source: Field Data (2014)

The results in Table 5.7c indicate that SDM had a positive but weak relationship with performance (R=.111). The model could explain 1.2 percent of the variations in performance. 98.8 percent of performance is explained by other factors not considered in the model. The proportion was not statistically significant (B=.057, T=1.028, P>0.05). The results therefore did not support the third step in testing for the intervening effect of SDM on the relationship between top management demographics and performance. The influences of SDM (B=.015, t= .252, p>05) and top management demographics (B=.087, t= 1.566, p>05) were not statistically significant. The model was also not statistically significant (R^2=.040, F=1.763, p>05). The result thus did not confirm step 4 in testing for the intervening effect and did not support the intervening effect of SDM on the relationship between top management demographics and performance. The study therefore rejected the hypothesis.

This outcome was indicative of the fact that top management demographics interacts with SDM and the interaction has an effect on their influence on performance of SCs though the indirect effect was not clear from the results in this study. This contradicted the position that the nature of organizational outcomes are a reflection of its top management team characteristics (Hambrick and mason, 1984) which influences the manner in which TMTs develop strategies for an organization and therefore the strategic direction adopted by organizations (Cyert and March, 1963).

5.6 Top Management Demographics, Macro Environment and Strategic Decision Making

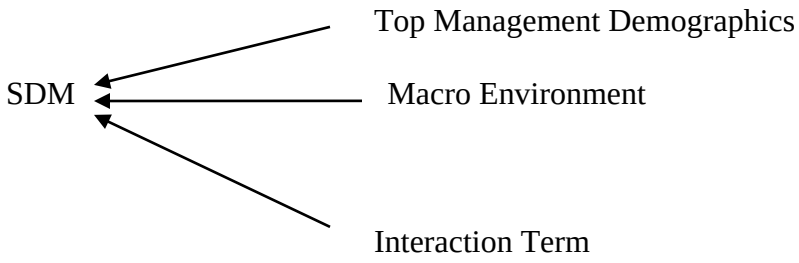
The fifth objective of the study was to establish the moderating effect of macro environment on the relationship between top management demographics and strategic decision making. Studies have argued that there is a relationship between top management demographics, SDM and macro environment (Dean and Sharfman, 1993a). The argument is that top management demographics influence the strategic decisions that organizations make Also, organizations don't operate in a vacuum but operate in an environment (Porter 1985).The happenings in the environment influence the perceptions of the environment by TMTs and therefore the interpretations of the issues emerging from the environment (Franz et al, 2004). These interpretations by TMTs have an influence of the strategic orientation that organizations adapt (Miller and Droge, 1986) and which consequently has an influence on performance. Macro-environment therefore plays a moderating role between top management demographics and SDM.

In order to achieve this objective, a hypothesis H_5: ***Macro-Environment has a Significant Moderating Influence on the Relationship between Top Management Demographics and Strategic Decision Making of Kenyan State Corporations*** was stated and tested.

To test for the moderation influence, a hierarchical regression analysis was conducted using the following two steps. Step one, tested the influence of top management demographics and macro-environment on performance. Then in step two, the interaction term was introduced in the equation and its significance evaluated when controlling for

top management demographics and macro-environment. The interaction term was computed as the product of the standardized scores of top management demographics and macro environment. To confirm moderation, the influence of the interaction term should be significant. The relationship was depicted in figure 5.2:

Figure 5.2: Influence of Interaction term



The findings of these tests are presented in Table 5.8

Table 5.8: Regression Results Depicting Moderating Effect of Macro Environment on the Relationship between Top Management Demographics and Strategic Decision Making.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
1	.550	.302	.282	.47836	.302	15.169	2	70	.000
2	.560	.314	.284	.47785	.011	1.148	1	69	.288

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.942	2	3.471	15.169	.000[a]
	Residual	16.018	70	.229		
	Total	22.960	72			
2	Regression	7.204	3	2.401	10.516	.000[b]
	Residual	15.756	69	.228		
	Total	22.960	72			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.803	.314		2.559	.013		
	Top Management Demographics	.360	.086	.426	4.192	.000	.966	1.035
	Macro Environment	.290	.106	.278	2.740	.008	.966	1.035
2	(Constant)	.740	.319		2.321	.023		
	Top Management Demographics	.357	.086	.421	4.148	.000	.964	1.037
	Macro environment	.314	.108	.301	2.905	.005	.925	1.081
	Interaction term	.068	.063	.109	1.071	.288	.958	1.044

a. Predictors: (Constant), Macro environment, Top Management Demographics

b. Predictors: (Constant), Macro environment, Top Management Demographics, Interaction term

c. Dependent Variable: Strategic Decision Making

Source: Field Data (2014)

The findings of step one and step two are in Table 5.8. The findings for step one indicate that top management demographics (B=360, T=4.192, P<.05) and macro environment (B=290, T=2.740, P<.05) independently have a statistically significant influence on SDM

accounting for 30.2 Percent (R^2=.302, F=15.169, P-value=<.05) explained variation. In the second step, the effect of the interaction term on controlling for the two independent variables was however not statistically significant (B=.068, t=1.071, P value =>.05). The insignificance of the interaction term indicated a possibility of both top management demographics and macro environment being independent contributors to influencing SDM. The model explaining the relationship was statistically significant and accounted for 31.4 Percent explained variation (R^2=.314, F=10.516, P-value=<.05).

The findings thus rejected the hypothesis that macro environment moderates the influence of top management demographics on SDM. The relatively small change in R^2 was an indication that the interaction term had some effect though significantly not high enough to explain the relationship. The current study thus concluded that top management demographics and SDM have significant contribution to influencing SDM. The interaction between the two variables had some influence on decision making though not large enough to support a moderation relationship. The findings therefore rejected the hypothesis.

5.7 Top Management Demographics, Strategic Decision Making, Macro Environment and Performance

The sixth objective of the study was, to establish the influence of strategic decision making and the macro environment on the relationship between top management demographics and the performance of Kenyan state corporations. Performance of any organization is always affected by several factors; some of which are external and some of which are internal. The effect of these factors combined is always envisaged to be

greater than the influence they have individually. Studies have shown that top management demographics influence performance, (Nielsen, 2013); top management demographics affect strategic decision making (Smith et al, 1994), macro environment influences strategic decision making (Miler and Snow, 1978), and that SDM influences performance (Hart and Banbury, 1994).

For purposes of evaluating the influence that top management demographics, strategic decision making and macro environment on performance a hypothesis H_6: ***the joint effect of top management demographics, strategic decision making and macro environment is greater than the independent effects of the variables on the performance of Kenyan state corporations*** was stated and tested. The findings are presented in Table 5.9.

Table 5.9: The Joint Influence of Top Management Demographics, Strategic Decision Making and Macro Environment on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.185[a]	.034	.021	.3079063	.034	2.525	1	71	.116
2	.195[b]	.038	.011	.3095035	.004	.269	1	70	.606
3	.220[c]	.049	.007	.3100273	.011	.764	1	69	.385

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.239	1	.239	2.525	.116[a]
	Residual	6.731	71	.095		
	Total	6.971	72			
2	Regression	.265	2	.133	1.384	.257[b]
	Residual	6.705	70	.096		
	Total	6.971	72			
3	Regression	.339	3	.113	1.174	.326[c]
	Residual	6.632	69	.096		
	Total	6.971	72			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.477	.137		18.121	.000		
	top management demographics	.086	.054	.185	1.589	.116	1.000	1.000
2	(Constant)	2.422	.173		13.985	.000		
	top management demographics	.071	.062	.152	1.142	.257	.772	1.295
	strategic decision making	.038	.073	.069	.519	.606	.772	1.295
3	(Constant)	2.530	.213		11.900	.000		
	top management demographics	.072	.062	.154	1.155	.252	.772	1.295
	strategic decision making	.059	.077	.107	.764	.447	.698	1.433
	macro environment	-.063	.072	-.110	-.874	.385	.873	1.146

a. Predictors: (Constant), top management demographics

b. Predictors: (Constant), top management demographics, strategic decision making

c. Predictors: (Constant), top management demographics, strategic decision making, macro environment

d. Dependent Variable: performance

The findings in table 5.9 indicate an increase in the explained variation in the model though it was not statistically significant. Top management demographics was depicted as the biggest contributor to the explained variation (R^2=.034) followed by macro environment (R^2 change=.011) and lastly by strategic decision making (R^2 change=.004).

The models explaining the changes were not statistically significant (F= 2.525, p-value= >.05, for model 1 meant to explain the contribution of top management demographics in influencing performance; F= 1.384, p-value= .257, for model 2 meant to explain the contribution of both management demographics and SDM; F= 1.174, p-value= >.05, for model three meant to explain how the three variables influence performance. The influence of individual variables was also not statistically significant. The influence of top management demographics (B=.072 p-value= >.05) was higher than the influence of the other two (SDM (B=.059, p-value=>.05) and macro environment (B=-.063, p-value=>.05).

The influence of macro environment was indicated as negative meaning that variations in the macro environment possibly affect performance of SCs negatively. Overall the combined influence of the three variables (top management demographics, SDM and macro environment) was found to be greater than the individual influence of the variables. Therefore there was insufficient evidence to reject the hypothesis thus the study failed to reject the hypothesis.

5.8 Discussion of Findings

The earlier sections in this chapter presented the results of the tests of the hypotheses. This study had six objectives, and each objective had a corresponding hypothesis. This section lays emphasis on the study findings. The results from the test of hypotheses are compared with other empirical and theoretical propositions and both areas of agreement or disagreement with such propositions are discussed. The discussion of findings is discussed using the objectives and corresponding hypothesis.

5.8.1 Top Management Demographics and Performance

The first objective of the study was to establish the influence of top management demographics on the performance of Kenyan SCs. This objective had a corresponding hypothesis H_1 which stated that top management demographics have a significant influence on the performance of Kenyan SCs. The performance of organizations has gained momentum in the recent years due to the competitive environment in which they operate in.

Organizations can only perform through the actions of TMTs. Strategic management literature has been witnessing resurgence of interest on the role and influence of TMT demographics in enhancing organizational performance. Organizations now have realized that their performance is a reflection of the TMT who are formally bestowed with the responsibility of directing organizations.

The upper echelon's theory (Hambrick and Mason, 1984) broke the ground by bringing into perspective the critical role that the TMTs played in achieving high performance in organizations. The key postulation of the Upper Echelon's Theory is that organizational outcomes and strategic choices are partially predicted by top management demographics. This position has been supported by a myriad of studies (Norburn and Barley, 1988; Marimuthu and Kolandaisamy, 2012; Horwitz, 2005). The operationalization of top management demographics was informed by many studies (Hambrick and Mason; 1984; Knight et al, 1999; Tsui and O'Reilly, 1989; Wiersema and Bantel, 1993). Top management demographics were measured in the study in terms of age, functional

background, education, tenure, and gender. Organizational performance was on the other hand measured using composite scores derived from performance contracting results from the performance contracting department in the Ministry of Planning and Devolution.

In order to test the hypothesis, both the individual effects and combined effect of top management demographics on performance were tested. The results for the individual influence of the aspects of top management demographics on performance indicated mixed outcomes. Functional background was found to significantly influence performance. However, education, gender, age and tenure did not significantly influence performance. The findings further found that the combined effect of top management demographics significantly influenced performance. These mixed results show that there is no consensus among researchers as to which of the top management demographics contributed more to organizational performance than the others.

Age was found not to have a statistically significant influence on performance. These findings supported the findings by O' Reilly et al, (1989) who argued that age diversity was associated with lower levels of social integration which influenced turn over levels in organizations. Olson et al, (2006) also found that age diversity had a negative relationship with strategic choice which negatively impacted on performance. These findings on the other hand disagreed with the findings by Tsui and O'Reilly, (1989); Zenger and Lawrence, (1989). They argued that age enhances the frequency of communication and brings about a wider range of perspectives and experiences among team members leading to a positive influence on performance.

The finding in the current study could have been due to the fact that the human resource manuals that were reviewed as part of secondary data revealed that most of the SCs did not have any guidelines as regards the age limits of their top managers. The initial findings also were clear that most of TMTs were in the age of 41years and above. In fact, 24 percent of the total number of TMTs in the SCs that were studied was over the age of 50 years. PTPR (2013) argued that some of the SCs had TMTs who were beyond the active age and did not have any new ideas to offer. Indeed, literature has found that younger managers were inclined to more aggressive strategies and were more adaptive to change which had a positive impact on performance (Tihanyi et al, 2000; Hambrick, 1994).

Functional background of TMTs was found to have a statistically significant influence on performance. These findings supported the findings by Certo et al (2006) who established that TMT expertise was positively related to efficiency and effectiveness. The argument here is that when individual TMTs are specialized and have enough expertise in their functional area, they develop in-depth knowledge of their area and when combined with other TMTs from other areas they create an information base for the organization hence positively influencing performance. Eisenhardt and Tabrizi (1995) demonstrated from their study that functional background was associated with faster time-to-market for a new product development effort in the computer industry in the United States of America (USA). However, other studies found that functional diversity provoked fragmentation of team members and complicated internal communication (Ancona and Caldwell, 1992; Buyl et al 2011). The finding in the current study has a basis regarding SCs. All the SCs studied were well structured along functional areas. Each functional area had well spelt

out responsibilities. This meant that SCs had developed expertise within themselves creating a pool of individuals whose knowledge could be tapped for high organizational performance.

Tenure homogeneity has generally been associated with team members familiarity of policies, procedures and political factors in organizations offering advantages of less communication interruptions and conflicts (Horwitz, 2005), team cohesion (O'Reilly et al, 1989), open communications, lower turnover and team cohesion (Michael and Hambrick, 1992), hence influencing performance positively. However, in this study, tenure was found not to have a statistically significant influence on performance. The findings of the study agree with O'Reilly et al (1993) who found that tenure diversity was related to less open communications and both task and emotional conflict among members of the TMT.

The earlier findings from respondents indicated that TMTs in most SCs had been in their organization for a long period. This could adversely affect performance. Studies have also argued that lengthy organizational tenure was associated with top management team's unwillingness to make strategic changes (Finkelstein and Hambrick, 1996). The findings of the current study on the other hand disagreed with other researchers who argued that teams with homogenous organizational tenure tended to have a high level team cohesion and social integration (Michael and Hambrick, 1992; Boeker1997; Dutton and Duncan, 1987). Earlier findings indicated that most of the TMTs in the SCs studied had been with their organizations' for more than 5years. In fact, most of the top managers

were employed on a permanent and pensionable terms. This is not good international practice. PTPR (2013) argued that long tenured TMTs had inertia and were resistant to change and there was need to redefine the tenure for TMTs in order to influence performance positively.

Education levels of TMTs are associated with capacity for information processing and ability to discriminate among a variety of stimuli. Literature has proven that educated individuals are likely to engage in boundary spanning, tolerate ambiguity and show ability for integrative complexity, hence positively influencing performance (Cohen and Bailey, 1997; Jehn et al, 1999). This is because they are able to better understand the needs of the organization. Initial results on responses indicated that Kenyan SCs give importance to the education levels of its TMTs. However, the findings showed that educational background did not have a statistically significant influence on performance hence contradicting the above studies.

The findings supported findings by Horwitz (2005), Norburn and Birley (1998) who argued that educational background of TMTs by itself was not sufficient enough to bring about stellar performance. Rather, there was need to combine the education levels of TMTs with other demographics like age, functional background in order to realize performance. On the same breadth, Jehn et al (1999) found that although the education levels of TMTs were important to the performance of organizations, they could not affect performance on their own. They needed to be mediated by the ability of TMTs to properly interpret situations. Wiersema and Bantel (1993) reported that differences in university prestige were associated with member turnover. Also, Knight at al (1999)

found that educational diversity was negatively related to decision-making consensus in top management teams. This may be because heterogeneous educational backgrounds tended to increase the level of discomfort and conflict that may lead to decreased social integration in teams.

The findings could be attributed to the fact that in the initial results from the responses, it was clear that all SCs lay emphasis on the minimal educational qualifications for all job cadres. All the Human resource manuals define the educational requirements for each level. This could mean that even if the TMTs were not educated, it would not affect the performance of the organizations, since the holders of the positions below TMTs were all well-educated and versed with their jobs. Barney (1991) argued that a firm that was able to fully exploit the potential of its human resources at all levels would record superior performance.

The relationship between gender diversity and organizational performance has received mixed feelings in literature. Few researchers argued that gender diversity in TMT improves task performance (Certo et al, 2006). The current study found that gender did not have a significant influence on performance. The finding of this study supports the findings of Dezso and Ross (2012) that female representation in top management did not influence firm performance except in situations where the firm's strategy was focused on innovation. Marimuthu and Kolandaisamy (2012) undertook a study to establish the relationship between female representation in TMTs and organizational performance in one hundred (100) top listed companies from the non-financial sector. Their findings were that women involvement at corporate level in large firms was present but they were unable to create impact on their firms' financial performance.

From the initial findings of this study, respondents were indifferent about increasing the number of women in the TMT. The 30 percent rule is now engraved in the constitution of Kenya. From initial findings, SCs marginally complied with the rule. However, in some SCs, there were no women in TMTs completely. Proper monitoring and enforcement of the constitutional requirement is important. Literature has shown that women in TMTs can influence performance especially in areas if innovation. This means that due to the low women representation in TMT, their presence or absence does not influence performance.

The combined influence of Top Management Demographics on organizational performance showed that they had a statistically significant influence on performance. This supports the study undertaken by Norburn and Birley (1988) where they studied the relationship between top management characteristics and organizational performance in one hundred and fifty (150) companies within five USA industries. They found that organizations that had a multiple of the top management demographics outperformed those that did not have.

5.8.2 Top Management Demographics and Strategic Decision Making

The study's second objective was to establish the influence of top management demographics on the strategic decision making process of Kenyan state corporations. The objective had a corresponding hypothesis, H_2, which stated that top management demographics have a significant influence on strategic decision making in Kenyan State Corporations. The importance of TMTs' demographics and their potential in making the

most competent strategic decisions that determine the well-being of an organization continue to draw a lot of focus in strategic management. This therefore puts top management demographics and SDM at the core of strategic management research.

In the current study, SDM was operationalized according to its dimensions and not the process. The dimensions of the SDM process form the core of decision making (Papadakis and Barwise, 1996) and therefore determine the nature of the decisions that organizations make to chart their strategic direction. These dimensions include; comprehensiveness, formalization, hierarchical decentralization, lateral communication, co-ordination devices and internal politicization.

Comprehensiveness was operationalized as the exhaustiveness and inclusiveness of SDM process; formalization was operationalized as the extent to which SCs have written procedures and rules which guide the SDM process; hierarchical decentralization was operationalized as the degree to which all levels in the organization are involved in the decision making process from the Board of Directors, CEO, top managers and lower level management. Lateral communication is the extent to which the heads of functional areas are consulted due to their expertise in a specific area during the SDM process. Co-ordination device is the use of special teams like task forces and inter departmental committees to spear head the SDM process; while internal politicization was operationalized as the extent to which negotiations and coalition building occur during the SDM process.

In order to test for the influence of top management demographics on SDM of Kenyan SCs, the individual influence of top management demographics on SDM were tested followed by the combined effect of top management demographics on SDM. For the individual influence, each aspect of top management demographics was tested against the composite of SDM and mixed results were reported.

Age was found not to have a statistically significant influence on SDM. The finding contradicted the findings by Hambrick (1992) who argued that younger managers tended to easily adapt to change and therefore influenced the strategic choices adopted by their organizations. On the same breadth, Kraatz and Zajac (2001) argued that in turbulent environments, younger managers were able to easily adapt to the changes in the environment and hence were able to influence the strategic orientations of their organizations. Functional background was found to have a statistically significant influence on SDM. This supports Horwitz (2005) who argued that TMTs who were specialized in their functional areas could utilize their expertise in their day to day operations since they understood exactly what was expected of them and therefore influencing the SDM process for their organizations.

Education background was found not to have a statistically significance influence on SDM. This supported the finding by Knight et al (1999) who argued that education was negatively related to decision making consensus in TMTs. However the finding contradicted Certo et al (2006) who found that the level of education among TMTs influenced politicization of SDM. This is because TMTs who are well educated have multiple sources of power, which could have influence SDM.

The findings of the current study could be explained by the argument that for any TMT to influence SDM significantly, they need to have some level of discretion (Finkelstein and Hambrick, 1990). TMTs that have some level of discretion were better placed to be innovative and are better able to handle the changes that occur in the environment and ensure that the strategies that they develop and adopt take such factors into consideration. The practice in SCs is that TMTs do not have a lot of latitude and discretion in SDM. This could explain why some of the demographics of TMTs in SCs do not have an influence on SDM.

Tenure did not have a statistically significant influence on SDM. This agreed with the upper echelons theory that long tenured managers were bend towards status quo and were resistant to change hence affecting SDM negatively. The combined effect of top management on SDM was found to have a statistically significant influence on SDM. This contradicted the study by Lyles and Mintroff (1980) who found that top management demographics did not have a significant influence on the comprehensiveness of the SDM process.

The finding of this study supported some previous studies. For instance, Papadakis and Barwise (1996), studied seventy (70) companies to establish the influence of top management demographics on SDM. They found that top management demographics, especially education and tenure, influenced comprehensiveness of the process. The Upper echelon's theory (Hambrick and Masons, 1984) also argues that organizational strategies adopted by organizations and the outcomes of such strategies reflect the characteristics of

an organization's TMT. The argument here is that the congruence between strategy requirements and the background and personality characteristics of TMTs enhances effectiveness hence influences organizational performance.

This finding could be explained by the fact that H_1 which tested for the influence of top management demographics on performance returned a statistically significant influence. Since top management demographics influenced performance in SCs, then it follows that they also influenced the process of SDM was used to plan for performance planned for performance. Also, in the preliminary findings, SCs were found to regard TMT demographics and SDM processes as important for their organizations.

5.8.3 Strategic Decision Making and Performance

This study was set out to establish the influence of SDM on the performance of Kenyan SCs, which was the third objective. The corresponding hypothesis for this objective stated that SDM has a significant influence on the performance of Kenyan SCs. The SDM process is important because it is involved with the development of strategic positions taken by organizations (Andersen, 2004) to ensure that organizations remain competitive and therefore can survive the turbulence in the environment.

The manner in which SDM is undertaken in organizations therefore becomes critical for organizations both in the private and public sectors which includes Kenyan SCs. This study did not dwell on the SDM process but on the dimensions of the process which are considered critical in determining the value of decisions that organizations make to

achieve high performance (Bourgeois and Eisenhardt, 1988). The dimensions include: comprehensiveness, hierarchical decentralization, lateral communication, formalization, co-ordination devices and internal politicization. To establish the influence of SDM on performance of Kenyan SCs both the independent effects and combined effect of SDM on performance were tested.

Comprehensiveness did not have statistically significant influence on organizational performance. This finding contradicted the findings by Papadakis and Lioukas (1998) and Bourgeois and Eisenhardt (1988) who argued that comprehensiveness enables TMTs who have been bestowed with the responsibility of charting the future of organizations to have the same understanding of the strategic decision taken by the organization. The findings supported the findings by Fredrickson and Mitchell (1984) who carried out a study to establish whether comprehensiveness influenced performance in 27 firms in an industry whose environment was unstable. The findings were that comprehensiveness exhibited consistently negative relationship with performance in an unstable environment.

Comprehensiveness of the SDM process was measuring the degree to which the process was inclusive and exhaustive. This involved looking at alternatives in detail and turning them around until the proper alternative action is agreed upon. The practice in SCs is that the development of strategies in the SCs is left to a few individuals meaning that the rest are only involved in only a small way, and sometimes they are not involved at all. At organizational level, the targets in the performance contracts for SCs are pre-set at the ministry level. What matters is only delivering targets. Therefore, the involvement per se may not affect performance in SCs.

Earlier results from the responses showed that formalization of the SDM process was an important aspect across the SCs that were studied. Formalization is the degree to which the SDM process is properly documented and the degree to which it has clear guidelines and procedures to guide it. Literature has shown that the formalization of the SDM process creates understanding among TMTs on the strategic direction of organizations (Wally and Baum, 1994) hence influencing performance positively. However, the results of the current study indicated that formalization did not have a statistically significant influence on performance. This is a very interesting finding because all processes in SCs are documented.

The performance contracting guidelines (GoK 2008/09-GoK 2012/13) have clearly spelt out the reporting requirements and process for all the performance targets. This is done on a monthly, quarterly, semi-annually and annual basis, which is clearly documented. Some of the documents reviewed during data collection were sample performance contracts and one of the critical targets in these performance contracts is ISO 9001 certification. ISO 9001 certification is about processes and documentation. Surprisingly, all these did not influence performance. This could be because the formalization of SDM processes is not evaluated as a target in the performance contract. So organizations are keen to have the processes in place because that is the performance contract requirement. They do not relate them to performance at all. What is evaluated is their presence as opposed to their contribution to performance.

The relationship between hierarchical decentralization and performance in SCs showed that it was an important aspect but the influence on performance was not statistically significant. There are mixed arguments in literature on how it relates to performance. Wong et al (2011) argued that decentralization allows for decision making powers to lower level managers and makes them feel part of the process and allows for diverse view points from various levels of the organization. This creates motivation and hence improves performance.

Other researchers have argued that hierarchical decentralization distorts information and delays decision making (Khandwalla, 1997). However, the results from the study suggest that hierarchical decentralization does not statistically influence performance. These results contradicted the results by Wong et al (2011) who carried out a study of TMT's in sixty one publicly traded organizations in the U.K, and one of the hypotheses was to test the influence of hierarchical decentralization on organizational performance. The results were that hierarchical decentralization had a significant positive effect on corporate performance.

The results in the current study that hierarchical decentralization has no influence on performance could be partly explained by the manner in which decisions are made in SCs. The Board of Directors is the apex of the SCs and has committees within it. The strategic plan would normally be drafted by the corporate planning division then presented to a Board committee then to the Board for approval. This process is sometimes described in Board manuals. Only the CEO and one or two managers attend

Board meetings. The rest of the managers only get to know of it at the implementation stage. Each manager then is assigned targets. Therefore, their participation or non-participation in the process may not affect performance.

Lateral communication in the SDM process is about involving the heads of various functional areas in coming up with strategic options available for their organizations to ensure the continued competitiveness of their organizations. The finding in the current study was that lateral communication did not have a significant influence on performance. This finding contradicts literature. For instance, Bunderson (2003) argued that TMTs who are experts in their functional area bring about understanding in a particular specialized area hence enabling the other TMTs from other functional areas to better understand the issue brought forth. This has a positive influence on organizational performance. The finding on the other hand supports the argument by Papadakis et al (1998) who argued that the involvement of TMTs who are at the same level brought about a feeling of importance within some of the TMTs. This brought about conflict during the process therefore influencing performance negatively.

SCs are all structured along functional areas. There is very little inclusiveness in the SDM process. It could be that each functional area operates in isolation and therefore the synergy that would be brought by having the different functional heads working together may lack. However this fragmentation does not affect performance because some of the most important strategic decisions are made elsewhere. The heads of functional areas simply implement them.

Co-ordination devices is another SDM dimension which involves the use of special groups like task forces and inter-departmental committees to provide leadership in the SDM process. Literature posits that the use of special groups enables the group to delve into organizational issues in detail (Papadakis and Barwise, 1996). This makes it possible for teams to make strategic decisions that have been examined in detail. However, the finding of the current study was that co-ordination devices did not statistically influence the performance of Kenyan SCs.

This was interesting finding. Most of the processes in SCs are steered by special groups. The reason why these special groups do not influence performance could be that the tasks they are given are done in isolation and not handled as part of the bigger picture of organizational performance. Further, most of the tasks performed by task forces are not part of the performance targets evaluated at the end of the year hence they do not influence performance.

Internal politicization which involves the building of coalitions during the SDM process was found not to statistically influence the performance of Kenyan SCs. This finding supported Hickson et al (1986) who argued that internal politicization of the SDM process tends to decrease efficiency. This finding however contradicted the argument by Amason (1996) that politicization achieves higher commitment and understanding of organizational goals hence positively influencing performance. The combined effect of SDM dimensions was however found not to have a statistically significance influence on the performance of SCs.

The results supported the findings by Fredrickson and Mitchell (1984) who found that comprehensiveness exhibited negative influence on performance especially in organizations that operated in unstable environments. The results were most surprising in this study because the initial reports from the respondents indicated that the SDM dimensions were important in most of the SCs that were studied. SCs spent a lot of time in setting procedures, having task forces to guide processes, and workshops for strategic planning which is an indication of involvement in the process. This being the case, the question that begs therefore is why the SDM dimensions were found not to have any significant influence on the performance of the SCs.

The reason and explanation partly lie in the fact that the SCs performance is only evaluated using the performance contract. Unfortunately, SDM, which is a very critical aspect of the success of organizations as depicted by literature, is not part of the targets in the performance contracts and therefore not part of what is evaluated. It is important that these dimensions are included in the performance evaluation of SCs in order to realize any meaningful results.

These results could also be explained partly by the manner in which SCs monitor and evaluate their performance. The evaluation of performance of SCs is guided by the guidelines (GoK 2008/09; GoK 2009/10; GoK 2010/11; GoK 2011/12; GoK 2012/13) issued on an annual basis by the department of performance contracting in the Ministry of Planning and Devolution. The first requirement in the guidelines is that every organization must have a strategic plan which forms the basis of the annual targets in the performance contracts.

However, the performance contract does not measure the comprehensiveness of the process in terms of getting the ideas from all levels in the organization; hierarchical decentralization that is the involvement of all levels in the decision making process for example in developing the strategic plans; lateral communication that requires the involvement of Heads of functional area so as to draw from their expertise and Internal politicization which build consensus within team members. All these are not defined in the performance contracting guidelines and are therefore not part of the performance contract. They therefore do not contribute to performance in the circumstance. However, literature has shown that they can influence performance positively.

Another reason why this study returned different results from the studies that were reviewed is probably because of the context. Most of the past studies were done in other environments (UK, USA, and Greece) which had different circumstances and also the organizations studied were from the private sector which have a different orientation from organizations from the public sector and especially those that have government interest.

5.8.4 Top Management Demographics, Strategic Decision Making and Performance

The fourth objective of the study was to establish the influence of SDM on the relationship between top management demographics and performance of Kenyan SCs. The importance of top management demographics cannot be over emphasized. TMTs' perception and interpretation of the environment depend on the demographics that they possess. The TMTs perception of the environment influences the nature of SDM

dimension that they adopt (Huber, 1984; Hitt et al, 2011) and this will have an influence on organizational performance.

SDM in the study was operationalized along its dimensions which include: comprehensiveness, hierarchical decentralization, lateral communication, formalization, co-ordination devices and internal politicization. The findings of the study on the test of the intervening role of SDM in the relationship between top management demographics and performance were that top management demographics interacts with SDM and the interaction has an effect on their influence on performance of SCs though the indirect effect was not clear from the results in this study to support the intervening effect. This contradicted the position that the nature of organizational outcomes is a reflection of its top management team characteristics, (Hambrick and mason, 1984; Cyert and March, 1963).) which influences the manner in which TMTs develop strategies and therefore the strategic direction adopted by organizations

These findings are surprising because the initial reports showed that most of the SDM factors were considered as important by most of the SCs studied. This therefore begs one question for any researcher; Is it that SCs take SDM as routine and not as an important aspect that would, when properly combined with top management demographics result in high performance? The explanation here could be that the performance contracts which is the only means by which SCs measure performance have not explicitly required organizations to show how this very important linkage of top management demographics, SDM and organization performance should be monitored and evaluated in SCs. Better still, probably the performance contract tool does not have what constitutes the totality of good performance. A review of the tool could be important.

The results further indicated that top management demographics explained more variation in performance independently than when combined with SDM. This could be explained by the fact that in the initial results, the responses received from respondents indicated that during recruitment SCs had clear criteria of selecting TMTs including education, functional background and experience. This influences performance positively. This position has been supported by others (Hambrick and Mason, 1984; Nielsen, 2010; Certo et al, 2006; Awino et al, 2011) who argued that top management demographics, when combined bring about diversity in TMTs in organizations and hence influencing performance positively.

However, it was surprising that top management demographics explained more variation in SDM than in performance. This could be explained also by the earlier responses from respondents which clearly indicated that the five dimensions of SDM were viewed as important by the TMTs in SCs. These findings of a significant relationship between top management demographics and SDM showed that although the intervening effect of SDM was not significant, top management demographics were important in the SDM process in SCs. This relationship between top management demographics and SDM supported the position that top management demographics influenced formalization (Wierseman and Bantel, 1992); education influenced internal politicization (Roberto, 2004) and comprehensiveness (Papadakis and Barwise, 1996).

5.8.5 Top Management Demographics, Macro-Environment and Strategic Decision Making

The fifth objective of the study was to determine the influence of the macro environment on the relationship between top management demographics and SDM. This objective had a corresponding hypothesis H_5 which stated that macro-environment has a significant moderating influence on the relationship between top management demographics and SDM of Kenyan SCs. Macro environment in the study was operationalized according to Hitt et al (2011) who defined macro environment as an environment that comprises of factors that originate beyond the operating situation of an organization. These factors were disintegrated as political, economic, social, technological, ecological and legal.

SDM dimensions determine the nature of decisions that organizations make and therefore the competitiveness of organizations. Strategic decisions are made by TMTs and it has been argued that the demographics of TMTs affect the SDM of organizations. However, since organizations operate in an environment, it is also argued that the influence of top management demographics on SDM may be influenced by the factors from the macro-environment. Organizations must therefore find ways of adapting to the environment (Hitt and Tyler, 1991). The role of TMTs in this scenario is therefore minimized to facilitate the adaptation of the organization to the environment in order to keep relevant.

The findings of the study did not support the hypothesis that macro-environment moderates the relationship between top management demographics and SDM. The interaction term had some effect, however, it was not significant enough to support a moderation relationship. This was a very surprising outcome. Earlier findings from

responses from the data collected in SCs indicated that most of the environmental factors were considered to be important by SCs. In fact the average mean for these factors was 3.5. This shows a moderate influence. Three of the factors, that is Government fiscal policies, level of country's overall economic development and annual budget allocations had a mean >4. However, when the hypothesis was tested there was no evidence of moderation.

The findings thus disagrees with findings by previous researchers that the environment that organizations operate in have an effect on how managers will perceive and understand it and this in turn affects the nature of the SDM adopted. Smart and Vertinsky (1984) found in their study that managers who perceived their environment as complex tended to employ more comprehensive strategies. Others have also argued that organizations that operate in an unstable environment tend to adopt less comprehensive SDM processes (Fredrickson and Iaquinto, 1989; Fredrickson and Mitchel, 1984). This is because it is difficult for TMTs to deal with emerging issues in depth when the environment is changing rapidly. This therefore forces such organizations to take quick and bold decisions to deal with the emerging situations using the available information.

The findings of the current study on the other hand supports the findings of Papadakis et al (1998) who carried out a research in thirty eight (38) companies in Greece to establish the influence of top management demographics on SDM dimensions and the role of the environment. The findings were that there was no statistically significant relationship between environment dimensions and comprehensiveness of SDM. It is important to mention that although in the overall the results showed that macro environment had no

moderating influence on the relationship between top management demographics and SDM, top management demographics and macro environment significantly influenced SDM independently.

This finding is a clear indication that the two variables are independent contributors to SDM in SCs. This supports the literature that the diversity of top management demographics can influence the manner in which TMTs interpret the environment (Huber, 1984) and therefore the SDM that they adopt for their organizations. Similarly, it supports the argument that the happenings in the environment in which an organization operates influences the strategies that organizations adopt. If the environment is turbulent, organizations adopt less comprehensive SDM (Fredrickson and Mitchel, 1984) and if they operate in a stable environment then they tend to adopt more comprehensive and formalized SDM processes (Iaquinto and Fredrickson, 1997).

The reason for the findings in the current study could be that SCs operate in stable environments. Most Kenyan SCs do not have any competition for their products and services therefore when making their decisions the TMTs do not worry a lot about the happenings in the environment. They thus follow more comprehensive processes in their decision making (Fredrickson and Mitchell 1984; Fredrickson and Iaquinto, 1989) which involved a lot of discussions, evaluating of alternatives before taking a final position. Literature has argued that organizations that operated in a stable environment were not affected by factors of the external environment like competition.

Conversely, other researchers have argued that organizations that operated in unstable environment employed less comprehensiveness in their SDM process (Fredrickson and Mitchell, 1984) and therefore had to take into account factors of the external environment during the SDM process and come up with swift solutions to the emerging events from the environment.

PTPR (2013) argues that for Kenyan SCs to be competitive in the global market, there is need to bring about competitiveness among them and also between them and companies operating in the private sector. Kenyan SCs should operate in an open market. That is why there is a proposal to create new state corporations and a body by the name Government Investment Corporation (G.I.C) that will be responsible for monitoring the operations of SCs to ensure that they are properly managed and are competitive enough to venture in the global market.

5.8.6 Top Management Demographics, Strategic Decision Making, Macro-Environment and Performance

The sixth objective of the study was to establish the joint influence of top management demographics, SDM, and macro-environment on the performance of Kenyan State Corporations. The objective had a corresponding hypothesis H_6 which stated that the joint effect of top management demographics, strategic decision making and macro environment is greater than the independent effects of the variables on the performance of Kenyan state corporations.

There has been a lot of literature on the influence of top management demographics on performance and top management demographics on the SDM process. However, the influence of top management demographics on the specific dimensions of SDM has not received a lot of literature. Further, the intervening role of the environment on the relationship between top management demographics and organizational performance has a lot of interest in research, but how the macro-environment influences the relationship between top management demographics and SDM dimensions has not attracted a lot of research.

The findings of the study were that top management demographics had the biggest contribution in influencing performance. This position was already confirmed in H_1, where top management demographics were found to have statistically significant influence on performances. This supports the upper echelons theory by Hambrick and Mason (1984), and the argument by Horwitz (2005) who agreed that organizations that had diversity in TMT demographics performed better than those that were homogenous. This finding could be explained by the fact that SCs considered most of the TMT demographics as important.

The finding indicated also that SDM was the second contributor to performance. This supported the Industrial Organizations Economics Theory (IOE). This theory argues that SDM plays a critical role in determining the strategic direction that an organization takes and therefore the performance of an organization. Roberto (2004) argued that SDM dimensions are important to organizational performance. He further argued that SDM

dimensions like comprehensiveness, formalization and hierarchical decentralization enhanced efficiency and consensus because they broke big decisions into small manageable pieces that allowed for the participation of all TMTs hence enhancing transparency and ownership.

Macro-Environment contributes the least to performance. This contradicts Machuki and Aosa (2011) who argued that the environment played an important role in shaping the decisions that organizations took and consequently their performance. The overall finding was that top management demographics, macro-environment and SDM combined had a greater influence on performance than the independent influence of the variables. From the initial findings, all the SCs reported that top management demographics, SD and macro-environment factors were important across SCs.

The finding that when the three factors are combined have a greater influence on performance than their individual effects supports the findings by Nielsen (2010) who found that organizations who had TMTs with the right demographics were able to perceive and interpret the environment objectively. This enabled them to adopt appropriate SDM that would create a proper fit with the environment (Hitt et al, 2003) which would eventually bring about high performance. The finding also support the environment dependency theory that advocates for the development of strategies that create a proper fit between an organization and the environment in which it operates.

5.9 Chapter Summary

This chapter concentrated on testing the hypotheses and the discussion of the study findings. The study had a total of six (6) hypotheses which were tested and their findings discussed. The findings indicated that the combined effect of top management demographics had a significant influence on the performance of Kenyan SCs. However, some of the top management demographics did not independently influence performance. These are gender, education age and tenure. Only functional background had a significant influence on performance.

The independent and combined effects of top management demographics on SDM were also tested. Functional background statistically influenced SDM but age, education, tenure and gender had no statistically significant influence on SDM. When tested for combined effect, top management demographics were found to have a statistically significant influence on SDM. Further in order to test the influence of SDM on performance, tests were carried out for the independent effects of SDM dimensions on performance and the combined effect of the SDM dimensions on performance. For the independent influence, the results indicated that all the SDM dimensions did not have a statistically significant influence on performance. When the combined effect of SDM on performance was tested, it was found that it did not have a statistically significant influence on performance.

The findings of the study also did not support the hypothesis that macro-environment moderates the relationship between top management demographics and SDM. It also did not support the hypothesis that SDM has a significant intervening influence on the

relationship between top management demographics and the performance of Kenyan SCs. Further the combined influence of the three variables (top management demographics, SDM and macro environment) was found to be greater than the individual influence of the variables. These findings were discussed and compared with the findings of other studies and were also compared with theory. The findings of the study supported the postulations by the upper echelons' theory, the IOE theory, RBT theory and the environment dependency theory. In some instances, the findings of the current study agreed with the results of previous studies while in others, they contracted earlier findings.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the summary of findings, conclusion and recommendations. It is a buildup of Chapter four which presented the preliminary findings arising from the manifestations of the variables of the study and the testing of hypotheses in Chapter five. Key study findings of the study are discussed and a conclusion which is based on the key findings and discussion of the findings. The implication of the study to theory methodology, managerial practice and policy is presented. The Chapter ends with limitations of the study and suggestions for further research arising from the limitations.

6.2 Summary of Findings

The study started by establishing the manifestations of the various study variables. The study adopted two broad categories of Kenya SCs that is commercial and non-commercial SCs. 22 percent of the SCs studied were commercial, which meant that private ownership was more than government ownership and they had additional sources of revenue apart from the exchequer. 68 percent of the SCs were non-commercial which meant that they were solely owned by the government and entirely depended on the exchequer for funding their operations.

Top management demographics which include: age, gender, education, functional background and gender are important because they affect the decisions made by TMTs. It was established that the age of TMTs was spread as follows from all the SCs studied:

managers aged between 30-40 years accounted for only 23 percent, 40-50 years 53 percent and over 50 years 24 percent. This was important as it confirmed that managers between 30-50 years which were the most productive years accounted for 76 percent of the total TMTs in the Kenyan SCs studied. That is why they positively influenced performance. On gender, it was established that 61.6 percent of the total TMTs in the SCs studied were men while 38.39 were female. This meant that the gender rule was being adhered to. However, it was also established that some of the SCs did not have female managers within TMT. Gender was found not to have a statistically significant influence on performance.

Education levels recorded that 92 percent of all the TMTs in the SCs studied had masters and bachelors' degree. Other findings indicated that functional background and education of TMT were considered important by SCs both in the recruitment and SDM process. These TMT demographics are important for organizations because they influence the manner in which TMTs perceive and interpret the happenings in the environment (Huber et al, 1975) and therefore the strategic direction adopted by organizations (Hambrick and Mason, 1984). Findings for the tenure were that most of the TMTs in SCs had been with their organizations for more than 5 years. This was important because tenure affects the manner in which TMTs are receptive to change hence their adaptability to environmental changes, making it easy to properly align their organizations to the environment.

Strategic decision making is critical because it is the process where important decisions are adopted for the organization. The nature of SDM dimensions adopted by organizations affects the decisions made by organizations and eventually performance.

Results of the study indicated that the SDM process was comprehensive meaning that it was undergoing very serious analysis and exhaustive. This is important because it means that TMT have a common understanding of the organizational objectives since they are involved in developing alternatives available before taking a position.

Hierarchical decentralization which is the involvement of all level in the organization right from Board of directors to senior managers and lower level managers in SDM was adopted by organizations, although there was agreement across the SCs studied that lower level managers were only involved to a less extent in the SDM process. This meant that the SDM process was only a preserve of the top managers, CEOs and board of directors. SCs need to re-evaluate this and ensure lower cadre staff are also involved because they are the ones in constant touch with the stakeholders and they bring different perspectives to the SDM process. Co-ordination devices which include having special teams to lead the SDM process were important across SCs. This is important because these teams delve into matters in detail. Internal politicization which involves consensus building during the SDM process ranked lowest. An indication that it was not a matter of concern for SCs during SDM.

Organizations operate in different environments. The manifestations in the environment determine how successful an organization can remain competitive and sustainable in the long run. The manifestations affect the decision making by TMTs in organizations. The study established that factors of the macro-environment which include: political, economic, social, technological, ecological and legal factors affect decision making.

There was agreement across SCs that political factors especially change in government policy and interest from stakeholders affected decision making. Economic factors which affected SDM to a large extent included annual budget allocations, budget reviews, taxation policies and governmental fiscal policies which had a mean score >4.0. The mean for all the other economic factors had a mean score greater than 3 meaning they were also considered important. Factors in the social environment were average across organizations which was an indication that most of the organizations did not regard factors of the social environment as important in their decision making. SCs need to review this because strategic management literature has shown that the social environment is very important to the success of organizations.

The main objective of the study was to establish the influence of SDM and macro-environment on the relationship between top management demographics and the performance of Kenyan State Corporations. This objective was disaggregated in six other specific objectives.

6.2.1 Top Management Demographics and Organizational Performance

The first objective of the study was to establish the influence of top management demographics on the performance of Kenyan SCs. This study disintegrated top management demographics as age, functional background, educational background, tenure and gender. Literature has shown the importance of top management demographics in regard to organizational performance. This is because organizational performance is a reflection of the demographics and action of TMTs who are central to

strategic choices that organizations make (Hambrick and Mason, 1984). Further, the two researchers in the upper echelon's theory provided a framework within which the role of TMT demographics in influencing organizational outcomes can be interpreted.

The findings for the individual influence of top management demographics aspects of TMTs on organizational performance had mixed results. Functional background had a statistically significant influence on performance of Kenyan SCs. This supported the findings of Nielson (2010); Finkelstein and Hambrick (1996); Certo et al (2006). Education, gender, tenure and age were however found not to have a significant influence on performance. This was consistent with Wierseman and Bartel (1993) who argued that education background cannot on its own bring about performance but needed to be combined with other top management demographics. Dezso and Ross (2012) argued that women representation did not influence organizational performance except where an organization's strategy was focused on innovation. Olson et al (2006) also argued that age diversity has a negative effect on strategic choice.

The combined effect of the top management demographics however yielded a statistically significant influence on performance. This supported the position by the upper echelons' theory, Hambrick and Mason (1984); Norburn and Birley (1988) who argued that the combination of top management demographics had a positive influence on organizational performance. Given the overwhelming empirical research on the positive relationship between top management demographics and organizational performance, Kenyan SCs should ensure that organizational resources are directed towards acquiring the right combination of top management demographics in order to achieve high performance.

6.2.2 Top Management Demographics and Strategic Decision Making

The second objective of the study was to establish the influence of top management demographics on SDM. The study operationalized SDM along its dimensions rather than the process itself (Papadakis and Barwise, 1996; Bourgeois and Eisenhardt, 1988; Majorie, 1987). These dimensions include comprehensiveness, hierarchical decentralization, formalization, lateral communication, co-ordination devices and internal politicization.

The results for the test of the independent and combined effects of top management demographics were carried out. In the independent influence, functional background of TMTs had a significant influence on SDM. This supported findings by Thomas and Ramaswamy (1996) who found that managers who were well versed with their functional areas were bent to more inclusive and comprehensive SDM processes. Age, tenure, gender and education were on the other hand found not to influence performance.

These findings were contrary to previous empirical studies that had been carried out on the influence of top management demographics on SDM who argues that top management demographics influenced the manner in which managers understood the requirements of both the internal and external environment and therefore the nature of SDM that they adopt (Yoo et al, 2009). However the combined effects of top management demographics had a statistically significant influence on SDM. This supported the findings by Michael and Hambrick (1992) who argued that TMTs demographics influenced the manner in which they perceived their internal and external environment and hence the nature of SDM that they embrace.

6.2.3 Strategic Decision Making and Organizational Performance

The third objective of the study was to establish the influence of SDM on the performance of Kenyan SCs. As discussed in Chapter 5 and other parts of this thesis, SDM was operationalized using its dimensions which include: comprehensiveness, hierarchical decentralization, lateral communication, co-ordination devices, formalization and internal politicization. Performance on the other hand was derived as a composite score obtained from the performance contracting evaluation reports for SCs for the five year period stretching from 2008/09 to 2012/13. Each of the five dimensions of SDM was tested to establish their individual influence on the performance of SCs and then the combined effect of the SDM dimensions on performance was tested.

All the five SDM dimensions were independently found not to have statistically significant influence on the performance of SCs and also the findings from the combined effects of SDM on performance were found not to statistically influence performance. These findings contradicted research carried out in strategic management. Formalization for instance was found to bring about understanding of the strategic direction (Bower, 1970) and hence influenced performance positively. Hierarchical decentralization was found to positively influence performance (Wong et al, 2011) this is because TMTs involved lower level managers in decisions making bringing about ownership of the strategic decisions adopted by organizations. Fredrickson and Mitchell (1984) also found that comprehensiveness influenced organizational performance especially in unstable environments.

6.2.4 Top Management Demographics, Strategic Decision Making and Organizational Performance.

The fourth objective of the study was to establish the influence of SDM on the relationship between top management demographics and the performance of Kenyan SCs. The performance of organizations depends on how well TMTs can use their demographics to develop appropriate strategies that align their organizations to the environment (Machuki and Aosa, 2011). The earlier results from respondents showed that all aspects of top management demographics and SDM were viewed as important by Kenyan SCs.

The findings of the study however showed that SDM did not have a significant intervening influence on the relationship between top management demographics and organizational performance of Kenyan SCs. This finding contradicted previous studies who found that the nature of organizational outcomes was a reflection of the TMT characteristics (Hambrick and Mason, 1984) and that the nature of the SDM process assumed by organizations is influenced by TMTs demographics.

However, each of the variables explained more variances in performance independently than when combined with the other. This was a very interesting result as literature is abounding with evidence of how the relationship between top management demographics and performance is intervened by SDM. For instance, Certo et al (2006) and Nielsen and Nielsen (2010) argued that the demographics of TMTs influence the way they perceive issues and therefore the kind of strategies that they adopt for their organizations.

6.2.5 Top Management Demographics, Macro-Environment and Strategic Decision Making

The fifth objective was to establish the influence of macro environment on the relationship between top management demographics and SDM. The finding of the study was that top management demographics and macro environment are independent contributors to SDM in SCs. However, the interaction term between the two variables had influence on SDM though not large enough to support a moderation relationship.

This was an interesting outcome given the empirical literature available which shows that the environment influences the relationship between top management demographics and SDM. This finding supports the position by Fredrickson and Mitchell (1984) who argued that there was a consistently negative relationship between Comprehensiveness and performance. The results on the other hand contradicts the findings by Hitt et al (2011) who argued that the nature of the decisions made by TMTs is influenced by the issues that emerge from the macro environment. The decisions that are arrived at by TMTs therefore depend on the needs of the macro environment.

6.2.6 Top Management Demographics, Strategic Decision Making, Macro-Environment and Performance.

The sixth objective was to establish whether the joint influence of top management demographics, macro environment and SDM was greater than the individual influence of top management demographics, SDM and macro environment on the performance of Kenyan SCs. The finding of the study was that on the overall, the combined influence of

the three variables (top management demographics, macro environment, and SDM) was greater than the individual influence of the three variables on the performance of Kenyan SCs. This supported Hambrick and Mason (1984) and Roberto (2004) who argued that organizations who had TMTs with the right diversity of demographics (age, educational background, functional background, gender and tenure) were able to use these demographics to predict the extent and direction of environmental change and therefore be able to develop strategies that create a fit with the environment. This way, organizations are able to take advantage of the opportunities that the environment creates for their sustainability. The findings support both the industrial organization theory and the environment dependency theory.

The summary of the six hypotheses tested and the results are presented in Table 6.1.

Table 6.1: Summary of Test of Hypothesis

Objective	Hypotheses	Decision
Objective one: To establish the influence of TMD on the performance of Kenyan State Corporation	**H_1:** Top management demographics have a significant influence on the performance of Kenyan state corporations.	**Failed to Reject**
Objective two: To determine the influence of TMD on strategic decision Making on Kenyan state Corporation	**H_2:** Top management demographics have a significant influence on strategic decision making of Kenyan State Corporations.	**Failed to Reject**
Objective three: To establish the influence of strategic decision making on the performance of	**H_3:** Strategic decision making has a significant influence on the performance of Kenyan	**Rejected**

Objective	Hypotheses	Decision
Kenyan State corporations.	State Corporations.	
Objective four: To establish the influence of strategic decision making on the relationship between top management demographics and performance of Kenya State corporations	**H_4:** Strategic Decision Making has a significant intervening influence on the relationship between top management demographics and the performance of Kenyan State Corporations.	**Rejected**
Objective five: To determine the influence of macro environment on the relationship between top management demographics and strategic decision making of Kenyan State Corporations	**H_5:** Macro-Environment has a significant moderating influence on the relationship between top management demographics and strategic decision making of Kenyan State Corporations	**Rejected**
Objective six: To establish the joint influence of top management demographics, macro-environment and strategic decision making on performance of Kenyan State Corporations	**H_6:** The joint effect of top management demographics strategic decision making and macro environment is greater than the independent effects of the variables on the performance of Kenyan State corporations	**Failed to Reject**

Source: Data analysis (2014)

6.3 Conclusion

The main objective of the study was to establish the influence of SDM and the macro-environment on the relationship between top management demographics and performance of Kenyan SCs. Six objectives and corresponding hypotheses were used to

test this relationship. Data was collected and the tests on both the combined effects and individual effects of the variables on performance were carried out. The results established that there was a statistically significance influence of top management demographics on the performance of Kenyan SCs. The results supported the upper echelons theory which posits that organizational outcomes are partly influenced by the characteristics of its TMT.

It was further established that SDM did not intervene between top management demographics and performance of Kenyan SCs. Top management demographics interacted with SDM and this interaction had an influence on performance, but this indirect effect was not clear. The study also found that top management demographics and SDM have significant contribution to influencing SDM. The interaction between the two variables had some influence on decision making though not large enough to support a moderation relationship. Finally, the combined influence of the three variables (top management demographics, SDM and macro environment) was found to be greater than the individual influence of the variables on the performance of Kenyan SCs

The finding that top management demographics have a statistically significant influence on performance is critical and SCs need to pay attention to the characteristics of their TMT especially during recruitment and the SDM process. These demographics include: age, tenure, educational background and gender of the TMTs in order to positively influence performance. This finding supports the upper echelons theory. Although in the overall the results of the study showed that macro environment had no moderating

influence on the relationship between top management demographics and SDM, top management demographics and macro environment significantly influenced SDM independently. This is a clear indication that the two variables are independent contributors to SDM in SCs and should not be ignored during the SDM process.

Further, although the intervening effect of SDM on the relationship between top management demographics and organizational performance and the moderating role of macro environment in the relationship between top management demographics and SDM were found not to be significant, the joint effect of top management demographics, macro environment and SDM though not significant was greater than the individual effects of the variables on performance. SCs therefore should not ignore these relationships because when the three variables are synchronized to work together they influence performance more than when they work independently. This conclusion is consistent with findings from previous research and supports the argument that organizational performance is influenced by top management demographics, SDM and the macro environment.

6.4 Implications of the Study

There has been a lot of research in the area of how top management demographics affect organizational performance and how the environment that an organization exists moderates the relationship between top management demographics and organizational performance. However, there has been limited literature on the influence of top management demographics on the specific dimensions of SDM which are core to both

decision making and organizational performance. There has also been very little literature on the influence of the specific SDM dimensions on organizational performance. The findings from this study have certainly brought about areas of impact to the existing body of knowledge (theory), managerial practice and policy in Kenyan SCs and other organizations in both the public and private sector in Kenya and beyond.

6.4.1 Implication for Theory

The main theories that anchored this study include: the upper echelons theory, the resource based theory, the industrial organization economics theory, the environment dependency theory, the resource based theory and the Stakeholder theory. The upper echelons theory has been supported by the findings of this study. The key postulation of this theory is that organizational outcomes and strategic choices are partially predicted by the characteristics of the TMT of that organization.

The study found that top management demographics had a statistically significant influence on organizational performance rendering empirical strength to this theory. Some of the top management demographics did not have a significant influence on performance however the combined effect of top management demographics had a statistically significant influence on performance. The theory will therefore benefit from the findings that combined top management demographics had a stronger influence on performance than individual demographics.

The industrial organization economics (IOE) theory which draws its postulation from the structure- conduct- performance construct key argument is that organizations achieve high performance when there is a fit between organizational strategy and the environment. It is on this theory that the construct of SDM is anchored. Surprisingly, the findings of the study were that the combined dimensions of SDM did not have a statistically significant influence on performance. Further, the results of the study indicated that SDM did not have a statistically significant intervening influence on the relationship between top management demographics and organizational performance.

However, when testing for this relationship, there was a clear indication that the direct effect of top management demographics on performance and the effects of top management demographics on SDM had a significant influence. This confirmed the importance of top management demographics and SDM on performance. The results further indicated that the joint effect of top management demographics, macro environment and SDM was greater than the independent influence of the variables on performance. IOE therefore benefits because the theory will appreciate the fact that SDM dimensions need to be combined with top management demographics and macro environment in order to influence performance.

The environment dependency theory has also benefited from this study. The main postulation of this theory is grounded on the open systems theory whose main postulation is that organizations do not operate as closed systems, but operate in an environment and their survival depend on its relationship with the environment. Although the moderating

role of macro environment returned a result that was not statistically significant, there was a clear indication that top management demographics and macro environment has an influence on SDM which is the argument by the theory.

The theory therefore will benefit because the relationship between top management demographics, macro environment and SDM was confirmed when testing for the moderating effect of macro environment in the relationship between top management demographics and SDM in the study. Further, the joint effect of the three variables was found to be greater than their independent influence on performance which further confirms the argument by the environment dependency theory.

The RBT's argument has also been strengthened by the findings of this study. The theory argues that organizations that are able to attract high level skills and expertise from their managers tend to outperform those without. This theory read together with the upper echelons theory supports the argument that the demographics that the TMTs of organizations possess have a positive influence on performance if properly deployed. This theory if applied together with the environment dependency theory, the SDM processes in organizations would be positively influenced and consequently organizational performance which has been proven in the findings of this study.

6.4.2 Implication for Policy Framework

The objective of the creation of Kenyan SCs is to provide services to its citizens and to bring about social economic development. In order to meet this objective, the government

has come up with strategies one of which is Vision 2030. These strategies and objectives will be achieved by government through the ministries, government departments and SCs which cover all the sectors of the economy. The performance of Kenyan SCs therefore is very critical because they enable the government achieve her programs. From the study findings, there are issues that could be considered at policy level so as to increase the competitiveness of SCs in the region and beyond.

One of the important findings from the study is that top management demographics greatly influence performance. It is clear from past literature that top management demographics and SDM influence performance (Hambrick and Mason, 1984). Top management demographics that is age, tenure, educational background, functional background and gender are critical because they influence decision making and organizational performance.

At a policy level, government will benefit from this study to develop guidelines and policies that will define the required demographics of TMTs and their application by SCs. This would ensure that SCs have the required TMTs with the right demographics that can create a proper fit between their organizations and the environment hence developing strategies that will make them competitive internationally. Kenyan SCs also will benefit in that they can put in place policies which ensures that organizational resources are directed towards acquiring the right combination of top management demographics in order to achieve high performance. This will certainly put Kenyan SCs on the global business arena.

PTPR (2013) brought forth recommendations on the age, education and tenure of TMTs in SCs, because they were critical in determining the organizational strategic orientation which influences performance. Currently the requirements of jobs are guided by human resource policies that are developed internally and which vary from organization to organization. The national government may consider developing uniform guidelines in order to ensure that organizations adhere to the proposed policy of setting benchmarks for TMTs in organizations. Perhaps at the policy level the national government should consider incorporating these guidelines on TMT demographics in the performance contracting guidelines. This will ensure that every organization is called to account on how they are implementing the policy.

The importance of SDM in organizational performance has been proven through the studies that were reviewed. However, when regressed against performance, SDM did not have a statistically significant influence on the performance of Kenyan SCs. Also, macro environment was found not to have a moderating effect in the relationship between top management demographics and SDM. Further, SDM was found not to have a significant intervening influence in the relationship between top management demographics and organizational performance. These were surprising outcomes of the study. However the relationship between variables was evident.

Performance contracts are the tools used by GoK to evaluate performance of SCs. The performance management process is guided by performance contracting guidelines that are developed on an annual basis by the department of performance contracting in the

Ministry of Planning and Devolution. These guidelines define the scope of performance evaluation for all government institutions including SCs. Although research has shown the importance of top management demographics, SDM and environment to organizational performance, these guidelines have not expressly provided for them in the performance contract. That could be the reason why they were found not to influence performance of SCs.

From the foregoing, there is need at policy level therefore, for the evaluation and review of the performance contracting guidelines to include these aspects which are important for performance. Organizations would in this case be required to include these as targets in their performance contracts and to demonstrate how they have been implemented and monitored. This will make SCs to start applying empirically tested methodologies of improving performance.

PTPR (2013) argued that the reasons why SCs continue to underperform is the lack of embracing international best policies in strategic management in regard to the TMTs who are bestowed with the responsibility of managing public resources. It also argued that under performance was due to lack of proper processes of SDM. The government at the national level can benefit from this study in understanding that TMT demographics and proper SDM lead to high performance. The government should therefore develop a policy framework that will benchmark these two aspects of organizations with international best practice. There should be a framework on how the same is monitored to ensure proper application in SCs.

6.4.3 Implications for Managerial Practice

This study will contribute towards managerial practice in SCs and also in organizations that are in the private sector. It was clear from the findings that top management demographics influenced SDM and organizational performance. The individuals in organizations who are tasked with selecting and developing TMTs in order to ensure that organizations have the right kind of TMTs to steer organizations will be guided by this study when searching for the required level of education, age, functional background, gender and tenure of TMTs because as proven in this study they positively influence performance.

The managers in charge of the recruitment of TMTs will ensure that the recruitment policy is right to attract individuals with the right demographics in order to steer organizational performance. This is because top management demographics are critical in the way TMTs perceive the environment and engage in SDM process that will come up with strategic decisions that will guarantee the competitiveness and the sustainability of their organizations (Kaplan and Norton, 2006).

SDM is important because it charts the strategic direction of an organization. This study has proven that top management demographics influence SDM. TMTs in SCs will benefit from this study in that they will use it to formulate internal organizational processes that will guide the SDM process. The issue of comprehensiveness of the process is critical as TMTs are able to evaluate available alternatives in adapting strategies. Hierarchical decentralization which allows for the involvement of all levels of individuals in the SDM process is critical.

The findings showed that SDM was a preserve of the top managers only. The literature reviewed will be able to confirm the importance of involvement in SDM. Formalization of the SDM process was also found important across the SCs that were studied. The study detailed the importance of having processes and procedures in place so that they guide the thought process of TMTs during SDM. TMTs will use this study to ensure that formalization is adopted in their organizations.

The study findings confirmed that the macro environment was important for SDM because the manner in which TMTs respond to the happenings emerging from it determines the sustainability of organizations. It was clear from the initial findings that the factors in the macro environment mattered to SCs and that there was a clear independent contribution of both top management demographics and macro environment to SDM. TMTs will be able to use this study to understand the importance of aligning their organizations to the environment and achieve the fit that comes with competitiveness. This will enable SCs compete not only in the region but internationally.

Given the importance of the study variables in organizational performance, TMTs in organizations will use this study to ensure that not only are they put in place, but that also measures to define how they will be monitored within the organizations are developed because they are the determinants of their competitiveness and sustainability. Although they are not part of the performance contract guidelines, TMTs can use this study to put them in their internal performance contracts with staff to ensure that they are inculcated in their day to day operations in all levels of their organizations.

6.4.4 Implications for Methodology

The results from this study provide several implications on methodology. Validity and reliability tests were carried out on the data collection instrument and it was found that the instrument was sufficient to collect data from the respondents. Given that the tests were positive, it is an indication that the data collected was reliable and future research may consider using the same methods for data collection. A drop and pick method was used to get the questionnaire to the respondents and getting them back. This method yielded a response rate of 89% which is a good indication that this method is reliable for data collection.

The operationalization of the study variables got into the heart of organizational performance. The variables were disintegrated into fine and understandable meanings that were made up of the day to day operations in the organization and that made it easy for the respondents to understand the questions raised in the questionnaire and to provide relevant data that brought forth issues of performance in Kenyan SCs.

The sampling method used in the study was also important. Criterion sampling is a method that allows a researcher to select a sample using specific pre-set criteria. This involves identifying particular criteria of importance to the researcher. This method was used to eliminate SCs that had been earmarked for mergers and dissolution leaving a reliable sample that would not be affected by the Parastatal reforms that had already commenced during the start of this study. Future researchers can use this sampling method in their studies.

The study utilized regression to analyze the relationships between study variables. This tool is used widely in strategic research and helps to explain relationships clearly. The use of regression made it very easy to test the hypotheses that were developed to achieve the research objectives. At the end of the tests, it was very clear on how they related in regards to Kenyan SCs.

6.5 Limitations of the Study

In the process of establishing the main objective and the additional six objectives of the study, conceptual, contextual and methodological limitations were faced. This thesis should be read with that in mind. Conceptually, there was a limitation of literature on previous research undertaken to study the influence of top management demographics on the specific SDM dimensions. This position was also confirmed by Bourgeois and Eisenhardt (1988) and Eisenhardt (1989). There is also very little literature on the influence of the specific SDM dimensions and Organisational performance. There was therefore a challenge as to how much the researcher could compare the findings of this study with previous research.

The study variables used in the study to explain the performance in SC were top management demographics, SDM and macro-environment. However, these three variables do not explain the totality of the factors that affect performance in SCs. Literature has proven that organizational performance could also be influenced by other factors including corporate governance, ownership and structure of SCs and resource allocation. All these factors were not considered in this study.

Contextually, this study was undertaken within the Kenyan SCs only. SCs operate in very different internal and external environments from other organizations from the private sector. The results therefore must be used cautiously because they may not be easily generalized in other sectors like the manufacturing sector, education sector and so on. This is because organizations in the private sector operate in a very different environment. Probably the findings of this study would have been different if the study was conducted say in organization within the private sector.

Methodological limitations were also experienced. The study used a descriptive cross sectional survey design. This research design does not delve into details of the factors that are being examined. The results of the study could probably have been different if for example a longitudinal research design was used which takes a much longer period. This is because of the changes that occur during the course of the study.

Kenyan SCs were undergoing restructuring at the time when data collection was going on. Out of a total of one hundred and seventy eight (178) SCs the study filtered and isolated the seventy (70) SCs that were ear marked for either merger or dissolution. The researcher would have wished to study all the one hundred and seventy eight (178) SCs but had to remove seventy (70) from the population. It is possible that the eliminated SCs may have had important information on the variables of the study which may have probably brought out different findings from the ones in the study. Another challenge posed by the reforms was that there was uncertainty among TMTs which created reluctance when filling the questionnaire which dealt largely on issues that affect the performance of SCs. This may have affected the results of the study.

The performance of Kenyan SCs was computed as a composite index. This is derived from the raw scores of six target areas identified to measure and compare performance between SCs. Each of the six performance areas have sub weights which are aggregated to get the overall composite score. The researcher had initially wanted to test the influence of the other variables on each of the six areas of performance. The raw data for these six areas was completely unavailable from the performance contracting department. Probably this would have given different outcomes if the raw scores for each of the six performance areas were used.

The CEOs and heads of departments were the respondents identified for purposes of data collection. However, the availability of these managers was a challenge, especially because of the reforms that were ongoing. This forced the researcher and the research assistant to sometimes visit one organization 3-4 times before the questionnaire was filled.

The geographical spread of the SCs was another limitation. The researcher chose to study all the one hundred and eight (108) SCs which are spread across the country. This affected time taken to drop and pick the questionnaires. It even became more challenging when the researcher travelled across counties only to find some of the respondents not available. This meant escalation of costs for the whole process. It also delayed data analysis for quite some time.

Another limitation was that the study used the likert scale in most of the areas of study. Likert scales have been used in most of researches in social sciences. However, the limitation is that since some of the questions especially those dealing with performance may have been considered to be of a sensitive nature due to the prevailing environment of parastatal reforms and circumstances during data collection, this may have affected the objectivity of the responses. Also the respondents were given ranges to use when answering. The answers given therefore may not have reflected the real picture on the ground and may have affected the findings of the study.

6.6 Suggestions for Further Research

Arising from the findings in this study, future researchers could benefit from the following suggestions for further study. This study concentrated on establishing the influence of each of the top management demographics on the performance of Kenyan SCs. However, performance was tested as a composite score as reported by the performance contracting department. It would be interesting if the individual TMT demographics were tested against the raw score of each of the six performance areas in the performance contracts of SCs as defined in the performance contracting guidelines. The findings may be different from the ones obtained in this study.

The context of the study was Kenyan SCs. Future research could be undertaken to replicate this study but instead compare performance of Kenyan SCs with that of public quoted companies at the securities exchange or other sectors of the economy to check whether the findings will be the same. Further, the same study could be replicated but a different context could be used, for example a researcher could carry out a study for manufacturing companies in Kenya using the same variables.

This study used only four variables to test the factors that influence performance in SCs. Given the fact that there are many other factors that may affect performance, other researchers may seek to unravel the influence of such other factors like corporate governance, resource allocation, ownerships structure and so forth on the performance of SCs. It would be interesting to find out whether the results would be the same when different variables are used.

The study was undertaken in all SCs save for the 70 (seventy) that were undergoing public sector reforms during the study. This population was very large and it was not possible for the researcher to get into the details of the data collected from the field. Future studies should study fewer SCs or in fact study SCs in one sector and replicate the current study to see whether the findings would still be the same or better still, this study can be replicated, but should be enlarged so as to compare SCs with organizations from other sectors.

SDM is key to organizational performance. This dimension was used as an intervening variable between top management demographics and organizational performance. Future research could take SDM as an independent variable and establish its influence on organizational performance. Given the critical role that top management demographics play in charting out the strategic direction of organizations, it would also be interesting for future research to study the influence of top management demographics as an independent variable and SDM as a dependent variable. Further future research could also establish the influence of top management demographics on the individual SDM dimensions. This relationship has received little attention in strategic management

research, a position that has been supported by (Papadakis and Barwise, 1996; Lewis and Stephens, 1994). Most studies have rather concentrated on the SDM process itself. A longitudinal study design could also be used instead of a cross sectional research design. The data would be collected and analyzed over a period of time and the results from such a study may have different findings from the ones that have obtained in this study.

6.7 Chapter Summary

This was the last chapter of this thesis which had a summary of the study which included the research objectives, hypothesis and findings. A conclusion was also drawn from the study finding which was that top management demographics have an influence on organizational performance and that there was need for SCs and other organizations to also take cognizance of the macro environment and SDM which work together with top management demographics to achieve high performance for organizations.

The implication of the study to theory, managerial practice and policy was also brought forth. One major implication to policy was the proposal that proper guidelines at the national level should be developed in order to define TMT demographic requirement for SCs for better performance and a policy to review the performance contract guidelines to reflect the monitoring and evaluation of SDM dimensions which are important for organizational performance. Further, conceptual, contextual and methodological limitations of the study were enumerated. Also, implications of the study to theory, methodology and policy were presented and finally suggestions for further research were also enumerated.

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APPENDICES

Appendix I: Questionnaire

Dear Respondent,

The purpose of this questionnaire is to collect data from Kenyan State Corporations. The information will be used to examine the influence of top management demographics, strategic decision making and the macro-environment on the performance of Kenyan State Corporations. The data collected shall be used for academic purposes only and will be treated with strict confidence. Your participation in the study is highly appreciated.

SECTION A: GENERAL INFORMATION

1. Name of Organization----------
2. Year of incorporation----------
3. Sector----------
4. In what category does your organization belong? (Pleas **TICK** as appropriate)

   (i) Commercial ( )

   (ii) Non- Commercial ( )

   ---

5. What is the scope of operations of your organization (Please **TICK** as appropriate)

   i. National (throughout Kenya) [ ]

   ii. Regional (parts of Kenya) [ ]

6. What is the ownership structure of your organization? (Please **TICK** as appropriate)

   i. Fully government owned [ ]

   ii. Both government and private owned [ ]

   Percentage of ownership: state __ %; public __ %

7. Kindly list the products/services that your organization offers to the public

(i) …….....

(ii) ……...…..

(iii) …….

(iv) …….

(v) …….

(vi) …….

SECTION B: TOP MANAGEMENT DEMOGRAPHICS

One aspect of this study is top management demographics. This consists of the unique personal traits or attributes ascribed to individual top managers. For purposes of this study, top managers are all managers from the level of Heads of Departments to the Chief Executive officer/ Managing Director/Director General or equivalent.

8. Please indicate how many of your top managers are;
   (i) Male…… (Number)
   (ii) Female…… (Number)

9. How many top managers in your organization fall within each of the age brackets indicated in the table below.

Age bracket.	**Number of managers.**
30-35	
36-40	
41-45	
46-50	
Over 50	

10. Kindly indicate how many top managers in your organization have attained each of the following educational qualifications as the highest level

	Type of Qualification	**Number of Managers**
(i)	High School	
(ii)	Diploma	
(iii)	Degree	
(iv)	Masters	
(v)	Ph.D.	

11. Kindly indicate the extent to which the following statements apply to your organization in regard to the age attributes for top management in your organization. Please **TICK** as appropriate, using the key provided below.

Key:

1-Not at all; 2-Less extent; 3- Moderate extent; 4- Large extent;

5-Very large extent

AGE

	Statements	**1**	**2**	**3**	**4**	**5**
(i)	Age has been a critical factor in recruitment of the organization's top managers.					
(ii)	There is a formal written guideline that defines the age limit for top managers during recruitment					
(iii)	The ability to adapt to changes in your organization is a reflection of the age of the top managers					
(iv)	Age is considered as an important attribute during the strategic decision making process					
(v)	The organization has had a set criterion of minimum academic qualification that are considered while recruiting managers					
(vi)	The organization has had minimum professional qualifications that have been considered while recruiting managers					
(vii)	The level of education is considered during the strategic decision making process.					
(viii)	The ability to adapt to changes in the organization is a reflection of the level of education of the managers					
(ix)	Length of service of a manager in the organization is considered important during the strategic decision making process					
(x)	There are clear guidelines that define the tenure of top managers in our organization					
(xi)	Length of service of top managers is regulated to a maximum number of years					

(xii)	The ability to adopt to new ideas in the organization is a reflection of the length of service of the managers					
(xiii)	When recruiting top management the gender rule has been adhered to					
(xiv)	When choosing teams during the decision making process gender is an important consideration					
(xv)	Gender as a consideration is critical in choosing team leaders					
(xvi)	When making decisions views from either gender are considered					
(xvii)	Previous experience has been considered during the recruitment exercise of top managers					
(xviii)	Most of the organization's top managers have been recruited from within the organization					
(xix)	Functional skills of a manager are considered during the strategic decision making process					
(xx)	We relate functional skills of a candidate to the post we are recruiting for					

SECTION C: STRATEGIC DECISION MAKING

Another concept of this study is strategic decision making. For the purpose of this study, focus is on how long term decisions that affect the organization's overall direction and operations are arrived at within your organization.

12. Please indicate the extent to which the following statements describe strategic decision making in your organization. Please **TICK** as appropriate using the key provided below.

Key:

1-Not at all; 2-Less extent; 3- Moderate extent; 4- Large extent; 5-Very large extent.

	Statements	1	2	3	4	5
(i)	During strategic decision making there are key responsibilities that are assigned to specific top managers.					
(ii)	There are scheduled/planned meetings to discuss important decisions in the organization.					
(iii)	There are laid down activities that generate information for decision making.					
(iv)	Information from developments outside the organization is analyzed and considered for decision making.					
(v)	All employees in the organization are involved in strategic decision making.					
(vi)	The advice of consultants is sought during strategic decision making.					
(vii)	The organization's past performance forms the basis of making future decisions.					
(viii)	The functional expertise of top managers is sought during strategic decision making.					
(ix)	There is a written procedure that guides the making of strategic decisions in the organization.					
(x)	There is a formal written procedure guiding identification of alternative actions.					
(xi)	Final decisions are arrived at through a formal screening procedure.					

	Statements	1	2	3	4	5
(xii)	The final decisions arrived at are formally documented.					
(xiii)	There is a clear predetermined criteria used in evaluating long term decisions taken.					
(xiv)	There are specifically formed task forces that look into specific issues that give input to long term decision making.					
(xv)	There are specific inter-departmental committees formed to participate in long term decision making.					
(xvi)	The main shareholders are involved in strategic decision making for the organization.					
(xvii)	Members of the Board are involved in long term decision making					
(xviii)	The Chief Executive Officer/Managing Director Provides effective leadership in long term decision making.					
(xix)	The input of executive directors is taken into consideration during strategic decision making.					
(xx)	The input of heads of departments is taken into consideration during strategic decision making.					
(xxi)	Input from middle level management is taken into consideration when making long term decisions.					
(xxii)	Input from lower level management/first line supervisors is considered important during long term decision making.					
(xxiii)	The input from all the departments within the organization is considered in making long term decisions.					
(xxiv)	Issues related to specific interest groups are taken into consideration during strategic decision making.					
(xxv)	There are high levels of negotiations and consensus building between the various departments during long term decision making.					
(xxvi)	All the stakeholders' input are sought during long term decision making					
(xxvii)	External resistance is experienced during the strategic decision making process					
(xxviii)	The decision making process is prone to frequent interruptions from outside the organization					

SECTION D: MACRO ENVIRONMENT

Macro-environment is part of the wider external environment where an organization operates. It consists of external factors that originate beyond your organization and which your organization has no control over. Developments in the macro-environment affect the way organizations operate.

13. On this basis, please indicate the extent to which the following aspects of the macro-environment matter to your organization. Use the key below and **TICK** as appropriate.

Key: 1-Not at all; 2-Less extent; 3- Moderate extent; 4- Large extent; 5-Very large extent

	Statement	1	2	3	4	5
(i)	Interests from various stakeholders					
(ii)	Government pronouncements on changes in policy from time to time					
(iii)	The political stability of the country					
(iv)	Change of political regime					
(v)	Devolved Government structure					
(vi)	The country's overall political stability					
(vii)	Government's fiscal policies					
(viii)	Taxation policies					
(ix)	Inflationary trends in the country					
(x)	Level of the country's overall economic development					
(xi)	Foreign exchange rates					
(xii)	Interest rates					
(xiii)	Availability of credit					
(xiv)	Changes in the taxation regime					

	Statements	1	2	3	4	5
(xv)	Annual Budget allocations to the organization					
(xvi)	Intermittent budget reviews and re-allocations by Government					
(xvii)	Societal norms and values					
(xviii)	Customs of various communities					
(xix)	Religion of host communities					
(xx)	Demands of host communities					
(xxi)	Cultural practices e.g. land demarcation, farming practices, pastoralism, etc.					
(xxii)	Population growth rate					
(xxiii)	Crime rates and terrorism					
(xxiv)	Tribal inclinations					
(xxv)	Gender issues					
(xxvi)	Developments in ICT for example the laying down of the fiber optic cable, internet, changes in ICT products etc.					
(xxvii)	Occurrences in the natural environment (for examples; drought, rainy season etc.)					
(xxviii)	Climate change					
(xxix)	Land and air pollution levels					
(xxx)	Civil society organizations' agitation for environmental concerns					
(xxxi)	Environmental legislation					
(xxxii)	Changes in the Kenya Constitution 2010 and subsequent legislation					
(xxxiii)	The legal framework prescribing the mandate of the organization					
(xxxiv)	Legislative activities touching on the organization's business					
(xxxv)	New laws emanating from the counties					

14. Please put down any comment with respect to the subject of this study.

15. Do you wish to receive a complimentary copy of results of this study?

[ ] Yes [ ] No

THANK YOU FOR YOUR PARTICIPATION IN THIS STUDY

Appendix II: Letter of Introduction from University

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

27th June, 2014

TO WHOM IT MAY CONCERN

RE: ROSE NDANU MKALAMA:D80/72685/2012

This is to certify that, **ROSE NDANU MKALAMA:D80/72685/2012** is a Ph.D candidate in the School of Business, University of Nairobi. The title of her study is: **"Top Management Demographics, Strategic Decision Making, Macro-Environment and Performance of Kenyan State Corporations ".**

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

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

We look forward to your cooperation.

Thank you.

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

MO/nwk

Appendix III: List of Kenyan State Corporations

No.	STATE CORPORATION	PARENT MINISTRY
1.	University of Nairobi	Higher Education
2.	Kenyatta University	Higher Education
3.	Nyayo Tea Zones Development Corporation	Agriculture
4.	Kenya Veterinary Vaccines Production Institute	Livestock
5.	Rural Electrification Authority	Energy
6.	Kenyatta International Conference Centre	Tourism
7.	Bondo University College	Ministry of Higher Education, Science and Technology
8.	Kenya Literature Bureau	Education
9.	Jomo Kenyatta Higher Education	Higher Education, Science and Technology
10.	Kisii University Higher Education	Higher Education, Science and Technology
11.	Kenya National Library Services	Gender, Children and Social Development
12.	National Water Conservation and Pipeline Corporation	Water and Irrigation
13.	Meru University college of science and technology	Higher Education, Science and Technology

Appendix III Continued …

14.	National Irrigation Board	Water and Irrigation
15.	Coffee Research Foundation	Agriculture
16.	Kenya Seed Company	Agriculture
17.	Maseno University	Higher Education, Science and Technology
18.	South Eastern college of science and technology	Higher Education, Science and Technology
19.	Jomo Kenyatta Foundation	Higher Education, Science and Technology
20.	Kenya Railways Corporations	Transport
21.	Kenya Broadcasting Corporation	Information and communication
22.	Nzoia Sugar Company	Agriculture
23.	South Nyanza Sugar Company	Agriculture
24.	Kenya Safari Lodges and Hotels	Tourism
25.	Geothermal Development Company Ltd	Energy
26.	Lake Victoria North Water Services Board	Water and Irrigation
27.	Kenya Power and Lighting Company Limited	Energy
28.	Kenya Dairy Board	Livestock Development
29.	Masinde Muliro University	Higher Education, Science and Technology
30.	Kimathi University	Higher Education, Science and Technology

Appendix III Continued ….

31.	Kenya Education Staff Institute	Higher Education, Science and Technology
32.	Kabianga University College	Higher Education, Science and Technology
33.	Retirement Benefits Authority	Finance
34.	Water Services Trust Fund	Water and irrigation
35.	Capital Markets Authority	Finance
36.	Egerton University	Higher Education, Science and Technology
37.	Sports Stadia Management Board	Youth Affairs and Sports
38.	National Campaign Against Drug Abuse Authority	Provincial Administration and Internal Security
39.	Kenya Tourist Board Moi University	Tourism
40.	Moi University	Higher Education, Science and Technology
41.	Industrial and Commercial Development Corporation	Trade
42.	National Council for Persons with Disabilities	Home affairs
43.	Kenya Institute of Education	Education
44.	Agricultural Finance Corporation	Agriculture
45.	Kenya Revenue Authority	Finance
46.	Communications Commission of Kenya	Information and communication
47.	Catering and Tourism Training Development Levy Trustees	Tourism
48.	Kenya Film Commission	Information and

Appendix III Continued …

		communication
49.	Tea Board of Kenya	Agriculture
50.	National Commission on Gender and Development	Gender, Children and Social Development
51.	Kenya Institute of Administration	Public Service
52.	National Coordinating Agency for Population and Development	Planning National Development and vision 2030
53.	Constituency Development Fund	Planning National Development and vision 2030
54.	Higher Education Loans Board.	Education
55.	Laikipia University College.	Higher Education, Science and Technology
56.	Water Services Regulatory Board.	Water and Irrigation
57.	Kenya Plant Health Inspectorate Services.	Agriculture
58.	Kenya Urban Roads Authority.	Roads
59.	Export Promotion Council.	Trade
60.	Pwani University College.	Higher Education,Science and Technology
61.	Kenya Utalii College.	Tourism
62.	Kenya Institute for Public Policy Research and Analysis.	Planning National Development and vision 2030
63.	Tea Research Foundation of Kenya.	Agriculture
64.	Kenya Ports Authority.	Transport
65.	Kenya Wine Agencies Ltd	Trade
66.	Kenya Roads Board	Roads
67.	Kenya Electricity Generating Company Ltd.	Energy

Appendix III Continued…

68.	Kenya Pipeline Company Ltd.	Energy
69.	Co-operative College of Kenya.	Co-operative Development and Marketing
70.	Coast Development Authority	Regional Development Authorities
71.	Kenya Medical Research Institute.	Health
72.	Lake Victoria South Water Services Board.	Water and Irrigation
73.	Kenya Accountants and Secretaries National Examinations Board.	Finance
74.	Mombasa Polytechnic University College	Higher Education,Science and Technology
75.	Lake Basin Development Authority.	Regional Development
76.	Rift Valley Water Services Board	Water and Irrigation
77.	Tana Water Services Board.	Water and Irrigation
78.	Kenya Rural Roads Authority.	Roads
79.	Kenya Forest Service.	Forestry and Wildlife
80.	Kenya Forestry Research Institute.	Forestry and Wildlife
81.	National Aids Control Council	Special Programs
82.	Kenya National Examinations	Education
83.	Brand Kenya Board	Tourism
84.	Kenya Ferry Services Ltd.	Transport
85.	Kenya Polytechnic University College	Higher Education, Science and Technology
86.	Athi Water Services Board	Water and Irrigation
87.	Agro Chemical and Food Company Ltd.	Agriculture

Appendix III Continued ….

88.	Kenya Sugar Research Foundation	Agriculture
89.	Ewaso Ng'iro South Development Authority	Regional Development Authorities
90.	National Oil Corporation of Kenya	Energy
91.	Ewaso Ng'iro North Development Authority	Regional Development Authorities
92.	Kenya Copyright Board	State Law Office
93.	Privatization Commission of Kenya	Finance
94.	Kenya Animal Genetic Resources	Livestock
95.	Kenya National Assurance Company (2001) Ltd	Finance
96.	Kenya ICT Board	Information and Communication
97.	Bomas of Kenya	Tourism
98.	Horticultural Crops Development Authority	Agriculture
99.	Kenya Bureau of Standards	Industrialization
100.	Agricultural Development Corporation	Agriculture
101.	Kenya Sugar Board	Agriculture
102.	Kenya Medical Supplies Agency	Health
103.	Kenya Maritime Authority	Transport
104.	Kenya Coconut Development Authority	Agriculture
105.	Kenya Electricity Transmission Company	Energy
106.	Cotton Development Authority	Agriculture
107.	National Hospital Insurance Fund	Health

Appendix III continued….

108.	Kenya Water Institute	Water and Irrigation
109.	Kenya Post Office Savings Bank	Finance
110.	Kenya Industrial Research and Development Institute	Industrialization
111.	Bukura Agricultural College	Higher Education, Science and Technology
112.	Local Authorities Provident Fund	Local Government
113.	Postal Corporation of Kenya	Information and Communication
114.	Sacco Societies Regulatory Authority	Corporative
115.	Youth Enterprise Development Fund	Youth Affairs
116.	Kenya Tourist Development Corporation	Tourism
117.	Moi Teaching and Referral Hospital	Health
118.	Multi-Media University College	Higher Education, Science and Technology
119.	Kenya Agricultural Research Institute	Agriculture
120.	Kenya Re-Insurance Corporation	Finance
121.	Commission for Higher Education	Higher Education, Science and Technology
122.	Teachers Service Commission	Education
123.	Northern Water Services Board	Water and Irrigation
124.	Kenya Marine and Fisheries Research institute	Fisheries Development
125.	National Council for Children Services	Home Affairs
126.	Kenya Medical Training College	Health
127.	Council of legal Education	Justice, National Cohesion & Constitutional Affairs

Appendix III Continued…

128.	Kenya Civil Aviation Authority	Transport
129.	Coffee Development Fund	Agriculture
130.	Energy Regulatory Commission	Energy
131.	Kenya Airports Authority	Transport
132.	Insurance Regulatory Authority	Finance
133.	Kenya Film Classification Board	Information and Communication
134.	Kenya National Highways Authority	Roads
135.	National Housing Corporation	Housing
136.	Kerio Valley Development	Regional Development Authorities
137.	National Council for Science and Technology	Higher Education, Science and Technology
138.	Narok University College	Higher Education, Science and Technology
139.	Chuka University College	Higher Education, Science and Technology
140.	Consolidated Bank of Kenya	Finance
141.	Tanathi Water Services Board	Water and Irrigation
142.	Coffee Board of Kenya	Agriculture
143.	Kenyatta National Hospital	Health
144.	Kenya Industrial Estates	Industrialization
145.	NGO Coordination Board	Home Affairs
146.	Public Procurement Oversight Authority	Finance
147.	Water Resources Management Authority	Water and Irrigation

Appendix III: Continued

148.	Kenya AppendiNational Bureau of Statistics	Ministry of Planning, National Development and Vision 2030
149.	Chemelil Sugar Company	Agriculture
150.	Tana and Athi Rivers Development Authority	Regional Development Authorities
151.	National Environmental Management Authority	Environment and Mineral Resources
152.	National Museums of Kenya	Home Affairs
153.	Kenya Investment Authority	Finance
154.	Export Processing Zones Authority	Trade
155.	Kenya Institute of Special Education	Education
156.	Kenya Yearbook Editorial	Information and communication
157.	Pest Control Products Board	Agriculture
158.	National Social Security Fund	Finance
159.	Kenya Meat Commission	Livestock Development
160.	Kenya Ordinance Factories Corporation	Defense
161.	Coast Water Services Board	Water and Irrigation
162.	Kenya Industrial Property Institute	Industrialization
163.	Numerical Machining Complex	Industrialization
164.	National Crime Research Centre	State Law Office
165.	Centre for Mathematics	Education
166.	East African Portland Cement Company Ltd	Industrialization
167.	Pyrethrum Board of Kenya	Agriculture

Appendix III: continued ….

168.	National Cereals and Produce Board	Agriculture
169.	National Bio-safety Authority	Higher Education, Science and Technology
170.	Kenya National Shipping Line	Transport
171.	New Kenya Cooperative Creameries Ltd.	Cooperative Development and Marketing
172.	Water Appeals Board	Water and Irrigation
173.	Industrial Development Bank	Industrialization
174.	Kenya National Trading Corporation	Trade
175.	Kenya Wildlife Service	Tourism
176.	School Equipment Production Unit	Education
177.	Media Council of Kenya	Information and Communication
178.	University of Nairobi Enterprise Services	Higher Education, Science and Technology

Source: PTPR (2013)