INFLUENCE OF STRATEGY FORMULATION ON PERFORMANCE OF STATE CORPORATIONS IN KENYA

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DECLARATION

I declare that this thesis is my original work and has not been presented to any other university for degree award.

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DEDICATION

To my late mum and dad (Nancy and Eliud), for inculcating in me the spirit of hard work and my entire family for moral support and continuous inspiration throughout my study period.

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ABSTRACT

Management uses strategy formulation to measure negotiated performance goals. Formulation of strategy occurs at corporate, business and functional levels. Strategy formulation is anchored in what way to exploit the power and eliminate obstruction that inhibit sharing and creation of innovative information, thus proper formulated strategy enhances output in public institutions through enhanced profitability, efficiency and competitive advantage. Challenges faced in strategy formulation are a result of executives lacking knowledge in strategy management thus firms assume that executives are strategies just from the onset of their employment. Main study objective was to establish the influence of strategy formulation on performance of State Corporations in Kenya. This was supported by four specific objectives derived from operationalization of strategy formulation. Target population comprised of managers of 187 State Corporations. A sample of 128 managers were picked. Primary data was collected by using questionnaires. Descriptive statistics was used in preliminary analysis of data. Inferential statistics was used to establish predictive equation and tests its combined and individual significance. Results revealed that in terms of leadership, top management makes decisions in consultation with employees and there is delegation of authority and responsibility. It was revealed that in terms of mission and vision my organization possess a formal mission to pursue its objectives and also organization focuses on what really matters to the stakeholders. Firm resources indicated that firm are a learning organization and has a well understood culture by employees embedded in values. Environmental scanning key aspects were ethic and tribal inclinations, cultural practices and management uses various sources of information to scan the environment and level of annual budget allocation to the organization and population growth rate. The predictive model was fit for prediction as the explanatory power was 80.3 percent. The predictive model was both overall and individually significant. Environmental scanning had the highest positive influence on performance followed by leadership which had negative influence on performance, firm resources have positive influence and mission and vision statement. The study concluded that State Corporations need to embrace leadership, mission and vision, resources and environmental scanning so as to improve their performance. The established predictive model should be used for foresting performance in State Corporations. More emphasis should be placed on environmental scanning and leaderships as they are key indicators of strategy formulation. Manager should embrace strategy formulation so that firm performance could be improved. Policy makers should put more emphasis on strategy formulation aspect as it has important impact on firm performance. Comparable studies should be carried out in other sectors and results be compared for generalization purposes.

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ABBREVIATIONS

DCT	Dynamic Capabilities Theory
MFIs	Micro Finance Institutions
MSE	Medium-Sized Enterprises
PTFPR	Presidential Task Force on Parastatal Reforms
RBV	Resource Based View
SD	Standard Deviation
SOEs	State Owned Enterprise
SPSS	Statistical Package for Social Science

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

As it currently is, globalization, extreme competition, a quick switch of taste and needs of clients are cause of concern to organizations. In these circumstances, crafting a suitable approach can enable an organization to attune itself to these circumstances and command the market. Mostly, organizations are required to take calculated decisions within the business to handle the turbulent and somehow uncertain business surrounding. Actually, the spirited aptness allows an organization to recognize, shape and size chances by crafting and reengineering its base of resources (Teece, 2007) to develop and offer emerging services and products.

Decisions related to formulation of strategies dedicate an organization to unique markets, technologies, resources and products within an extended duration (David, 2011). It is a laborious and complicated action undertaken by those holding senior ranks in the organization (Hamel & Prahalad, 2010). A faultily devised strategy may negatively affect the accomplishments of a firm.

Certain scholars have endeavoured to scrutinize the elements that influence the crafting of strategies such as the surrounding of the firm and leadership (Rose & Cray, 2010), leadership and culture (Siddique, 2015), the level of education in relation to leadership (Sije & Ochieng, 2013), limitation of resources, academic qualification, knowledge and skills of leadership (Nyagah, 2015).

Contestably, the comprehension of the mission and vision of the organization together with creating objectives that are long term are essential in the formulation of strategies. The vision of the organization is what guides its perspective through expression of purpose, value and by using the objectives and mission (Finkelstein et al., 2008). An organizations lasting purpose and uniqueness are defined by its mission statement (Gharleghi et al., 2011).

Globally, a study by Bart and Baetz (1998) within businesses in Canada revealed that when financial goals are included as part of the mission statement, the performance of that business was negatively affected. Drazin and Howard (1984) conducted a similar investigation in the USA to that of Alexander (1985) and established that because many organizations did not properly coordinate, formulation of strategies was slower than previously anticipated hence resulting in bigger challenges within the organization. This shows weakness in planning. Most organizations were found to have a challenge of properly coordinating their activities hence making them distracted from activities related to competition in some instances. Additionally, critical activities were insufficiently defined using scanty details while there was lack of sufficient information systems.

Beer and Eisenstat's (2000) asserts implementation of strategies are silently killed by vague intentions of strategies and colliding priorities together with coordination which is weak all through the functions. Alexander (2005) who in his research in the UK found out that most of the firms took more time in strategy formulation than initially anticipated and the biggest challenge that was experienced within the organization was lack of coordination.

In Africa, a survey conducted by Maroa and Muturi (2015) revealed that a considerable relationship existed that connected performance and formulation of strategies within horticultural organizations. Katsvamutima and Jeevananda (2014) looked at the connection relating implementation and formulation of strategies in the manufacturing sector within Zimbabwe. The authors reported that within dynamic surroundings, competitive advantage, efficiency and profitability were improved by the development and execution of strategies.

In Kenya, a survey was conducted in the town of Nakuru targeting organizations categorized as medium sized, investigating how their performance is affected by strategic planning (Auka & Langat, 2016). The observation was that the performance of the organization is affected positively by the formulation of strategies. The conclusion from the scholars was that medium sized organizations are considerably influenced by formulation of strategies. The evidence produced suggested that the formulation of strategies positively influences the performance of an organization. Formulation of strategies was found by Wanjiru (2016) to impact on the achievement of the service industry in Kenya.

Earlier investigations on formulation of strategies never took into consideration the multifaceted essence of contrive (Aremu & Oyinloye, 2014; Wanjiru, 2016). However, there is more to comprehend in regards to the drivers of formulating strategies and how performance is impacted by it particularly in relation to Kenya. The investigation argued that the objective, mission and vision of the firm are drivers of formulating strategies. The focus for the study was parastatals in Kenya. Considering the significance of crafting effective approaches, the scholars sought to comprehend how the drivers of formulating strategies (long term objectives, mission and vision) is impacting the performance of state corporations' firms in Kenya.

1.1.1 Firm Performance

Major focus of any organization that intends to grow and survive in a market that is competitive is performance (Kakanda et al., 2016). According to Jensen & Meckling

(1976) firm is a set of agreements between elements of production. Firms are legal entities where contextual associations exist amongst parties involved. Organizations in a competitive environment work to outsmart and outperform their rivals (McMurray, 2015). Organization performance entails achievement of organization targets set by the organization in the spirit of maximizing shareholders wealth and minimizing the cost of operation while operating ethically (Whitmore, 1997).

Marn and Romuald (2012) states that organization performance refers to how resources within an organization are put in place into their use effectively and efficiently with the aim of attaining the objective of the firm depending on the prevailing present and future opportunities. According to Porter (2007), strategic management research main purpose is to improve indulgent about the factors of firm performance and describe how mangers creates greater performance.

According to Kaplan and Norton (1992), measurement of organization achievement has metamorphosed over the years from traditional focus of profits, sales, market share and productivity to modern approach, that is, balanced scorecard. Organization performance is the capability in satisfying its mission vision and objectives through strategy, governance and sound management (Radner & Shepp, 1996).

1.1.2 State Corporations in Kenya

State corporations are formed by the government through an act specifically by chapter 446 of Kenyan laws. They are businesses owned or run by government to render services to the citizens. State corporations' establishments was motivated by national aspiration for: speeding up social economic growth, equalize local disparities, enhance public participation, stimulate homegrown businesses and support external investment.

State corporations have sovereignty to manage and focus on precise obligations so as to increase service delivery to the public.

A task force formed by the president in 2013 and focused on reforming parastatals drafted a file of entire enterprises owned by the state and advanced proposals to reduce the current 262 state corporations to 187 so as to eradicate non-value-added functions amongst corporations, close or dispose-off nonperforming corporations, merge functions where possible, and reduce the workforce. According to Kamotho (2014), state corporations are categorized into eight functional groups, that is; tertiary education, regional development, research and training services, public universities, regulatory, commercial and financial.

1.2 Statement of the Problem

In complex and dynamic business setting, organizations which aims at providing provide superior innovative process, product and marketing must embrace logical method of strategy formulation. Strategy formulation is a pillar of competitive organization in this competitive world. Organization formulating her strategy must make correct assessment of both internal and external environments must be agile and fragile to the environment.

David (2011) posited that strategy formulation decision obligate firm to particular markets, technologies, products and resources within a time frame. The process of formulating strategy allows an organization to marry available chances with internal resources and fears within its external surrounding. Moreover, environmental gusto and competitiveness creates major challenges for managers liable for forming strategies in firms. The most trying aspect of the process of formulating strategies is the establishment of approach identity and implementation of tactical assessment. Forming effective strategy is crucial in enhancing firm output.

Pearce and Robinson, (2011) states that crafting of strategies directs top management in describing the business their organization is in, the results it strives for, and methods it will use to achieve the results. Organizations craft approaches to handle matters that are related to offering quality services and products. Studies have shown association between strategy formulation and firm performance. Specifically, Woldie (2012), indicated that a mechanism of formulating an effective strategy improves performance.

Katsvamutima et al. (2014), established that strategy formulation and implementation improves profitability, efficiency, thus form the basis of competitive advantage in dynamic environments in food manufacturing industry in Zimbabwe. Locally, Odongo et al. (2016) established direct association between strategy formulation phase and performance of Micro Finance Institutions in Nairobi County. Santura et al. (2017) studied the association achievement and formulation of strategy within public firms in the county government of Isiolo. The results indicated that strategy formulation is in a state of predicament and faces serious challenges due to non-knowledgeable executives in strategic management though firms assumed executives to be strategist at the time of employment.

Auka and Langat (2016), found a weak direct association between strategy formulation and firm performance amongst MSE’s in Nakuru town. Literature review suggests that strategy formulation influences firm performance. However, there is no study done on the effect of strategy formulation on firm performance of state corporations in Kenya, thus the study sought to fill the gap.

1.3 Research Objectives

In this study both main objective and specific objectives were presented as below:

1.3.1 Main Objective

To determine the influence of strategy formulation on performance of state corporations in Kenya. The study was steered by four specific objectives as follows.

1.3.2 Specific Objectives

i. To determine the influence of leadership on state corporation's performance in Kenya.
ii. To evaluate the impact of mission and vision on state corporation's performance in Kenya
iii. To assess the influence of firm resources policies on performance of State Corporation in Kenya.
iv. To determine the effect of environmental scanning on performance of State Corporation in Kenya.

1.4 Research Questions

The study was guided by the following research questions.

i. To what extent does leadership in strategy formulation affect State Corporation's performance in Kenya?
ii. To what extent does mission and vision influence State Corporation's performance in Kenya?
iii. How does firm resources influence Sate Corporation's performance in Kenya?
iv. To what extent does environmental scanning affect performance of State Corporation in Kenya?

1.5 Significance of the Study

1.5.1 Researchers

This study would add information on theories propounded by strategic choice theory, dynamic capabilities theory, upper echelon and resource-based view theory and testing in the field of strategy formulation and firm performance. This study made contribution on the strategy formulation process. Documented findings would contribute towards addressing the gaps identified as well as facilitate the growth of literature in the subject of strategy formulation. It would also form a basis for providing research recommendations with empirical evidence.

1.5.2 Management

The results would be helpful to top level managers as it would equip them with necessary skills and knowledge in strategy formulation, its impact on organization outputs and organization management. It would help managers to formulate strategies in a proper way and prepare their organizations to fight competition and respond quickly to environmental changes.

1.5.3 Other Stakeholders

Government and employees would find this study relevant in understanding the importance of strategy to the firm as well as themselves.

1.6 Scope of the Study

Main focus was to determine the influence of strategy formulation on performance of State Corporations in Kenya. Sample size was limited to 77 respondents picked from 187 managers from state corporations from the five categories. The study was limited to strategic choice, resource-based view, upper echelon and dynamic capability theories.

1.7 Limitations of the Study

Organizational policies within the state corporations regarding confidentiality of the information the employee are allowed to give limited the study as few respondents were not willing to provide information considered to be confidential. Study findings could not be generalized Government sectors and private companies because of the different acts upon which they operated.

1.8 Definition of Operational Terms

The study operationalized the following terms:

Strategy: Direction and constraint of a firm over long period of time, which realizes an upper hand for the organization through its alignment of resources in dynamic surrounding to achieve stakeholders' goals (Johnson & Scholes, 1999).

Strategy Formulation: a process used by top managers in outlining the dealings their organizations are in, the results it aspires and the tactics it will deploy to achieve the results (Pearce & Robinson, 2009).

Strategic Planning: Detailed scrutiny of organization's internal and external factors affecting strategy formulation (Onwuchekwa, 2000).

Firm: An organization in the form of a partnership, company or corporation which provides for a price, services and goods for profit (Santos & Brito, 2012).

Firm Performance: Putting resources within a firm disposal into effective and efficient ways with an aim of achieving firm objectives (Marn & Romuald, 2012).

State Corporation: A legal body set by the state to conduct commercial dealings at the states behalf. It is either wholly or partially owned by the government with the mandate to take part in specific commercial activities.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter entailed schemes which steered the study, that is, theories. It further focused on review of empirical studies. The chapter finally discussed the relationship between the variables as indicated in the conceptual framework.

2.2 Theoretical Framework

Theoretical foundations are accounts of particular events (Camp, 2001). Theories aid in making sense of dynamic and complex environments (Chicksand et al., 2012). According to Flynn et al. (1990), theories and associated empirical work enhances functions by presenting new ideas and perspectives. Thus, theories assist in comprehending the connection by showing how response and predictor variables interrelate and what elements impact their conduct. The suppositions are crafted by meticulously observing occasions and occurrences and outlining the detected relationships (Flynn et al., 1990). This study is premised on strategic choice, dynamic capabilities, upper echelon and resource-based view theories.

2.2.1 Strategic Choice Theory

The postulation of strategic opportunities is associated with the undertakings of Child John in 1972. Strategic choices refer to the situation where those holding power in the firm make decision on the direction to take in regards to strategic actions. The significance of strategic choice stems from the more voluntaristic and social explanations it affords to understanding human resource management. The theory explain association between top managements' choices, organizational performance and the inclusive interface between environment and organizations.

The origin of the theory can be traced back to opposition of the deterministic management theories (Chandler, 1962). Chandler (1962) stated that while firms may take a path of their own, its current and subsequent health definitely relies on the people who guide its actions. Campling and Michelson (1998) developed strategic choice theory to bridge the gap “other theories neglected the power of managerial agency. Strategic choice theory is associated with integrative understanding, hence emphasizes the assessment of businesses as adaptive firms, which learn with time and actions of top management determines their strategic choices (Child, 1997).

The key presupposition of the theory of strategic choice is that established views such as those of the theories of dependency of resources and contingency are not adequate because they shun the significance of executives in making of decisions in a firm (Schoonhoven, 1981). This theory relates to the theory of action as used in strategic management in relation to personnel being organized so as to undertake the choices robust executives make. In which case the surrounding and structure are imposed on the superior category and role of the executive which is either proactive or at best reactive (Astley & Van de Ven, 1983).

The concerns of strategic choice theory are that it’s possible for superior categories within the organization to make decision based on their choices. These superior categories is perceived to be in control of making decisions which allows for the responsibilities of the workers within the political structure of the organization and their processes (Child, 1972).

Nollet et al. (2005) posits that organization strategic choices, that is, analyzer, defender or prospector affects manager’s and firm’s operations. Prospectors would strive to be proactive, innovative, transform their product portfolio and produce internally (Shook et al., 2009). Defenders would source items from reputable suppliers so as to guarantee efficient production and create unwavering product range (Shook et al., 2009). Analysers would prefer to become favourite customer of their suppliers (Schiele et al., 2011).

The theory stresses that having the best decision relies on certain environmental elements. This theory presumes the existence of an elevated privilege of choices where the actors in an organization are tasked with actions and choices (De Rond & Thietart, 2007). Miles et al. (1978), defined strategic choice theory as the behaviour of a firm which is merely predetermined by environmental circumstances. These choices are made by top executives as the main influencers of the firm's processes and structure. Hence strategic choice theory determines strategic partnerships, innovation and business models an organization will adopt.

2.2.2 Dynamic Capabilities Theory

Teece et al. (1997) define dynamic capability as the ability of an organization to consolidate, grow and reconstitute its external and internal expertise to address a continuously dynamic surrounding. It refers to the ability of a firm to deliberately develop, or improve its resource foundation (Helfat et al., 2007). The basic assumption of the dynamic capabilities' framework is that key expertise need to be utilized to improve short term competitive positions that can be used to build longer-term superior performance.

Helfat et al. (2007), stated that dynamic capabilities theories arose to challenge resource-based view theory by providing an elaborate explanation competitive gains in ever changing milieu. Dynamic capabilities theory emphasizes on development, acquisition, regeneration and renewal of resources (Teece et al., 1997). These are an organizations capability to incorporate and reengineer expertise both external and internal to manage swiftly the dynamic surrounding (Teece et al., 1997). In so doing, it is possible to achieve resource configurations whenever a market emerges, collides, splits, evolve or dies. Thus, it is the capability to create, enlarge or transform resources in congruence with changing business milieu.

In most cases, organizational capabilities are rooted in the structure thus well adapted to particular strategies than others firms. Thus, these strategies are often constrained by the organization, although a considerable change in a firm's strategy instigate transformation in its institutional structure. A proposed model of dynamic capabilities is evident in a framework used to sense capabilities, infer, and track emerging opportunities identified from both internal and external stimuli (Collis, 2012).

Capabilities view emphases that technology and know-how results from value addition actions such as search learning, research and development and administratively directed assets planning processes (Teece, 2017). Dynamic capabilities are related to innovation; thus dynamic capabilities manifest themselves in the efficacy of the firm's ability to innovate by allowing firms to choose probability of successful innovation.

2.2.3 Upper Echelon Theory

This theory traced to Hambrck and Mason (1984) contends in relation to the manner in which executives behave as a mirror of the organization by taking up key and vital responsibilities in relation to the achievement of the organization. Hambrick and Mason (1984) urged that managerial characteristics can be used to forecast firm results grounded on the view that top management choices are determined by their cognitive base and their values.

The theory was premised on the results of the firm as being directly influenced by the skills, experience and knowledge of those people taking up distinguished managerial responsibilities within the firm (Hambrick & Mason, 1984). Upper echelon theory is based on the premise that managers assess circumstances, threats, alternatives, opportunities and possibilities of a number of results through their own highly custom-made lenses (Finkelstein et al., 2009). Individual attributes of the executives influence the facets of the surrounding which can be observed and what they can observe influence the choices they make in relation to strategic choices which eventually influence those at the bottom of the organization structure.

Carpenter et al. (2004) posited that physiognomies and the top staff strategic choices are determined by situational attributes within the firm (characteristics of the organization, external surrounding) which then influences managerial characteristics and firm results. The theory states that organizations are reflections of their top executives, that is, senior executives of an organization are responsible for strategic formation and enactment. Theory recognized that individual top managers greatly influence organizational outputs as a result of the choices they make. This theory stipulates that the results of a firm in this case its effectiveness and strategies mirrors its values and rational foundation of superior staffers within the firm (Carpenter et al., 2004).

Upper echelon influences administrative complexity. According to Hambrick and Mason (1984), administrative complexity as a key component of strategic choices includes; formal planning systems, budgeting details, complexity of structures and complexity of incentive compensation scheme. High level of management challengers results in a strong relationship between managerial characteristics and firm performance.

When managers face low level challenges, their decision making becomes comprehensive and are influenced less by personal characteristics, thus, the association between top staffers attributes and a firm’s results should be weaker in such circumstances (Hambrick, 2007). The theory links strategic partnership to leadership in building sustainable business models for agribusiness. The executed strategies in a firms life through actions of the top staffers in making decisions are mostly the responsibility of small forces geared towards attaining the goals of a firm, that is, a newly recruited top leaders from outside the organization may adopt a different view to the process of making decision different from that of a person promoted within the ranks of the firm to the level of an executive.

The central tenet of the upper echelon theory is that, firms are a mirror of their competencies, experiences and merits of top executives as they undertake their responsibilities at a strategic position (Mason & Reilly, 2006; Phipps & Burbach, 2010; Chuang et al., 2009). The arguments are reflective of its main targets which advance that a leader who is ethically strategic can impact the delivery of services through public organization such as devolved units.

A framework is provided within this theory with the responsibility of s strategic leader being able to determine the results of the organization. The important argument being that organizational outcome and decisions of strategies are partially predicted by strategic executives (Carpenter et al., 2004). The hypothesis by this theory has advanced important findings in research on the responsibilities of strategic leadership and service delivery. A strategic executive is therefore critical in yielding effective delivery of services within organizations in the public service.

2.2.4 Resource Based View Theory (RBV)

Penrose (1959) injected preliminary intuitions into the assets of the organizational perspective. Later, the resource-based theory was mooted by Wernerfelt (1984), thereafter, Barney (1991) made immense contribution. Resource based theory emphasizes competence and capabilities as the precursor of competitive advantage. It underscores the importance of an organization's distinct abilities and the development of dynamic abilities to enable exploit expertise both within and outside the organization to operate in the ever-changing environment (Herrman, 2005).

Grant (1991) proposed RBV approach to strategy formulation which encompasses firm's recognizing and comprehending their internal assets, abilities, weaknesses and strengths in relation to other similar businesses. RBV views firm as a package of abilities, assets and processes which generate merit and can't simply be copied or made use of by competitors because of distinct mechanisms, rare, valuable and non-substitutable.

Resources as explained by Barney (1991) are all assets, firm processes, capabilities, managerial ability, customer relationships, brand reputation, information, tacit and knowledge in control of a firm which permit it to perceive of and put in place strategies which improves its efficiency and effectiveness.

RBV as a tool determines strategic resources and how it affects the performance of the firm on the basis of reviewing firm's internal environment holding external environment constant (Helfat, & Peteraf, 2003). Firms using RBV competes in positions of their resources and capabilities. RBV allows managers to prioritize and maximize their efficiency as a business strategy. RBV provides valuable insight of the firm performance, status, assets and guideline for future strategies.

Barney (1991) opined that ownership of strategic resources gives a firm excellent chance to develop competitive advantages over its competitors. Resources based view appreciates the manifestation of worthy, not easy to find, copy, substitute abilities and resources in the firm as a foundation for sustainable competitive advantage founded on improved innovative achievement (Prahalad & Hamel, 1990).

Resource based view theory depicts performance an indicator of a firm's capability to utilize its resources. The resources encompass core competence and capabilities that are administered by an organization and allows it to formulate and execute the tactics that enhance effectiveness and efficiency of an organization. An organizations resource is directly related to its capabilities and is capable of creating better profitability for the firm (Barney, 2002). Even though resource-based view theory supports inner strength and capabilities approach, a firm's response is not primarily an operational choice and fear in the sector but resources the firm possess (Teece et al., 1997).

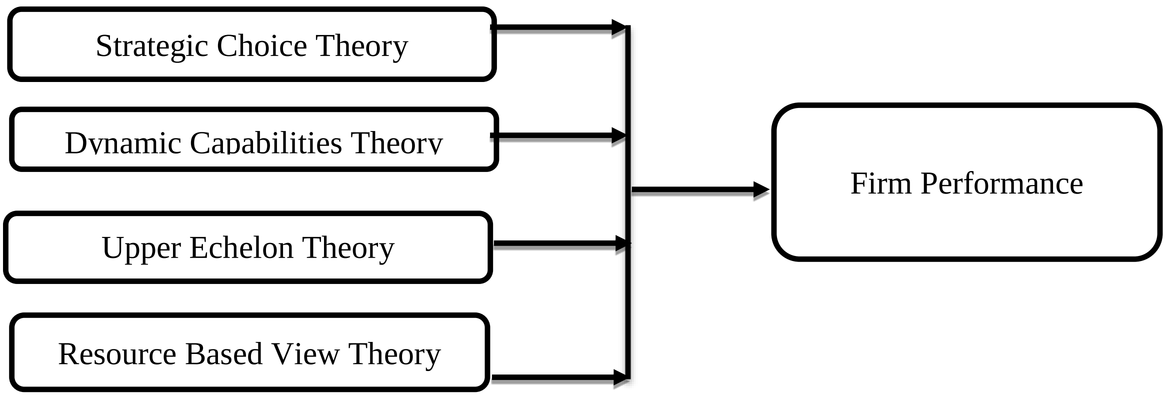
The main postulate of the resource-based theory (RBT) forecasts that some form of resources possessed by the business has the ability to enable competitive advantage and finally elevate an organizations achievement. Resources controlled by a firm may contribute to lasting ability of the firm to outperform its competitor's when displaying VRIN qualities. In a changing market environment, however, VRIN resources are out competed and therefore cannot provide lasting ability of the firm to outperform its competitor's.

Hence, the RBT proponents query how over a period of time, the evolution of the organization is influenced by a dynamic market (Peteraf & Barney, 2003). More so, contrary to RBT, Priem and Butler (2001) observed that it is difficult to find resources that are not imitable and non-substitutable. The validity of the RBT as the framework has been interrogated in numerous important tenets (Eisenhardt & Martin, 2000) mainly on the description, the linkages a dynamic market and the modalities of revamping the advantage of a firm's resources into an advantage against its competitors.

Barney (1991) argues an organization achieves competitive advantage when executing a strategy that creates value though not being executed at the same time as the competition. Priem and Butler (2001) argued that firms that have capacity that can be best practically implemented, can be surpassed by a competing business which creates that ability in a much more enhanced manner. Hence, RBT needs to reexamine the influence of market dynamism and firm evolution overtime.

Figure 2. 1:

Theoretical Framework



Source: Researcher, 2019

2.3 Empirical Review

Kamensky (2008) opines that the significance of strategy and what it entails is different from the events of competition, whether they result in some progress or they don't. Without any competition in the market, the definite approaches would not be required in business. Strategy formulation plays significant role in strategic management process in comparison to strategy implementation or strategic control over the last two decades (Jooste & Fourie, 2009). Strategic formulation is the process for developing a strategy.

Strategy formulation is concerned with determining the current position of an organization, where it expects to be and the means of getting there. The process of formulating strategies encompasses the acquisition of data and a never ending process of sharing information. The most challenging point in the process of formulating strategies in the development of strategic identity and the implementation of an analysis of the strategy.

According to World Bank (2000), effective strategy formulation is key component of fruitful strategic management. Strategy formulation refers to the process where stakeholder's influences and share control over priority setting, resource allocation and policy making thus it is both a social and political process.

Executives are guided by the formulated strategy in the definition of the endeavours of the organization, its plans and how it seeks to attain those (Pearce & Robinson, 2011). Strategic formulation is a three-level approach, that is, the level of the business unit (various strategies, cost leadership), level of corporate (process of diversification, type of diversification, and analysis of portfolio) and individual level.

Pearce and Robinson (2007) contends that strategic planning could be formal or informal, that is the degree in which participants' responsibilities, discretion and authority are specified. Formal strategic planning results in a document referred to as strategic plan. This is a detailed document outlining mission, vision, objective, core values and future direction of a firm and how the management plans to achieve the desired results within the operating environment (Thompson & Strickland, 1993). Strategic planning must also be consistent and well-integrated to the organizational culture.

According to Tan and Platts (2006), objective settings, alternative actions identification and evaluation and implementation of selected options require effective strategy formulation. Nenonen (2012) proposed that personnel who are capable of influencing the formulation of strategies are at best dedicated staffers as compared to the staffers who are incapable of participating. Provided with such a chance, personnel who are able to participate are more productive in relation to strategy execution.

Strategy formulation is contended by Van Gelderen et al. (2000) as activities and approaches that are both significant for the organization to attain competitive advantage. It encompasses relooking at pivotal targets and approaches of the firm, pinpointing available choices, assessing the choices and picking the most suitable choice (Wheelen & Hunger, 2008).

Hax and Majluf, (1996) stated that strategy formulation adopts two groups of thoughts. First school of thought bank on formal analytical process while second school of thought advocates for a power behavioural method to strategy formulation. Formal approach embraces a formal and well-organized process yielding precise firm extensive producing comprehensive description of three levels of strategies. Informal approach lay emphasis on goal orientation of structures of the organizations, politics of strategic decisions as well as top management bargaining and negotiations. Srinivasan and Kurey (2014) suggested that personnel reveal their apprehension to inform the executives if and when standards are compromised.

Martin (2014) opined that at times the members of the board are in the dark in relation to the operating strategy. Johnson and Scholes (2005) posits that strategy formulation can be viewed as design (logical, analytical and planned process), experience (future strategies are based on past strategies) and ideas (strategy emerge from within and around the firm). Strategy formulation can also originate from leadership. Strategic leader is an individual upon whom strategy formulation and change are seen to be dependent.

According to Pettigrew et al. (2002), strategic leadership encompasses triggering agendas that permeate firm not just with change visions but also with unrelenting capacity for change implementation. Strategy formulation can be emergent or deliberate.

According to Mintzberg (1978), new approaches instigates not within the mindset of the tactician, but in the interface of the firm with its surrounding while thoughtful strategies provide the organization with a sense of purposeful direction. Mintzberg (2000) advocates that strategy planning should not be done by managers only. The process of development should be an open process hence allowing for engagements and opinions. While the process of execution has to be a closed one.

Mintzberg and Waters (2006) proposed a three-step flow of strategy formulation. The first step is within the organization there needs to be no disturbing factors or uncertainty in relation to strategy. The second step is collective act, that is, in situations where there is apprehension in regards to chosen strategy this has to be handled within the community, in this regard the personnel. The apprehension and activities taken on behalf of the employees need to be embraced by the executives. Step three is that every environmental element need not affect the purpose of the palling strategy. The strategy does not only emanate from the executives but also at times comes from the other personnel.

Nenonen (2012) argues that the portion of strategies implemented successfully will increase, when employees of the firm have the likelihood to influence the process of formulating strategy. When staffers are given an ear, and they have the likelihood of engaging, the entire community is able to execute and embrace the strategy successfully because of the cohesion formed.

According to Yip et al. (2009), old financial measures of firm performance are still relevant and valid thus there is a need to balance them with modern intangible and externally focused measures. It is suggested by Groysberg and Abrahams (2014) that top management who produce individual performance in properly organized groups and surroundings, achieve financial success also within the firm in which they operate.

McAdam and Hazlett (2008) posits that contemporary approaches to performance measurements factor in dimensions like brand perception, customer/employee satisfaction, innovations, training and development and skills levels. Watkins and Woodhall (2001) found a strong and complex relationship between employee satisfaction, customer satisfaction and overall performance.

Bititci (2007) recognizes the internal measures such as strategy, objectives, structures and culture as well as the external customers, competitors, legal and social aspect of the organization. Mboko and Smith (2009) found that Zimbabwe SMEs were in their early stages of strategy formulation and were not likely to use strategic planning tools. Mufudza et al. (2013) noted that organizations adopting strategies from other organizations does not factor in long run benefits but rather focuses on matters that solve current situations.

Dobni et al. (2001) found out that executives were not able to take strategy from boardrooms to the business environment playing field. This let-down has hampered all businesses, more so SMEs in Zimbabwe. In a study by Scholes & Whittington (2005) examining the association between strategy formulation and performance in 32 large organizations, the findings showed that more than two thirds reported a positive link.

Kovalainen and Alapera (2013) pointed out that employee involvement is important factor of strategy formulation. Engaging the real implementers, that are the personnel of the firm, there is success on the part of the implementers and high attainment of tasks if engaged in the process of planning (Dandira, 2011). Likewise, Woldie et al. (2012) opines that when the formulation mechanism of a strategy is effective, then performance is enhanced.

Locally, Kiptugen (2003) studied the influence of strategic responses on competitive environment, a case of Kenya commercial bank, focusing on the strategies which could be embraced a surrounding deemed competitive. This enquiry did not highlight the procedures encompassed in strategy formulation and the challenges faced.

Kithinji (2012) investigated how Achelis Kenya limited formulated and executed its strategies. Results indicated organizations gain competitive edge by successfully implementing her strategy. Odongo et al. (2016), in an enquiry within Nairobi looked at microfinance organizations revealed that there was a positive influence between MFI’s performance and the phase of formulating strategy.

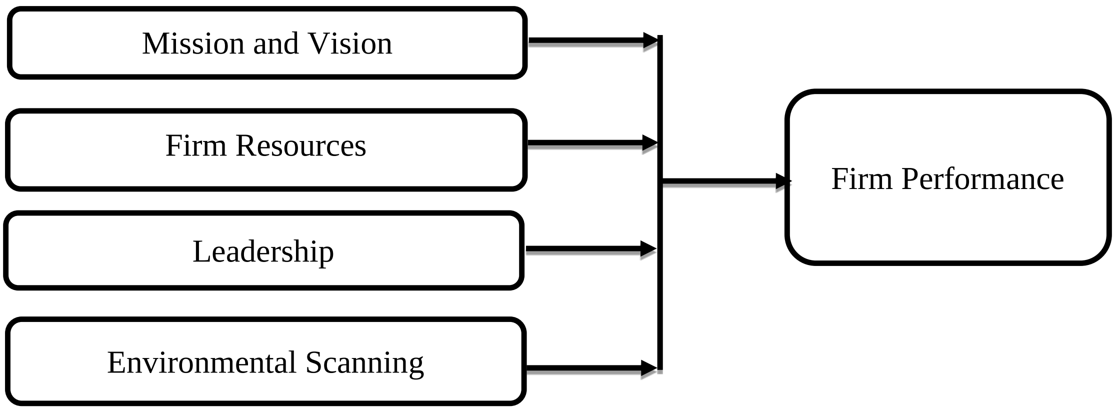
In a study in Nakuru by Auka and Langat (2016), on the achievement of medium sized organization in relation to how they are affected by strategic planning. The study revealed that performance and formulation of strategy was positively but weakly related. The finding was that the performance of these institutions was significantly influenced by formulation of strategy. The performance of organizations was therefore established to have been exerted by the formulation of strategies.

2.4 Conceptualization

Ravitch and Riggan (2012) defines conceptual framework as a diagram which explain the inter linkage among concepts and the variables under the study. In this study leadership, mission and vision, firm resources and environmental scanning have been conceptualized as the predictor variables. The response variable is firm performance.

Figure 2. 2:

Conceptual Framework



Independent Variables **Dependent Variable**

Source: Researcher, 2019

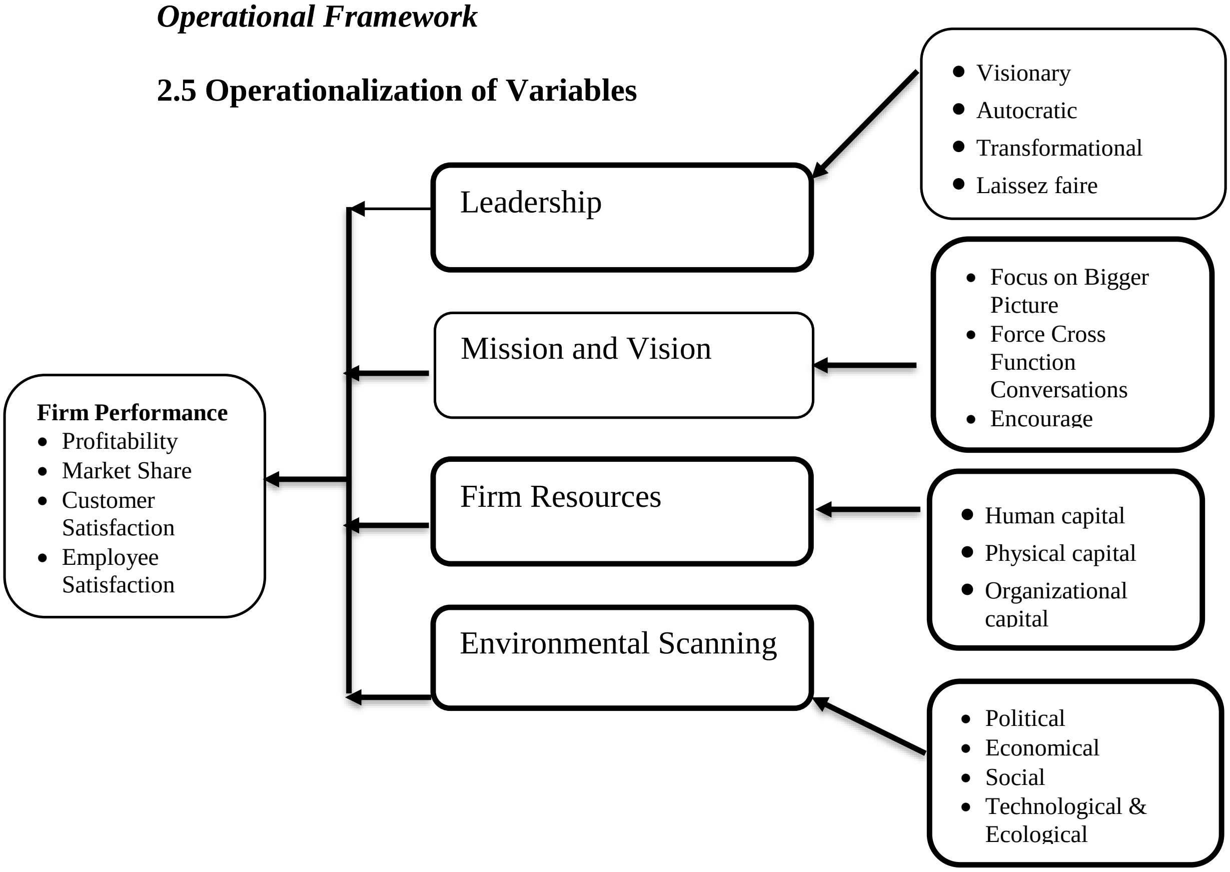
The entire strategy formulation process must have full support and active participation of top management (leadership of the firm). Top management ought to play a leading character in the formulation process and ensure wide consultation and participation by other major stakeholders. By formulating and managing strategy, firm aims at matching the skills and resources to chances found in the outside milieu. Mission statement explains firm’s vision, values and purpose and goals. Environmental scanning entails conducting an internal and external scanning of an organization. Inside analysis of a firm enables determination of firm’s strengths and weaknesses.

External analysis assists firms in understanding the possible opportunities and threats outside the firm. Strategy formulation should not be done in isolation; it must factor in the government policies since firms operate in environment governed by the policies issued by the government. Resources guarantees source of firm sustainable competitive advantages. Resources must be valuable, immobile across the firms, rare and inimitable. It is therefore important that the formation stage of a firm strategy embraces government policies. The strategies should further be reviewed regularly to conform to the policies issued by the government.

Figure 2. 3:

Operational Framework

2.5 Operationalization of Variables



Dependent Variable **Independent Variable** **Parameter**

Source: Researcher, 2019

2.5.1 Leadership

This is a process which involves dealings amongst leaders and followers with the leader trying to sway behaviour of his/her followers to achieve organizations objectives (Lo et al., 2010). According to Voon et al. (2010) effective leadership provides direction to employees towards achieving desired goals. Leadership in an organization plays the role of creating vision, mission, policies, strategies, objectives and approaches of achieving the same effectively and efficiently as well as harmonizing the effects and activities of the firm (Xu & Wang, 2008). Leadership style is a blend of traits and behaviours used by leaders (Mitonga et al., 2012). Modern leadership styles classify leadership into transformational, transactional, cultural based, charismatic and visionary leadership styles (Harris et al., 2017)

Jyoti and Bhau, (2015) posits that the flawless and behavioural charisma of transformational leaders inspires followers to associate with leaders. Employee performance tends to improve due to personalized environment created by transformational leader which makes them feel happy. Charismatic leadership is the most successful leadership style as leader develops the vision and asks the cohorts to monitor and actualize the vision. Charismatic leadership embraces novelty as well as originality however it does not leave beyond the leader as followers become directionless as soon as the leader leaves the organization. Germane (2010) urges that charismatic leadership yields happy followers but few future leaders with long term undesirable effect on firm performance.

Described by Goleman (2013) is the capability of enhancing from managing to consider the perspectives of the personnel. How the leaders are perceived both internally and externally by the employees can assist the entire firm (Goleman, 2013). The author presents leaders as being perceived to be having emotional intelligence which can assist by making the process of formulation as innovative as possible and entire management of the firm.

Uchenwamgbe (2013) states that transactional leaders are one who is always ready and willing to give something in return. They are capable of rewarding their followers with promotion, new responsibilities, pay rise performance reviews and gifts. It is a leadership style which exchanges targets with rewards among management and employees (Ojokuku, 2012). Longe (2014) found that transactional leadership creates an environment in which performance is optimal. On the other hand, Sofi and Devadhen

(2015) established that transactional leadership had no direct impact on firm performance as it doesn’t encourage innovation and originality. Democratic leadership decentralizes decision making process (Tannenbaum & Schmidt, 2012). In this style everyone involved is assumed to have equal stake in decision making process.

Democratic leadership style has direct impact on organization performance as the leader lets followers to make decisions and share them with the group and team leaders (Elenkov, 2002). Obiwuru et al. (2011) states that autocratic leaders preserve with them their right to make decisions. Autocratic leaderships result in organizational skirmishes which negatively affects whole organizational performance as it sternly affects employee motivation and satisfaction level.

Bhargavi and Yaseen (2016) advocates for autocratic leadership style when projects are to be accomplished within stipulated timeframes. Bureaucratic leadership are more concerned with the processes and procedure as compared to the followers (Germane, 2010). Sougui et al. (2015) suggest this method to be applicable in situations where the tasks require longer time based on predetermined procedures. Deluga (1992) stated that laissez faire style of leadership is linked with unfruitfulness, incompetence and discontent amongst the leader and followers.

2.5.2 Mission and Vision

A firm’s mission statement is crucial and pivotal for the organization as a document and functional plan. It is a distinct vessel that businesses use to speak to the world. It articulates an organizations strategic purpose as it seeks to operate within the existing and future environment together with its relation to its stakeholders. Drucker (1971) stated that a firm is known by its mission not its statue or name. a mission statement is a well-crafted document that describes the targets of solid and distinct business.

It describes the intention of the firm and acts as a channel that directs individuals in the firm to operate independently and collaboratively to attain the anticipated level of the firm's achievements (Kotler et al., 2008). Mission and vision are important for every day operations of a firm (Mullane, 2002). Mission statement carries the purpose of a firm in line with the values and stakeholders' anticipations by answering the questions in relation to the nature of the business and what the business stands for (Johnson et al., 2008).

Lynch (2000) posits that mission statements gives rise to organizational strategic concerns including its organizational model, standards of behaviour, key values, objectives, goals, capabilities, intention and vision. Mission roles include implementation of strategies, communication both within and externally, leadership and climate of the business (William, 2008). Mission statement according to Forbes and Seena (2006) isn't a mere notion, but a bundle that entails a number of parts including competitive advantage, geographical domain and financial targets.

It mirrors what the current executives and other top managers believe the firm is and where it's anticipated to be in future (Desmidt & Prinzle, 2007). It is a point where the purpose continuously starts, because it endeavours to line up the firms activities with their approaches. The mission statement provides answers to stakeholder's questions concerning the firm: such as the reason for existing, its purpose and what it would like to attain (Falsey, 1989).

The organization's scope is described in terms of its functions while it distinguishes itself from organizations that are similar to it (David, 1993). Personnel are therefore inspired by a mission statement that it effective as it clears the focus and guides the development of smaller objectives. It is reported by Campbell (1993) that the presence of a mission statement impacts the organization positively in regards to its performance. These sentiments are shared by Wilson (2002) and Medley (1992) who added that about 50% of organizations that have mission statements are effective. Rarick and Vitton (1995) concluded that having a mission statement significantly increases shareholders' equity and organizational performance.

Vision provides a strategic direction, and a powerful selection of power, thus it evokes powerful image of future desires. A statement providing the vision for an organization provides beneficial and likely future position or long term intentions of a firm. It also provides a foundation of the intended purpose and strategy of the organization. It influences vital choices and standards of behaviour within the firm. It seems therefore that apart from the vital choices, a vision statement provides beliefs as well as values (Ireland & Hitt, 1992).

Horwath (2005) posits that a mental vision is provided by the vision in terms of inspirational sense that a firm setting to achieve. Karami (2001), posited that mission statement should focus on the values of customers, leads to development of a culture of customer service and increase level of customer contentment. Bart (2001) found out that mission statement positively affects employee behaviour and financial performance. Mission statement is more than a notion, it is a compendium which encompasses financial goals, geographical domain and competitive advantage (Forbes & Seena, 2006).

Horwath (2005) posits that mission and vision gives a strong steering power for coordinating, unifying organizational activities/operations and decision making for the optimal utilization of resources. The vision forms itself around individuals through actions that cover various level of the firm and this enables planning and setting of goals. Further, Horwath (2005) points that when used together, the values, vision and mission of a firm enables a strong force to provide guidance by bringing together and harmonizing the actions of an organization, functions and choices to enable the optimal usage of its resources.

2.5.3 Firm Resources

Firm resources refer to entire list of resource (assets both intangible and tangible) within the administration of management (Garbuio et al., 2010). Organizational resources comprise knowledge, information, characteristics, abilities and assets which enables efficient and effective implementation of strategies (Barney, 1991). Organizations gain competitive advantage through resources which area rare, imperfectly imitable and non-substitutable.

Barney (1991) classifies organization resources into three classes, that is, human capital, physical capital and organizational capital. The concept of human capital has a direct correlation with better education and health. It is the most essential asset for any organization. It takes into account knowledge, experience, skill and obligation of employees and their relationships both with and outside the organization (Bontis & Fitz-enz, 2002).

Human capital is a value creation asset for organization (Mayo, 2012). Human capital is more than people who work in an organization, it includes skills, abilities, knowledge, experiences, attitudes, behaviour and other characteristics that can provide economic value to a firm. From individual standpoint, human capital is factored through wages one can earn hence can be treated as rival good. From community standpoint, it is a blend of knowledge and ideas that are executed in numerous actions simultaneously (Romer, 1990).

Individuals also contribute to selection, retention and referral of customers as well as employee referrals in firms (Reichheld, 1996). Human resource practices are essential means for developing human capital and enhancing employee commitment in their flexible behaviour in determining organizational mission (Wright et al., 2005). Mayo (2012) posited that human capital is the determinant of quality of human resources in terms of its capability, commitment and experience as well as personal knowledge that is treasured by the firms.

According to Castro and Delgado-Verde (2012) human capital manifest as three basic components, that is, knowledge entrenched in the organization's employees (both tacit and explicit, covering education and training), ability/experience/skill and personal behaviour (attitude towards the task, work and organization).

Physical capital refers to all tangible, both non-anthropological and anthropological resources utilized when producing goods and services. Managing physical resources is mostly non-personal and generic, that is, equipment and tools undergo routine checks and repairs to ensure they are in the right form and sharp for their intended use.

According to Lettenmeirer et al. (2010), finding a mutual combination of physical capital and human capita enhances their values and thus results in the production of top-quality products and profitability for the business. This optimal combination involves an initial and deep look at the type of business operations and processes involved (Greenovate, 2012).

According to CIC (2003), organizational capital constitutes of both and indirect factors that shape structure and improve administrative activity that determines efficiency and effectiveness of firm. The segments of organizational capital include culture, structure, organizational learning and processes of a firm (Bueno-Campos, 1998). According to

Ulrich and Brockbank (2005), organizational capital is used to improve the value of organization.

Organizational capital link human skills and physical capital to structures for creating and distributing wants and related products. Organizational capital comprises of the procedures, structures and other assets often set aside from financial reports from companies' assets (Gomes, 2007). It is a crucial in establishing competitive advantage, thus firms characterized with more quality were comparatively profitable with larger market niche.

Barrett (2012), posit that organizational capital are systems and processes used to leverage learning in an organization. Organizational capital is real asset owned by the firm, unlike human capital which can be lost along with the release of workers from the organization (Barrett, 2012). Organizational capital embraces strategies, methodologies, systems, operational processes and process management (Guthrie et al., 2004).

2.5.4 Environmental Scanning

Kazmi (2008) defines environmental scanning as distribution, assessment and monitoring of information emanating from within and externally to crucial individuals in the organization. It aids organizations in coping with uncertainties and formulation of adaptive strategies. It indicates early cautionary signs for firms, originating from environmental uncertainties, threats and opportunities. Through effective environmental scanning organizations are able to gain better configuration with the speedy shifting external factors thus improve their outputs. Environmental scanning involves scanning needs identification, evaluation and utilization of environmental information.

According to Bayode and Adebola, (2012), environmental scanning involves gaining both authentic and intuitive information on business surroundings in which a firm operates or considers going into. Organizations scan their environment so that they formulate strategic understanding of external influences to be capable of developing effective response which safeguards future situation. Scanning requires an organization to understand both key environment with direct influence on firm outcomes and remote environment which has secondary and elongated bearings (Myburgh, 2004).

Daft et al. (1988) posited that scanning becomes more affected in situations where by perceived environmental uncertainty resides within the strategically important sector. Organizations continuously tries to reduce the dependency on the environment by gaining control over resources at their disposal (Andrainy & Djumahir, 2013). Thus, it is important that environmental scanning plays a key role in strategy formulation.

Walters and Priem (2003) urges that effective scanning motivates comprehensive executive choices and judgement which are critical for strategic success. It is possible for organization with effective environmental scanning to handle threats and seize opportunities thus achieve sustainable competitive advantages. Organizations are capable of gaining more accurate market and industry insights, satisfy current customers, discover new markets, develop and market new products/services, establish superior brand images, and enhance financial performance (Kohn, 2005). Majid and Kowtha (2008) found out that general environment is dynamic and uncertain thus active environmental scanning is necessary to even firms in relatively stable industries. Garg et al. (2003) found out that better environmental scanning leads to better organizational performance. Beal (2000) established that the number of scanning carried out has influence that is associated with the surrounding and the competitive approaches.

Yoengtaak et al. (2009) in a study on how the environmental elements affect the performance of a firm found out that dynamic environment, heterogeneity and competitive intensity positively influence firm performance. Agbim et al. (2014) concluded that interest level and frequency of scanning are related to an entrepreneur's performance. Njuguna et al. (2014) in a study on how organizations targeting communities of people living with HIV & AIDS within the county of Nairobi are influence external organizational surrounding revealed that the external surrounding impacts on firm's relevance, value creation, cost minimization and financial prudence.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlined procedure applied in conducting out the study. The stages were research design, target population, sampling procedure, instrumentation, piloting, data collection processes and data analysis as well as ethical issues.

3.2 Research Design

Research design is the arrangement for conducting research that involves the circumstances for data acquisition and assessment in a way that purposes to merge the aptness of an enquiry and the purpose for which the research is being conducted. According to Creswell (2014), research design is the blue print in relation to the manner in which a person undertakes the answering of the objectives of the study. According to Neuman (2007), research design is the way in which research study is designed, methods which are employed and road map of undertaking the research.

The study used a descriptive research design. This design is a scientific process which comprises of discerning and delineating the behaviour of subject matter without interference. The design includes multiple variables for analysis. A descriptive survey design is used when the researcher seeks to observe and describe specific behaviour or characteristics of the phenomenon of the study (Cooper & Schindler, 2008). The design was selected due to non-restriction on data collection and description and further determination of the associations among the study variables. This research design was considered suitable because this study sought to collect data on a number of variables at one point in time in order to explain relationships among different variables. Studies by Krishna et al. (2010), Musyoka (2013) and Mburu et al. (2013) used this research design and specific objectives were sufficiently tested and accomplished.

3.3 Target Population

Banerjee and Chaudhury, (2010), define target population as the cluster of persons or elements having certain features of significance and scrutiny. The target population is a group of objects which have information required by the researcher and from which extrapolations are based (Mugenda & Mugenda, 2003). The target population was 187 managers from Commercial state corporations in Kenya. Table 3.1 presents State Corporations segmentations.

Table 3. 1:

Target Population

Category	Frequency	Percent
Purely Commercial	34	18
Strategic Functions	21	11
Executive Agencies	62	33
Regulatory Agencies	25	13
Research, Public Universities, Tertiary and Training Institutions	45	25
Total	**187**	**100**

Source: Taskforce on Parastatal Reforms Report, (2013)

3.4 Sampling Frame

A sample is a portion of the elements targeted from within the population that interests a researcher. The researcher carefully determines this portion for analysis as it represents the entire population (Schindler & Cooper, 2014). The list of parastatals forms the portion being sampled from where the sample emanates, thus a sample frame (RoK, 2013). The frame being sampled enables the development of a unit for sampling that relates to each other for purposes of that study (Bailey, 2008). Basic instances of units comprise items that have been manufactured, plants, animals and individuals who form part of a large group of items being studied. In relation to this enquiry, the sample frame were 187 managers from the presidential task force report on commercial state corporations (2013) as indicated on Appendix III.

3.5 Sample Size

A sample is a portion of the study items extracted from the larger population which is of interest to the researcher for the determination of facts (Schindler & Cooper, 2014). A sample size is argued by Martino et al. (2017) as being significant for economic reasons: it is a waste of time and other resources to undertake an under sized enquiry because it will not yield useful outcome. An oversized study will on the other side only waste necessary resources than needed. With this in mind, a study should be having a 95% confidence level with a 5% margin error. The study utilized Yamane's formula to arrive at the following sample size:

$$n = \frac{N}{1 + N(e)^2}$$

Where ***n*** is the sample size, ***N*** is the population size and ***e*** is the margin of error-5%.

$$n = \frac{187}{1 + 187(0.05)2}$$

$$n = 127$$

A sample size of 127 respondents was an adequate size relative to the goals of the study as indicated in Table 3.2.

Table 3. 2:

Sample Size

Group	Frequency	Sample ration	Sample Size
Purely Commercial	34	1.47	23
Strategic Functions	21	1.47	14
Executive Agencies	62	1.47	42
Regulatory Agencies	25	1.47	17
Research, Public Universities, Tertiary and Training Institutions	45	1.47	31
Total	**187**		**127**

Source: Researcher, 2019

3.5 Research Instrument

This is a tool or research designed with an intent of acquiring data on a particular area of interest within the research. According to Schwab (2005), questionnaire is assessing instrument that requests respondents to respond to set of questions. Dawson (2002) stated that questionnaires can be designed in three forms, that is, open ended, close ended and mixed questionnaire. The study adopted closed ended questionnaire constructed using ordinal scale of measurement. A five-point Likert scale ranging from strongly disagree (1) to strongly agree was used to construct the items. The questionnaire was divided into six sections. Section A collected data on the general information. Section B was used to collect data on leadership. Section C contained statements on mission and vision. Section D focused on firm resources. Section E collected data on environmental scanning and section F collected data on organizational performance.

3.6 Data Collection Procedures

Data was primarily acquired through questionnaires. This decision was arrived at because of the likelihood of reaching a large group of participants in a short span of time. It provides them with adequate time to react to the questions posed. It is a secure method of acquiring data that also eliminates bias on the side of the researcher. Questionnaire adopted a 5-point measure on the questions asked resulting in effective analysis of qualitative data. It also allowed for the achievement of a more objective outcome in relation to the opinions provided by the participants.

3.7 Reliability of the Research Instruments

The degree of consistency in a study is referred to as reliability (Zikmund et al., 2010). The study carried out reliability test. Tests of reliability was conducted to evaluate internal constancy of the measured data within the instruments. Cronbach alpha method was utilized as a reliability measure. Reliability was well measured through coefficient alpha. Cronbach Alpha value range from zero to one. Different researchers have proposed various estimations of the Cronbach's alpha coefficient. While Sekaran (2003) suggests a figure of below 0.5 to be agreeable. This is also proposed by (Nunnally, 1978) who recommends a value of between of 0.7 and 0.8. the study adopted Cronbach alpha of 0.7 or higher to guide on what is an acceptable alpha before the research instrument was used.

3.8 Validity of the Research Instruments

Validity is the ability of an instrument to produce similar outcome from its analysis of data collected in the represented occurrence studied study (Zickmund, 2010). It determines whether the research instrument truly measures what it is intended to measure with precision (Siti, 2001). The instrument should enable the researcher to objectively study the objectives and the results represent general population of the study (Golafshani, 2003). The study carried out tests to confirm face, content and construct validity of the measurement instrument.

Face validity was carried out by sharing questionnaire with two selected persons who were knowledgeable in research so that their view was obtained on the suitability of the items in obtaining information that helped fulfil the research objectives. They were expected to check the questionnaire structure, sequence and clarity of questions. To determine content validity, the questionnaire intended for the study was distributed in a pilot study to 10 respondents selected at random and responses analyzed for validity. Appropriate modifications based on the responses to the questionnaires was done to ensure clarity, comprehensiveness, relevance, meaning and required depth. Items in the questionnaire were aligned with theoretical latency to achieve construct validity. The questionnaire reflected the variables in the conceptual framework developed from the reviewed literature.

3.9 Data Processing and Analysis

Data analysis is the procedure of fetching order, structure and meaning to the volume of data collected. It encompasses scrutinizing what has been collected and making deductions and inferences (Kombo & trump, 2006). Both descriptive and inferential statistics was used in the analysis. Descriptive statistics entails collection, organization and analysis of data relating to sample under study. Inferential statistics involves regression and correlation analysis. Before carrying out inferential statistics, the study conducted diagnostic test to validate the assumptions of linear regression model. Data cleaning was done thereafter coded into numerical measures.

Statistical Package for Social Science (SPSS) was used for data analysis and the results were presented in terms of report, tables, charts and graphs. F-test, t-test, R^2 and p-values determined significance of the model. Assessment of the overall strength and significance of the regression models was done using the F-test and p-values. Pearson correlation coefficient, R^2, beta coefficients, and P-values were computed.

The linear regression model was the form;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where: -

Y = Firm performance

X_1 = Leadership

X_2 = Mission and vision

X_3 = Firm Resources

X_4 = Environmental Scanning, **ε** = error term

3.10 Diagnostic Test

3.10.1 Test of Linearity

The evaluation of data is significant in various points of life. A significant point of such an evaluation is the utilization of graphical depiction which may be mostly effective when handling data sets that are large, complicated and messy. In a well-designed graphical depiction, the analyst is able to view the datasets as a structure. The view of such graphical depictions are hence considered likely to assist in investigating different types of visual cognition (Rensink, 2014). In this study linearity was tested using scatter plot diagram.

3.10.2 Tests of Normality

The procedures of statistics require the presuppositions of testing normality. This enables graphical tests to be performed to detect kurtosis and skewness. It assists in affirming if the data observes a normal distribution or asymmetrical distribution. If normality is not attained, the outcome may not exhibit the real depiction of the relation within the predictors (Newbert, 2008).

Kolmogorov-Smirnov test were conducted in this study together with Shapiro-Wilk test. They are more reliable than established by values of normality such as kurtosis and skewness. If the probability values of the Kolmogorov-Smirnov Test and Shapiro-Wilk Test is greater than 0.05, the data is normal otherwise the data significantly deviates from a normal distribution.

3.10.3 Test for Multicollinearity

This test evaluates if the independent predictors are more related. It happens when two or more variables within the model are more related resulting to undependable and shaky approximations of regression coefficients thus resulting in strange outcomes when trying to enquire on how best individual predictors make up an understanding of the dependent predictor (Newbert, 2008). The ramifications of multicollinearity are elevated standards of error of approximations on betas, meaning reduced reliability and sometime baffling and deceptive outcome.

Multicollinearity test was subjected to evaluate if one or more of the predictors was more related with the other independent predictor. The variance inflation factor (VIF) was utilized to assess the degree of correlation between predictors and to approximate the inflated level of the variance of coefficient because of their linear indepence with the other variables. As a rule of thumb if any of the VIF is greater than 10 then there is a probability of a problem with Multicollinearity and consequently they are poorly estimated (Newbert, 2008). Hence the variable will be dropped from the model.

3.10.4 Test of Heteroscedasticity

Homoscedasticity assumes that there is constancy differential of errors. Infringement of homoscedasticity makes it challenging to measure the actual standard deviation of the predicted errors, often resulting in the very low level of confidence (Gujarati & Porter, 2009). Particularly, when the difference in the errors keeps going up with time, confidence intervals for out-of-sample predictions will tend to be unrealistically narrow. One of the assumptions of the classical linear regression model is that there is no Heteroscedasticity. Breaking this assumption means that the Gauss–Markov theorem does not apply, meaning that OLS estimators are not the Best Linear Unbiased Estimators (BLUE) and their variance is not the lowest of all other unbiased estimators, (Gujarati & Porter, 2009). A plot of residuals versus predicted values will be used to check for the convergence.

3.11 Ethical Considerations

The Researcher first obtained an authorization letter to carry out the study from the Kenya Methodist University. This letter was to introduce the researcher and state its purpose. Using the authorization letter from the University, the researcher applied for a research permit from National Council of Science, Technology and Innovation (NACOSTI). This letter authorized the researcher to undertake the stated research within the boundaries of Kenya. The intention and nature of the study was explained to all involved parties. After the researcher had explained the nature of the study, they give consent. The researcher also ensured the respondents that data collected would be used be used for academic only and findings would be shared with them.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.1 Introduction

The chapter covers data analysis, findings and discussions. Main objective was to determine the influence of strategy formulation State Corporation's performance. Data was analyzed in three sections, section one highlighting general information on respondents, section two focusing on analysis of study variables and section three covered the results of correlation and regression analysis.

4.2 Preliminary Results

Preliminary test covered the response rate, reliability test and validity test. Frequencies, percentages Cronbach alpha values presented the findings. The findings are tabulated in table form as follows.

4.2.1 Response Rate

One hundred and twenty-seven (127) questionnaires were issued to respondents using emails and drop and pick later techniques. Out of the issued ones, only one hundred and two (102) were returned correctly filled. This represented 88.3 percent response rate which was considered excellent.

Table 4. 1:

Response Rate

Response	Frequency	Percent
Returned questionnaire	102	80.3
Non-returned questionnaire	25	19.7
Total	**127**	**100.0**

Source: Author 2020

4.2.2 Reliability Test

As shown in table 4.2 below reliability varied between 0.775 and 0.823. 0veral Cronbach alpha for the study variable was 0.797. Specifically, leadership with 10 items was rated highest (α=0.823), second rating was mission and vision (α=0.801), organizational performance (α = 0.799), firm resources (α = 0.789) and environmental scanning (α = 0.775) respectively. Thus, the questionnaire was reliable.

Table 4. 2:

Reliability Test

Variable	Items	Cronbach alpha
Leadership	10	.823
Mission and vision	12	.801
Firm resources	13	.789
Environmental scanning	22	.775
Organizational performance	4	.799
Overall		**.797**

Source: Author 2020

4.2.3 Validity Test

According to Bashir et al. (2008), the truthfulness of research results and the extent to which the research instrument measures that which it is intended to measure is determined by validity. Validity is a classic evaluation criterion used in science which measures the extent to which the conclusion made from the study explained what happens (Eriksson & kovalainen, 2008). The study carried out test pre-test on the questionnaire as well as pilot test. The results obtained were used to modify the questionnaire before it was finally issued out for actual data collection.

4.3 General Information

The study capture respondent's general information. Results on respondent's general information were presented in form of frequencies and percent presented in Table 4.3

Table 4. 3:

Demographic Distributions

Variables	Frequency	Percent
Gender		
Male	57	55.9
Female	45	44.1
Age		
< 30 yrs.	15	14.7
30 to 45 yrs.	62	60.8
Over 45 yrs.	25	24.5
Highest education level		
Diploma Certificate	9	8.8
Undergraduate Degree	71	69.6
Post-Graduate Qualification	22	21.6
Length of Service		
1-5 yrs.	10	9.8
6-10 yrs.	20	19.6
Over 10 yrs.	72	70.6
Level of management		
Top-Level Management	12	11.8
Middle-Level Management	55	53.9
Low-Level Management	35	34.3

Source: Author 2020

As shown in table 4.3 above, there were more male (55.9%) than (44.1%) of the respondents in the state corporations hence there was gender disparity. Age wise, 60.8% were of age 30 to 45 years, followed by 24.5% at age 45 years and above and 14.7 percent of age less than 30 years. Thus, most of the respondents were above 30 years of age. Most respondents 69.6% had undergraduate as highest education level followed by 21.6% with post graduate qualification and only 8.8% as diploma holders. It therefore means that the respondents could easily read and understand the questionnaire on their own.

In terms of length of service in the organization, majority 70.6% had been in their state corporations for more than 10 years, followed by 19.6% for a period of six to ten years of service and the remaining 9.8 %t for a period of one to five years respectively. This shows that there is low employee turnover and the respondents understand their organization well due to longer years worked. Management level distribution showed that most respondents 53.9 % were at middle level management, 34.3% were at lower level management and 11.8% were in upper level management in their respective organizations. This contradict the known pyramid distribution of employees in most organizations with fewer employees at top level management followed by middle; level management and majority at low level management.

4.4 Descriptive Analysis

Frankfort-Nachmias and Leon-Guerrero (2009), descriptive analysis involves use of statistical procedures that are used to describe the population one is studying. This section has the responses to each of the items of the means and standard deviation of the items. The study used a scale of 1 to 5 where 1 was strongly disagree, 2 was disagree, 3 was neutral, 4 was agree and lastly 5 was strongly agree to determine the respondent's levels of agreement based on the following objectives.

4.4.1 Leadership

The study sought to find out the influence of leadership on state corporation's performance in Kenya. The results are as shown in table 4.1. Findings were presented in Table 4.4.

Table 4. 4:

Descriptive Statistics for Leadership

Statements	Mean	SD
Top management makes decision in consultation with employees	4.31	0.89
There is delegation of authority and responsibility	3.97	1.21
Employees have freedom to make their own decision regarding their work	3.43	1.14
Decision making is decentralized	3.29	1.64
Leaders create a vision and inspire people to follow it	3.18	1.13
Leaders inspire employees and redirect their thinking to achieve organizational goals	2.90	1.22
Top management creates a good working environment for the employees	2.88	1.31
Communication is a two way both upward and down ward	2.62	0.75
Responsibility rest with the top management	2.46	0.61
Employees carry out instructions promptly	2.19	1.22
Average	**3.12**	**1.11**

Source: Author 2020

In view of table 4.4 majority of the respondents agreed that top management makes decision in consultation with employees (mean of 4.31 and std dev of 0.89). The respondents also agreed that in their organization, there is delegation of authority and responsibility (mean of 3.97 and std dev of 1.21). The respondents were neutral to the statement that in their company, employees had freedom to make their own decision concerning their work (mean of 3.43 and std dev of 1.14). In their organization decision making is centralized (mean = 3.29, std dev of 1.64), their leaders create a vision and inspire people to follow it (mean = 3.18, std dev = 1.13). They were also neutral that in their organization, leaders inspire employees and redirect their thinking to achieve organizational goals (mean = 2.90, std dev = 1.22) They were neutral that in their organisation, the top management creates a good working environment for the employees (mean = 2.88, std dev = 1.31).

They were neutral that in their organization communication is a two way both upward and down ward (mean = 2.62, std dev = 0.75). The respondents disagreed in their organization, responsibility rest with the top management (mean = 2.46, std dev = 0.61). They also disagreed that, in their organization, employees carry out instructions promptly (mean = 2.19, std dev of 1.22). These findings concur with Harris et al., (2017) who posited that modern leadership styles classifies leadership into transformational, transactional, culturally based, charismatic and visionary leadership styles. It also concurs with Voon et al. (2010) who observed that effective leadership provides direction to employees towards achieving desired goals.

4.4.2 Mission and Vision

The study sought to find out the impact of mission and vision on state corporation's performance in Kenya. Findings were presented in Table 4.5.

Table 4. 5:

Descriptive Statistics for Mission and Vision

Statements	Mean	SD
My organization possess a formal mission to pursue its objectives	4.16	1.05
Our organization focuses on what really matters to the stakeholder	4.12	1.07
All stakeholders interest are well defined	3.41	1.41
Authority and responsibilities for the entire top management are formally defined	3.34	1.35
Level of service provided is well articulated in the mission statement	3.29	1.46
Organization set vision geared towards better service delivery	3.26	1.19
Our organization has service level agreement statement	3.16	1.31
Our vision offers clarity for decision making process	2.90	1.20
My organization has clearly written roles, structure and responsibilities for its functions	2.40	1.50
All staff signs individual performance contracts in my organization in line with the mission	2.32	1.27
Our mission defines our customers, our products and services	2.19	1.33
Performance goals are set periodically to evaluate whether the organization is attaining its goals	1.99	1.31
Average	**3.04**	**1.29**

Source: Author 2020

In view of table 4.5, majority of the respondents agreed that their organization possess a formal mission to pursue its objectives (mean = 4.16, std dev = 1.05) They also agreed that their organization focuses on what really matters to the stakeholders (mean = 4.12 and std dev of 1.07). The respondents were neutral to the statement that, their stakeholders' interest is well defined (mean = 3.41, std dev = 1.41). They were neutral that, in their organization, authority and responsibilities for the entire top management are formally defined (mean of 3.34 and std dev of 1.35). They were also neutral that, the level of service provided by their organization is well articulated in the mission statement (mean = 3.29, std dev = 1.46). They were neutral to the statement that, their organization set vision geared towards better service delivery (mean = 3.26, std dev = 1.19). The respondents were neutral that their organization has service level agreement statement (mean = 3.16, std dev = 1.31). The respondents finally were neutral that their vision offers clarity for decision making process (mean = 2.90, std dev = 1.20).

The respondents were therefore disagreed with the statement that, their organization has clearly written roles, structure and responsibilities for its functions (mean = 2.40, std dev = 1.50). They disagreed that, all of their staff signs individual performance contracts in my organization in line with the mission (mean = 2.32, std dev = 1.27). They disagreed that, their mission defines their customers, their products and services (mean = 2.19, std dev = 1.33). They were also disagreed that performance goals are set periodically to evaluate whether the organization is attaining its goals (mean = 1.99, std dev = 1.31). The study findings concur with Bart (2001) who found positive association between mission statements and employee behaviour and financial performance. It is conforming to Forbes and Seena (2006) who stated that mission is a package which combines geographical domain, competitive advantage and financial goals.

4.4.3 Firm Resources

The study sought to find out the influence of firm resources policies on performance of State Corporation in Kenya. Findings were presented in Table 4.6.

Table 4. 6:

Descriptive Statistics for Firm Resources

Statements	Mean	SD
Our firm is a learning organization	4.32	0.78
Our firm has a well understood culture by employees embedded in values and belief systems	4.25	1.04
Our firm take a deep look at the type of business operations and processes involved	4.03	1.12
Our firm support all stakeholders so as to broaden commercial margins as cost diminishes	3.90	1.08
Our firm has documented procedures and structures	3.75	1.11
Equipment's and tools undergo routine checks and repairs	3.62	0.95
Our firm takes into account knowledge, experience, skill and obligation of employees	3.56	1.25
Our firm uses systems and processes to leverage learning	3.53	1.24
Our firm embraces strategies, methodologies, systems operational processes and process management	3.37	1.30
Our firm is able to effectively acquire, control and utilize knowledge in every business activity	3.26	1.07
Our firm embraces advance technology driven by research	3.22	1.34
Our employees contribute to selection, retention and referral of customers	2.66	1.11
Our firm treat wages earned by employees as rival good	2.62	1.15
Average	**3.54**	**1.12**

Source: Author 2020

In view of table table 4.6, respondents agreed that their firm is a learning organization (mean of 4.32, SD of 0.78). They also agreed that their firm has a well understood culture by employees embedded in values and belief systems (mean of 4.25 and std dev of 1.04). The respondents agreed that their firm take a deep look at the type of business operations and processes involved (mean of 4.03 and std dev of 1.12). They agreed that, their firm support all stakeholders so as to broaden commercial margins as cost diminishes (mean of 3.90, SD of 1.08). The respondents also agreed that their firm has documented procedures and structures (mean of 3.75, SD of 1.11). The respondents agreed that, their equipment's and tools usually undergo routine checks and repairs (mean of 3.62 and std dev of 0.95). They agreed that their firm takes into account knowledge, experience, skill and obligation of employees (mean of 3.56 and std dev of 1.25) and their firm uses systems and processes to leverage learning (mean of 3.53 and std dev of 1.24).

The respondents were neutral that their firm embraces strategies, methodologies, systems operational processes and process management (mean of 3.37 and std dev of 1.30). They were neutral that, their firm is able to effectively acquire, control and utilize knowledge in every business activity (mean of 3.26 and std dev of 1.07). They were neutral that their firm embraces advance technology driven by research (mean of 3.22 and std dev of 1.34). They were neutral that their employees contribute to selection, retention and referral of customers (mean of 2.66 and std dev of 1.11). The respondents were neutral that, their firm treat wages earned by employees as rival good (mean of 2.62 and std dev of 1.15). The findings are supported by those of Barney (1991) who wrote "organizational resources comprise of assets, capabilities, processes, attributes, information and knowledge which enables efficient and effective implementation of strategies.

4.4.4 Environmental Scanning

The study sought to find out the effect of environmental scanning on performance of State Corporation in Kenya. Findings were presented in Table 4.7.

Table 4. 7:

Descriptive Statistics for Environmental Scanning

Statements	**Mean**	**SD**
Management uses various sources of information to scan the environment	4.03	1.01
Level of annual budget allocation to the organization	4.01	0.91
Environmental information is useful in resource allocation,	3.68	1.25
Preference is given to environmental information that has been translated into terms that are meaningful internally	3.51	1.41
Government makes changes in policy from time to time	3.34	1.37
Technological customers and competition are important and uncertain to the organization	2.60	1.24
Average	**3.52**	**1.20**

Source: Author 2020

In view of table 4.7, majority of the respondents agree with the statement that management uses various sources of information to scan the environment (mean of 4.03, SD=1.01). They also agreed that their level of annual budget allocation to the organization affects performance (mean of, SD=0.91). The respondents agreed that environmental information is useful in resource allocation (mean of 3.68, SD=1.25). The respondents were neutral that preference is given to environmental information that has been translated into terms that are meaningful internally (mean of, SD=1.41). Respondents were also neutral that government makes changes in policy from time to time (mean of, SD=1.37. They were neutral that technological customers and competition are important and uncertain to the organization (mean of, SD=1.24). The findings support those of Majid and Kowtha (2008) who found out that general environment is dynamic and uncertain thus active environmental scanning is necessary to even firms in relatively stable industries.

4.4.5 Firm Performance

The study sought to find out the performance of State Corporation in Kenya. Findings were presented in Table 4.8.

Table 4. 8:

Descriptive Statistics for Firm Performance

Statements	Mean	SD
Firm operational efficiency has improved as a result of management involvement	4.29	0.05
Our firm's profit margins in the last financial year were greater than those of our competitors	4.12	0.34
The firm has achieved good returns by involving all stakeholders	4.06	0.37
Our firm guarantees a level of customer satisfaction that our competition cannot achieve	3.84	0.19
Average	**4.08**	**0.24**

Source: Author 2020

In view of table 4.8, the respondents agreed that, firm operational efficiency has improved as a result of management involvement (Mean of 4.29, std dev 0.05). They also agreed that their firm's profit margins in the last financial year were greater than those of our competitors (mean of 4.12 and std dev of 0.34). They agreed that the firm has achieved good returns by involving all stakeholders (mean of 4.06, SD of 0.37). They agreed that, their firm guarantees a level of customer satisfaction that our competition cannot achieve (mean of 3.84 and std dev of 0.19) respectively.

4.5 Correlation and Regression Analysis

The study relied upon four specific objectives. Scatter plot was used to test on the assumption of linearity. The results are presented in figures 4.1 through 4.4. Normality assumption for the dependent variable was tested using histogram and results presented in figure 4.5 and the last assumption of multicollinearity was tested using collinearity diagnostic as shown in table 4.8. The study used R^2 to evaluate explanatory power.

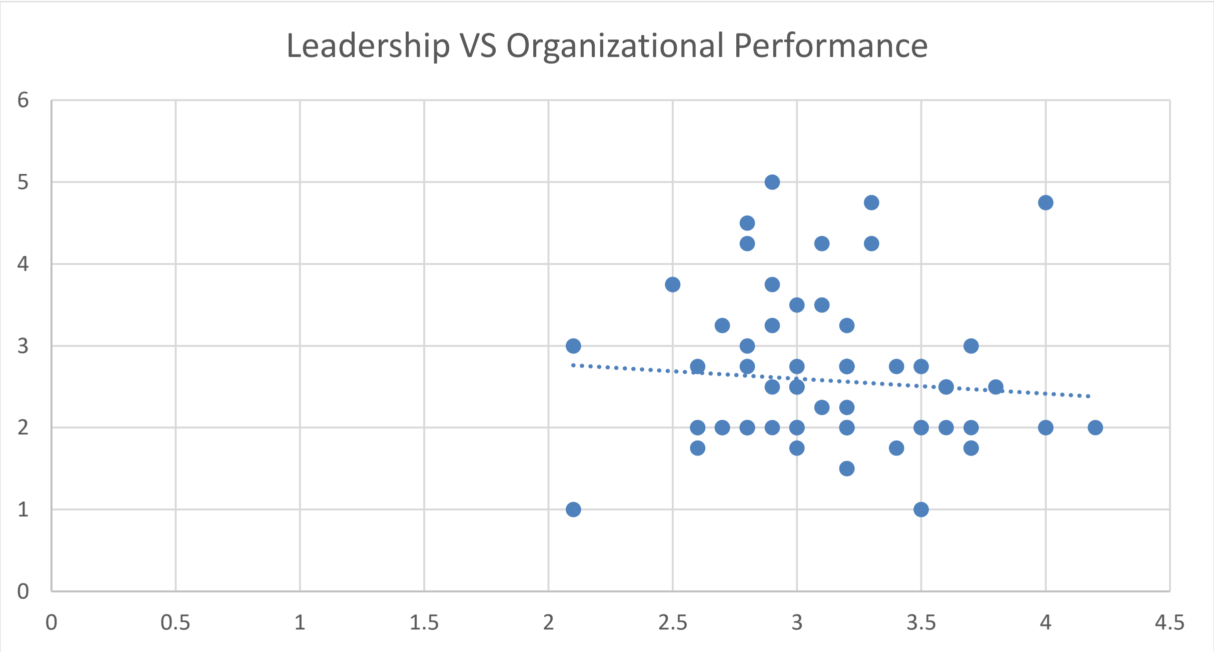
Predictive model was established through regression analysis. The predictive model was tested for its overall significant using f test and individual significance using t test.

4.5.1 Linearity Assumption

This assumption states that the relationship between independent variable and dependent variable is linear. The scatter plots indicate presence of linear association between the independent and dependent variables. Specifically, leadership was negatively related with firm performance, mission and vision is positively correlated with firm performance, firm resources was directly correlated with firm performance and environmental scanning was directly correlated with firm performance. Hence plots show that the assumption of linearity was satisfied.

Figure 4. 1:

Scatter Plot for Leadership against Organizational Performance

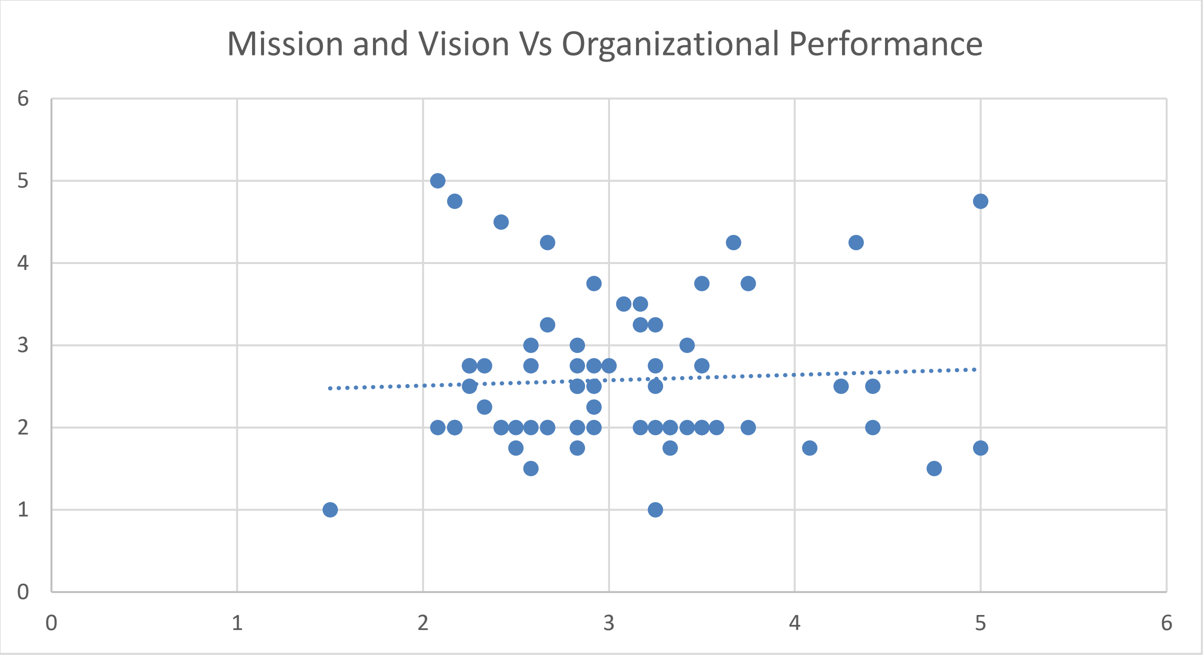


Source: Author 2020

The plot shows a moderate negative linear relationship between leadership and organizational performance.

Figure 4. 2:

Scatter Plot for Mission and vision against Organizational Performance

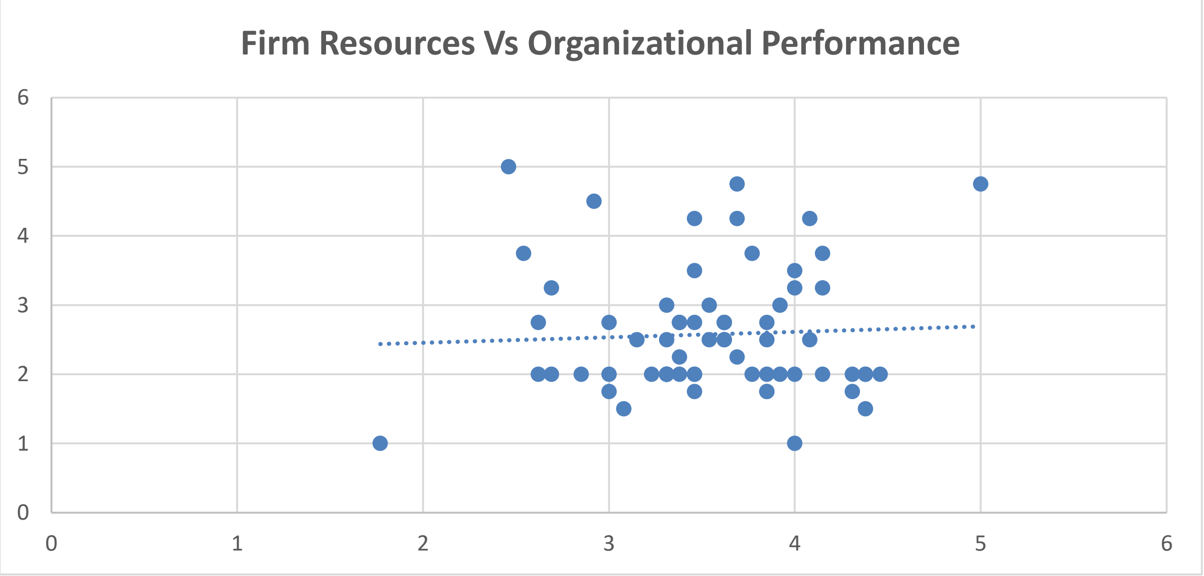


Source: Author 2020

The plot indicates a moderate positive linear association between mission and vision and organizational performance.

Figure 4. 3:

Scatter Plot for Firm Resources against Organizational Performance

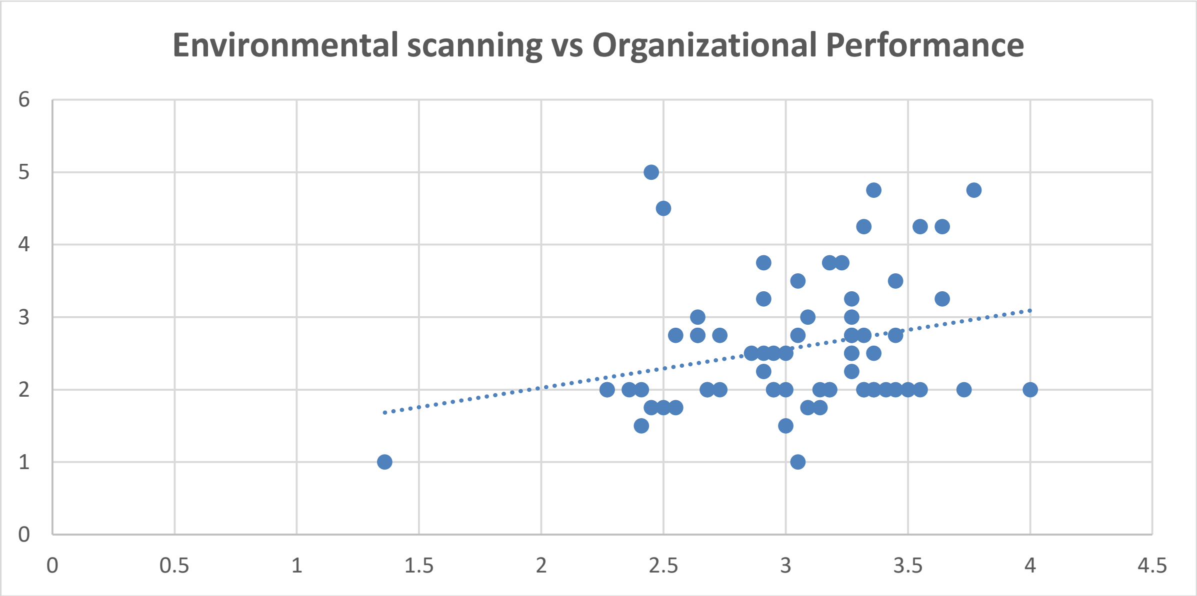


Source: Author 2020

The plot indicated a moderate positive linear association between firm resources and firm performance.

Figure 4. 4:

Scatter Plot for Environmental Scanning against Organizational Performance



Source: Author 2020

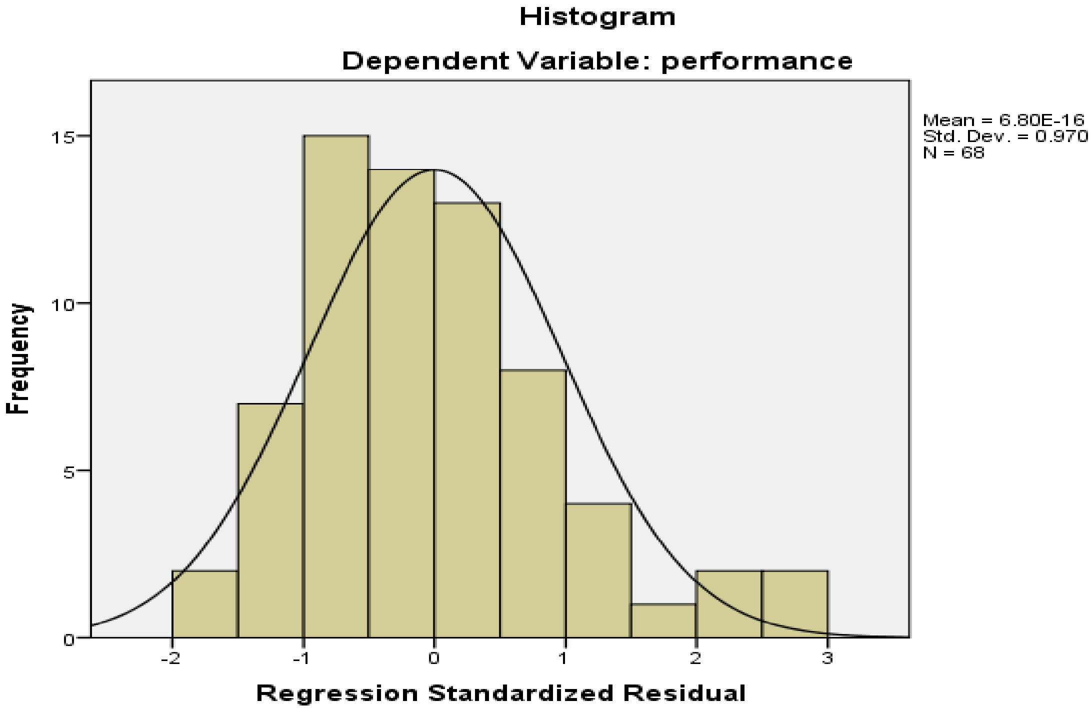
Scatter plot indicates a moderate positive association between environmental scanning and firm performance.

4.5.2 Test of Normality

The procedures of statistics require the presuppositions of testing normality. This enables graphical tests to be performed to detect kurtosis and skewness. It assists in affirming if the data observes a normal distribution or asymmetrical distribution. If normality is not attained, the outcome may not exhibit the real depiction of the relation within the predictors. The histogram of firm performance in figure 4.5 shows a normal distribution; thus, the assumption of normality is satisfied.

Figure 4. 5:

Histogram for Firm Performance



Source: Author 2020

4.5.3: Test of Multicollinearity

This refers to strong correlation amongst independent variables. This test evaluates if the independent predictors are more related. It happens when two or more variables within the model are more related resulting to undependable and shaky approximations of regression coefficients thus resulting in strange outcomes when trying to enquire on how best individual predictors make up an understanding of the dependent predictor. The ramifications of multicollinearity are elevated standards of error of approximations on betas, meaning reduced reliability and sometime baffling and deceptive outcome. This further leads to unbiased estimates. As shown in table 4.9, condition index values are less than 30, variance proportions are less than 1 hence there is no problem of multicollinearity. Since all three assumptions are all satisfied further regression and correlational analysis could be done.

Table 4. 9:

Collinearity Diagnostic

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	Leadership	Mission and Vision	Firm Resources	Environmental Scanning
1	1	4.936	1.000	.00	.00	.00	.00	.00
	2	.034	12.075	.06	.05	.51	.01	.02
	3	.015	18.109	.01	.45	.05	.05	.39
	4	.008	24.472	.93	.50	.07	.03	.10
	5	.006	27.786	.00	.01	.36	.92	.49

a. Dependent Variable: organizational performance

4.5.4: Test of Homoscedasticity

The study tested equality of variance (homoscedasticity). Levene's test of homogeneity of variances was used. According to Gastwirth et al. (2009), there exist equality of variance if p-value> 0.05, otherwise non-constant variance (heteroscedasticity). As shown in table 4.30 below, all the variables had p-value>0.05. It therefore means that the assumption of homoscedasticity was satisfied.

Table 4. 10:

Test of Homogeneity of Variances

Variables	Levene statistic	Sig
Leadership	2.453	0.123
Mission and Vision	1.786	0.067
Firm Resources	2.086	0.085
Environmental Scanning	1.997	0.109

a. Dependent Variable: Firm performance
b. Predictors: (Constant), leadership, mission and vision, firm resources, environmental scanning

4.5.5 Test of Goodness of Fit of the Model

Goodness of fit or coefficient of determination is a measure of the percentage change in response variable being accounted for by the changes in predictor variables. It varies between zero and 100 percent. A value less than 50 percent indicates that the model is not fit for prediction. Value ranging between 50 percent and 70 percent indicates that the model is moderately fit for prediction and a value greater than 70 percent shows that the model is fit for prediction. Table 4.11, ($R^2 = 0.812$) shows that 81.2% variation in firm performance could be explained by changes in leadership, mission and vision, firm resources and environmental scanning leaving 18.8 percent unexplained (error term). Since R^2 >70 percent, the model is fit for prediction.

Table 4. 11:

Model Summary[b]

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.901[a]	.812	.805	.87255	.812	4.202	4	63	.006

a. Predictors: (Constant), environmental scanning, leadership, mission and vision, firm resources

b. Dependent Variable: Firm Performance

4.5.6 Overall Significance of the Model

The model overall significance was tested using F test. Model is overally/collectively significance, that is, all the independent variables collectively significantly influence the dependent variable if F-calculated is greater than F-critical or if P- value < 0.05. The results in table 4.12 shows that p-value =0.006< 0.05 hence the model is overally significant.

Table 4. 12:

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.068	4	1.517	4.202	.006[b]
	Residual	22.743	63	.361		
	Total	28.811	67			

a. Dependent Variable: Firm Performance
b. Predictors: (Constant), environmental scanning, leadership, mission and vision, firm resources

4.5.7 Predictive Model and Individual Significance

Using unstandardized coefficients, the predictive model for organizational performance of state corporations in Kenya was of the form

Y = 1.957 – 0.329 Leadership + 0.217 Mission and Vision + 0.305 Firm Resources + 0.781 Environmental scanning.

Table 4. 13:

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.957	.955		2.050	.045
	leadership	-.329	.269	-.118	-2.788	.007
	Mission and Vision	.217	.209	.095	2.284	.000
	Firm Resources	.305	.315	.097	3.144	.003
	Environmental Scanning	.781	.301	.388	2.596	.012

a. Dependent Variable: Firm Performance

The model shows that leadership inversely related with firm performance while mission and vision, firm resources and environmental scanning are positively related with firm performance. Coefficients further indicated that environmental scanning has the highest positive influence on firm performance of state corporations in Kenya followed by leadership, firm resources and mission and vision respectively.

On individual significance independent variable individually significantly statistically influence the dependent variable if its t-calculated is greater than t-critical or if P-value<0.05. P-values for each independent variable is less than 0.05 hence each independent variable individually significantly influence firm performance. It therefore means that all the four variables were retained in the model.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covered summary of the findings, conclusion and recommendations made on the study. The chapter is presented in the format of the research objectives. Further conclusion and recommendations for further study is documented.

5.2 Summary of the Findings

The study was guided by four objectives, that is, to determine the effect of leadership on performance of state corporation in Kenya, to evaluate the effect of mission and vision on performance of state corporation in Kenya, to assess the effect of firm resources policies on performance of state corporation in Kenya and to determine the effect of environmental scanning on performance of state corporation in Kenya. Data was collected from 68 respondents which translated into an excellent response rate of 88.3%. The questionnaire was reliable as all variables had Cronbach alpha>0.7. Majority of the respondents were male. Most of the respondents were of age bracket 30 -45 years. Most of the respondents had undergraduate and post graduate level of education qualifications. In terms of work experience majority of the respondents had been with their current organization for over 6 years hence they understood the operations and policies of their organizations. This further validate the reliability of the information collected.

5. 2.1 Effect of Leadership on Performance of State Corporation in Kenya.

The first object was to determine the effect of leadership on firm performance of state corporations in Kenya. The study proposed that leadership influences firm performance. The findings confirmed that key aspects of leadership were; top management makes decision in consultation with employees, there is delegation of authority and responsibility and employees have freedom to make their own decision regarding their work. It was also noted that leadership individually significantly influence organizational performance of state corporations in Kenya.

5.2.2 Effect of Mission and Vision on Performance of State Corporation in Kenya

Second objective was to determine the effect of mission and vision on performance of State Corporation in Kenya. The findings revealed that of importance in terms of mission and vision; my organization possess a formal mission to pursue its objectives, our organization focuses on what really matters to the stakeholders, authority and responsibilities for the entire top management are formally defined and level of service provided is well articulated in the mission statement. Mission and vision were also individually statistically influencing firm performance of State Corporation in Kenya.

5.2.3 Effect of Firm Resources Policies on Performance of State Corporation in Kenya

The third objective was to determine the effect of firm resources on performance of state corporations in Kenya. The study found out that to a great extent; our firm is a learning organization, our firm has a well understood culture by employees embedded in values and belief systems, our firm take a deep look at the type of business operations and processes involved, our firm support all stakeholders so as to broaden commercial margins as cost diminishes, our firm has documented procedures and structures, equipment’s and tools undergo routine checks and repairs, our firm takes into account knowledge, experience, skill and obligation of employees and our firm uses systems and processes to leverage learning. Further firm resources statistically individually influence performance of state corporations in Kenya.

5.2.4 Effect of Environmental Scanning on Performance of State Corporation in Kenya

Forth objective was to determine the effect of environmental scanning on performance of state corporations in Kenya. The study revealed that to a large extent key indicator of environmental scanning were; ethic and tribal inclinations, cultural practices, fluctuation in foreign exchange rates, management uses various sources of information to scan the, level of annual budget allocation to the organization, population growth rate, environmental information is useful in resource allocation and preference is given to environmental information that has been translated into terms that are meaningful internally. It was also noted that environmental scanning individual influence performance of state corporations.

5.2.5 Predictive Model

The study revealed that all the four assumption of regression model were satisfied, that is, linearity, normality, multicollinearity and homoscedasticity. It was noted that the model was fit for prediction as the explanatory power was 81.2%. The predictive model was both overall and individually significant. Environmental scanning had the highest positive influence on performance followed by leadership which had negative influence on firm performance, firm resources, mission and vision statement and environmental scanning had a positive influence on firm performance respectively. A four-predictor model could be used in forecasting organizational performance amongst State Corporation in Kenya.

5.3 Conclusions

The main objective of the study was to determine the influence of strategy formulation on performance of state corporations in Kenya. The study concluded in terms of leadership; top management makes decision in consultation with employees, there is delegation of authority and responsibility and employees have freedom to make their own decision regarding their work. The study concluded that organization must put in place effective leadership capable providing direction to employees towards achieving desired goals. Leadership individually and statistically influence strategy formulation in performance of state corporations.

It was concluded that with respect to mission and vision; my organization possess a formal mission to pursue its objectives, our organization focuses on what really matters to the stakeholders, authority and responsibilities for the entire top management are formally defined and level of service provided is well articulated in the mission statement. Mission and vision also individually statistically significantly influence performance of State Corporations, thus comprehending and imbibing the company mission and vision statements will endure the organization over the period of time. The study concluded that through firm resources; firms are a learning organization, has a well understood culture by employees embedded in values and belief systems, take a deep look at the type of business operations and processes involved, support all stakeholders so as to broaden commercial margins as cost diminishes and our firm has documented procedures and structures. Firms should embrace human resource practices as they are essential means for developing human capital and enhancing employee commitment in their flexible behaviour in determining organizational mission. Firm resources individually statistically significantly influence performance of State Corporations.

The study concluded that environmental scanning key aspects which significantly influence state corporation performance were ethic and tribal inclinations, cultural practices, fluctuation in foreign exchange rates, management uses various sources of information to scan the environment, level of annual budget allocation to the organization and population growth rate. Through environmental scanning state corporations should be able to continuously reduce the dependency on the environment by gaining control over resources at their disposal. It was also concluded that interest level and frequency of scanning are related to an entrepreneur's performance. The study further concluded that state corporations are capable of gaining more accurate market and industry insights, satisfy current customers, discover new markets, develop and market new products/services, establish superior brand images, and enhance financial performance. Environmental scanning significantly influences performance of State Corporation.

It was further concluded that all the four variables of strategy formulation collectively and individually influence performance of State Corporation in Kenya, thus state corporation need to embrace leadership, mission and vision, firm resources and environmental scanning so as to improve their performance. The study concluded that the established predictive model should be used for foresting performance in state corporations. Finally, the study concluded that state corporations should put more emphasis on environmental scanning and leaderships as they are the key indicators of strategy formulation which has the highest impact on performance.

5.4 Recommendations

Arising from the study findings and conclusion, the study recommends the following. To the management of state corporations, embrace strategy formulation in order to improve organizational performance. Adopt the right leadership style since leadership in inversely related with performance. Leadership must be in a position to formulate strategies to accomplish objectives. Leadership should embrace all-inclusive strategies formulation process whereby the input of implementers (employees) are considered. It must also be noted that at implementation stage leadership must then adopt a closed end approach. A mission statement offers insight into what company leader's view as the primary purpose for being in business. Improve of formulation of mission and vision since they are the road map of where they organization need to be and how the organization need to reach the destination. Adopt either profit-motivated missions or customers a focal point mission. Mission and vision statements are useful for practical day to day operations, thus should be cascaded and owned by everyone in the organization. Mission and vision statements should be used to build a common and shared sense of purpose and also serve as conduit through which employees focus are shaped.

Resources are scarce and must be put into well use. It is recommended that management source for and allocate firm resources wisely and equitably to gain more output. Firm resources should be unique and managed well because it gives state corporation competitive edge. Management must ensure that they hire the right people for the right jobs. Employees should further be trained to cope up with the changes in the business environment. This can be achieved by hiring an outside training consultant for a number of training sessions. It is also recommended that environmental scanning should be given priority within each state corporation. Every corporation must be aware of what is happening or likely to happen in the environment so as to come up with mitigation strategies to cope up with any uncertainty. State corporations should also bench mark within and without the sectors they operate and align their performance with the best practices.

o the policy makers, put more emphasis on the aspects of strategy formulation as it has a significant influence on firm performance. The results of this study should also be used to formulate policies aimed at enhancing strategy formulation in all state corporations. To ensure strategy formulation positively impacts on performance in a sustained way it would be important for state corporations to set up policies that define what is learnt, when, at what cost, using what modalities, how what is learned is passed on among staff in the organization.

5.5 Recommendations for Further Research

At this division, intimation for future enquiries within these areas in relation to this study are offered. Future study intimations can be done to highlight the limitations of this study. The academicians should use these study findings as source of literature for future studies. Scholars in the coming future need to ponder on conducting related studies in various sectors to determine the existence of any difference in opinions. It will be fascinating to delve into the outcome by considering the methodology explored in this study as being applied in other occurrences for instance private sector or non-profit making organizations. It would be worthy to determine the degree to which the outcome of this study are nonexclusive to other sectors or setups.

Different methods of data collection and analysis be used so that in-depth understanding of the concept of strategy formulation could be understood. Finally, other variables not considered in this study should be introduced to enhance the strength of this model or to reduce the level of error term (18.8 percent) witnessed in the study. Longitudinal studies should be conducted. This is a cross-sectional study. A longitudinal study will reveal how the outcome fairs with time. It could also reveal how strategic formulation affects performance as environmental changes take place over time.

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APPENDICES

Appendix I: Letter of Introduction

Dear Participant,

RE: QUESTIONAIRE FILLING

My name is **NJERI MAINA**, currently a final year MBA student at the Kenya Methodist University. I am conducting a research on **Influence of Strategy Formulation on Performance of State Corporations on Kenya.**

The Thesis will be used purely for academic purposes and for the partial fulfilment of a post graduate degree course. Please note that responses given will be treated with confidentiality and strictly for the purposes of this study. Kindly, therefore, respond to these questions as honestly and precisely as possible.

Thank you for your time

Pauline Maina

Appendix II: Research Questionnaire

This questionnaire seeks to collect data on the various aspects of the study. Data collected will be used for research purposes only. Kindly respond to all questions honestly and to the best of your knowledge.

SECTION A: BACKGROUND INFORMATION (*Please TICK as appropriate)*

1. Gender: [ ] Male [ ] Female

2: Age:

Less than 30 years [ ]

30 to 45 years [ ]

Over 45 years [ ]

3. What is your highest education qualification?

Diploma certificate [ ]

Undergraduate degree [ ]

Post-graduate qualification [ ]

4. Job position (*Please specify) ……………………………..*

5. How long have you worked in the organization?

Less than a year [ ]

1-5 years [ ]

6-10 years [ ]

Over 10 years [ ]

5. To which level of management do you belong?

Top-level management [ ]

Middle-level management [ ]

Low-level management [ ]

SECTION B: LEADERSHIP

6. The following statements are descriptive of Leadership in your organization and how they influence performance of organizations. Please indicate the extent to which each statement applies to your organization. Use the key below and TICK as appropriate**.**

Key: 1=Strongly disagree; 2=Disagree; 3=Neutral 4=Agree; 5=S Strongly agree

Leadership	1	2	3	4	5
Top management makes decision in consultation with employees					

Employees carry out instructions promptly					
Communication is a two way both upward and down ward					
Decision making is decentralized					
Responsibility rest with the top management					
There is delegation of authority and responsibility					
Employees have freedom to make their own decision regarding their work					
Top management creates a good working environment for the employees					
Leaders inspire employees and redirect their thinking to achieve organizational goals					
Leaders create a vision and inspire people to follow it					

SECTION C: MISSION AND VISION

7. The following statements are descriptive of mission and vision in your organization and how they influence performance of organizations. Please indicate the extent to which each statement applies to your organization. Please indicate the extent to which each statement applies to your organization. Use the key below and TICK as appropriate**.**

Key: 1=Strongly disagree; 2=Disagree; 3=Neutral 4=Agree; 5=S Strongly agree

Mission	1	2	3	4	5
My organization possess a formal mission to pursue its objectives					
My organization has clearly written roles, structure and responsibilities for its functions					
Performance goals are set periodically to assess whether the organization is achieving its objectives					
All staff signs individual performance contracts in my organization in line with the mission					
Authority and responsibilities for the entire top management are formally defined					
Our mission defines our customers, our products and services					
Level of service provided is well articulated in the mission statement					
Our organization has service level agreement statement					
All stakeholders interest are well defined					
Our organization focuses on what really matters to the stakeholder					
Our vision offers clarity for decision making process					
Organization set vision geared towards better service delivery					

SECTION D: FIRM RESOURCES

8. The following statements are descriptive of government policies in your organization and how they influence performance of organizations. Please indicate the extent to which each statement applies to your organization. Please indicate the extent to which each statement applies to your organization. Use the key below and TICK as appropriate**.**

Key: 1= Strongly disagree; 2=Disagree; 3=Neutral 4=Agree; 5=S Strongly agree

FIRM RESOURCES	1	2	3	4	5
Our firm takes into account knowledge, experience, skill and obligation of employees					
Our firm treat wages earned by employees as rival good					
Our employees contribute to selection, retention and referral of customers					
Our firm is able to effectively acquire, control and utilize knowledge in every business activity					
Equipment’s and tools undergo routine checks and repairs					
Our firm take a deep look at the type of business operations and processes involved					
Our firm embraces advance technology driven by research					
Our firm has a well understood culture by employees embedded in values and belief systems					
Our firm is a learning organization					
Our firm has documented procedures and structures					
Our firm uses systems and processes to leverage learning					
Our firm embraces strategies, methodologies, systems operational processes and process management					
Our firm support all stakeholders so as to broaden commercial margins as cost diminishes					

SECTION E: ENVIRONMENTAL SCANNING

9. The following statements are descriptive of environmental scanning in your organization. Please indicate the extent to which each statement applies to your organization. Use the keys bellow and TICK as appropriate.

Key: 1= Strongly disagree; 2=Disagree; 3=Neutral 4=Agree; 5=S Strongly agree

Environmental Scanning	1	2	3	4	5
Management uses various sources of information to scan the environment					
Level of annual budget allocation to the organization					
Environmental information is useful in resource allocation,					
Preference is given to environmental information that has been translated into terms that are meaningful internally					

Government makes changes in policy from time to time					
Technological customers and competition are important and uncertain to the organization					

SECTION F: ORGANIZATIONAL PERFORMANCE

10. The following statements are descriptive of Organizational performance in your organization. Please indicate the extent to which each statement applies to your organization. Use the keys bellow and TICK as appropriate.

Key: 1= Strongly disagree; 2=Disagree; 3=Neutral 4=Agree; 5=S Strongly agree

Statements	1	2	3	4	5
Our firm's profit margins in the last financial year were greater than those of our competitors					
Our firm guarantees a level of customer satisfaction that our competition cannot achieve					
The firm has achieved good returns by involving all stakeholders					
The firm operational efficiency has improved as a result of management involvement					

Thank You

APPENDIX III: State Corporations-Functional Categories.

	Ministry	Parastatals
1	Financial	• Kenya Investment Authority • IDB capital • Agricultural Finance Corporation • Consolidated Bank • Deposit Protection Fund Board • Industrial and Commercial Development Corporation • Industrial Development Bank • Kenya Industrial Estates • Kenya National Assurance Co. • Kenya Re-Insurance Corporation • Kenya Revenue Authority • Kenya Roads Board • Kenya Tourist Development Corporation • National Bank of Kenya • National Hospital Insurance Fund • National Social Security Fund
2	Commercial & Manufacturing	• Agro-Chemicals and Food Company • Chemelil Sugar Company • East African Portland Cement Company • Gilgil Telecommunications Industries • Jomo Kenyatta Foundation • Kenya Airports Authority • Kenya Broadcasting Corporation • Kenya Electricity Generating Company • Kenya Literature Bureau • Kenya Ordinance Factories Corporation • University of Nairobi Enterprises and Services Limited • New Kenya Co-operative Creameries Ltd • Kenya Electricity Transmission Company • Kenya Pipeline Company • Kenya Ports Authority • Kenya Power and Lighting Company • Kenya Railways Corporation • Kenya Civil Aviation Authority • Kenya Safari Lodges and Hotels • Kenya Seed Company Limited • Kenya Wine Agencies • Kenyatta International Convention Centre • National Cereals and Produce Board • National Housing Corporation • National Oil Corporation of Kenya

		• National Water Conservation and Pipeline Corporation • Numerical Machining Complex • Nzoia Sugar Company • Postal Corporation of Kenya • Pyrethrum Board of Kenya • School Equipment Production Unit • South Nyanza Sugar Company • Telkom Kenya Limited
3	Public Universities	• Chuka University • Cooperative University • Dedan Kimathi University • Egerton University • Embu University • Garissa University • Jaramogi Oginga Odinga University of Science and Technology • Jomo Kenyatta University of Agriculture and Technology • Karatina University • Multi-Media University of Kenya • Kenyatta University • Kibabii University College • Kirinyaga University College • Kisii University • Laikipia University College • Maasai Mara University • Machakos University College • Maseno University • Masinde Muliro University of Science and Technology • Meru University of Science and Technology • Moi University • Murang'a University • Pwani University • Rongo University • South Eastern Kenya Universtiy- SEKU • Taita Taveta University • Technical University of Mombasa • The Technical University of Kenya • University of Eldoret • University of Kabianga • University of Nairobi
4	Training and Research	• Kenya Universities and Colleges Central Placement Service • Coffee Research Foundation • Kenya Agricultural Research Institute

		• Kenya Forestry Research Institute • Kenya Industrial Research and Development Institute • Kenya Institute of Administration • Kenya Institute of Public Policy Research and Analysis • Kenya Marine and Fisheries Research Institute • Kenya Medical Research Institute • Kenya Sugar Research Foundation • National Museums of Kenya • Tea Research Foundation • Kenya Institute of Education • Kenya Education Staff Institute
5	Service Corporations	• Agricultural Development Corporation • Bomas of Kenya • Central Water Services Board • Coast Water Services Board • Higher Education Loans Board • Kenya Accountants and Secretaries National Examination Board • Kenya Ferry Services • Kenya National Library Services • Kenya Tourist Board • Kenya Wildlife Service • Kenyatta National Hospital • Lake Victoria North Water Services Board • Local Authorities Provident Fund • Moi Teaching and Referral Hospital • Nairobi Water Services Board • National Aids Control Council • National Council for Law Reporting • National Sports Stadia Management Board • Northern Water Services Board • Rift Valley Water Services Board • Water Resources Management Authority • Water Services Trust Fund • Lake Victoria South Water Services Board • National Authority for the Campaign Against Alcohol and Drug Abuse • Athi Water Services Board • Kenya National Examination Council
6	Regional Development	• Coast Development Authority • Ewaso Ng'iro North Development Authority • Ewaso Ng'iro South Development Authority • Kerio Valley Development Authority • Lake Basin Development Authority • Tana and Athi Rivers Development

7	Tertiary Education & Training	• Cooperative College of Kenya • Kenya College of Communications Technology • Kenya Medical Training College • Kenya Utalii College • Kenya Water Institute
8	Regulatory	• Kenya Veterinary Board • Kenya Leather Development Council • Unclaimed Financial Assets Authority • Capital Markets Authority • Catering and Tourism Development Levy Trustee • Coffee Board of Kenya • Commission for University Education • Communication authority • Council for Legal Education • Energy Regulatory Commission • Export Promotion Council • Horticultural Crops Development Authority • Kenya Bureau of Standards • Kenya Dairy Board • Kenya Industrial Property Institute • Kenya Plant Health Inspectorate Services • Kenya Sisal Board • Kenya Sugar Board • Maritime Authority • National Environment Management Authority • National Irrigation Board • Public Benefits Organizations Regulatory Authority • Tea Board of Kenya • Water Services Regulatory Board • Transport Licensing Board • Catering Training & Tourism Development Levy Trustees • Export Promotion Council • Export Processing Zones Authority • Kenya Bureau of Standards

Appendix IV: KEMU Authorization Letter

Kenya Methodist University

P.O. Box 267-60202
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Tel: (+254-020) 2118423-7, 064-30301/3122
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website: www.kemu.ac.ke

July 22, 2019

Executive Secretary,
National Council for Science and Technology,
P.O Box 30623 – 00100.
NAIROBI.

Dear Sir/ Madam,

RE: PAULINE NJERI MAINA – BUS-3-2304-1/2015

This is to confirm that the above named is a bona fide student of Kenya Methodist University pursuing a Master of Business Administration.

Pauline is undertaking a research study on "**Influence of Strategy Formulation on Performance of State Corporations in Kenya**". To successfully complete her research work, she requires relevant data in her area of study.

In this regard, we kindly request your office to issue her a research permit to enable her collect the data for her academic research work.

We thank you in advance for your cooperation.

Yours faithfully,

KENYA METHODIST UNIVERSITY
Dean
22 JUL 2019
BOARD OF POSTGRADUATE STUDIES
P.O. Box 45240-00100, NAIROBI

Dr. Evangeline Gichunge
Associate Dean, Research Development & Board of Postgraduate Studies

Nairobi Campus:Koinange Street, P.O Box 45240-000100 Nairobi ~ Tel. +254-20-2118443/2248172/2247987/0725-751878. Fax +254-20-2248160. Email:nairobicampus@kemu.ac.ke
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Nyeri Campus: Sohan Plaza, 4th Floor. Tel: +254-61-2032904. Fax 254-61-2034100, Email. nyericampus@kemu.ac.ke

The Future is Here!

Appendix V: NACOSTI RESEARCH LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **568832**

Date of Issue: **14/August/2019**

RESEARCH LICENSE

This is to Certify that Ms.. PAULINE MAINA of Kenya Methodist University, has been licensed to conduct research in Baringo, Bomet, Bungoma, Busia, Elgeyo-Marakwet, Embu, Garissa, Homabay, Isiolo, Kajiado, Kakamega, Kericho, Kiambu, Kilifi, Kirinyaga, Kisii, Kisumu, Kitui, Kwale, Laikipia, Lamu, Machakos, Makueni, Mandera, Marsabit, Meru, Migori, Mombasa, Muranga, Nairobi, Nakuru, Nandi, Narok, Nyamira, Nyandarua on the topic: Influence of Strategy Formulation on Performance of State Corporations in Kenya for the period ending : 14/August/2020.

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