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INFLUENCE OF STRATEGY FORMULATION ON PERFORMANCE OF STATE CORPORATIONS IN KENYA

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ABSTRACT

The main objective of this study 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 77 managers was 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 the organization possessed a formal mission to pursue its objectives and also organization focused 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 81.2 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 on 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.

Key Words: *Leadership, Mission And Vision, Firm Resources, Environmental Scanning, State Corporation's Performance*

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INTRODUCTION

Strategies drive organization performance with an aim of achieving its vision. Today's business environment is rapidly changing and most organizations try to embrace flexible and process enhancement strategies to guarantee responsiveness of the firm concerning change. Strategy is the road map to achievement of firm objectives in the long run which is supported by acceptance of agreed plans and provision of resources essential for achievement of the objectives, (Koontz et al, 2005).

Major focus of any organization that intends to grow and survive in a market that is competitive is performance (Kakanda, Bello & Abba, 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).

State corporations are formed by state corporations act chapter 446 of the 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.

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 environment must be agile and fragile to the environment. David (2011) posited that strategy formulation decision obligate firm to particular resources, products, technologies and market over a period of time. Strategy formulation process allows an organization to marry internal resources with opportunities and risks in its external environment. Moreover, environmental gusto and competitiveness creates major challenges for managers liable for forming strategies in firms. The most trying aspect of strategy formulation process is the establishment of strategic identity and implementation of strategic analysis. Forming effective strategy is crucial in enhancing firm output. Pearce and Robinson, (2011) states that strategy formulation directs top management in describing the business their organization is in, the results it strive for, and methods it will use to achieve the results. Firms develop strategies to address matters that relates to delivering quality products and services.

Studies have shown association between strategy formulation and firm performance. Specifically; Woldie et al. (2012), indicated that effective strategy formulation mechanism 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. Adan Santura et al. (2017), studied the association between strategy formulation and performance of public organization in Isiolo County government. 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.

Research Objectives

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

- To determine the influence of leadership on state corporations performance in Kenya.
- To evaluate the impact of mission and vision on state corporations performance in Kenya
- To assess the influence of firm resources policies on performance of State Corporation in Kenya.
- To determine the effect of environmental scanning on performance of State Corporation in Kenya.

LITERATURE REVIEW

Strategic Choice Theory

The concept of strategic choice is associated with the work of John Child (1972). Strategic choice refers to the process whereby power holders within organizations decide upon courses of 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 have a life of its own, its present health and future certainly lies on the individuals who guides its activities". Campling & 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 primary assumption of strategic choice theory is that deterministic views as contingency theories and resource dependency theories are inadequate as they ignore the importance of managers in organizational decision making (Schoonhoven, 1981). Strategic Choice Theory refers to action theory in strategic management in which employees are organized in order to serve the choices powerful managers make, where structure and environment are enacted upon by the dominant coalition and manager roles can range from reactive to proactive (Astley & Van de Ven, 1983). Strategic choice theory is concerned with the possibility of the dominant coalition to direct a company's choices and thus actions. This dominant coalition is assumed to have control over decision making, which enabled by the political structure of work roles and procedures (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).

Dynamic Capabilities Theory

Teece et al (1997) define dynamic capability as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" Dynamic capabilities refer to "the capacity of an organization to purposefully create, extend, or modify its resource base" (Helfat et al., 2007). The basic assumption of the dynamic capabilities' framework is that core competencies should be used to modify 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, Pisano & Shuen, 1997). Dynamic capabilities are the firm's capability to incorporate and reconfigure both internal and external competences to manage swiftly changing environments (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.

Upper Echelon Theory

Upper echelons theory as postulated by Hambrick and Mason (1984) argues in the context of how top management acts as a reflection of the firm through playing an important and instrumental role towards the overall firm performance. Hambrick & 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. Upper echelon theory was founded on the premise that organizational outcomes are directly impacted by knowledge, experience and expertise of those individuals occupying prominent managerial roles in the organization (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). Personal characteristics of top managers determine the aspects of the environment that they can see and what they see inform the decisions they make regarding strategic choices which ultimately affects the bottom line of the organization. Carpenter et al. (2004) posited that physiognomies and strategic choices of upper echelons are determined by situational characteristics of the organization (external environment, firm characteristics) 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. Upper echelons theory states that organizational outcomes both strategies and effectiveness are reflections of the values and cognitive bases of powerful actors in the organization (carpenter, Geletkanycz, & sanders, 2004).

Upper echelon influences administrative complexity. According to Hambrick & 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 upper echelon characteristics and organizational results should be weaker in such circumstances (Hambrick 2007). The theory links strategic partnership to leadership in building sustainable business models for agribusiness. Strategies employed in organizational life as a function of executive decision making are often a function of macro forces driving the pursuit of organizational goals, that is, executive who is newly hired from an outside firm may bring a different perspective to the decision making process than an individual promoted from within the organization to the position of manager.

Resource Based View Theory (RBV)

Penrose (1959) injected preliminary intuitions into the resource of the firm 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 firm specific capabilities and the creation of dynamic capabilities to enable exploit both internal and external firm specific competencies to compete in the ever-changing environment (Herrman, 2005). Grant (1991) proposed RBV approach to strategy formulation which encompasses firm's recognizing and understanding their internal resources, capabilities, strengths and weaknesses in relation to their competitors. RBV views firm as a package of resources, capabilities and routines which generates value and cannot simply be imitated or appropriated by competitors due to isolating mechanisms, rare, valuable and non-substitutable. According to Barney (1991), resources 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, C. E., & Peteraf, M. A. (2003). Firms using RBV competes in positions of their resources and capabilities. RBV allows mangers 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, J. B. (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 valuable, rare, inimitable and non-substitutable resources and capabilities within an organization as a basis for sustainable competitive advantage built on enhanced innovation performance (Prahalad & Hamel, 1990).

Empirical Review

According to Kamensky (2008), the importance of strategy and its content vary from competitiveness situation, whether it is in progress at the moment or not. Without any competition in the market, the actual strategies would not be needed 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 where a firm is now, where it wants to go and how to get there. Strategy formulation process involves the collection of data and continuous exchange of information. The most difficult part of strategy formulation process is the creation of a strategic identity and the execution of strategic analysis. 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.

Strategy formulation guides executive in defining the business their firm is in, the ends it seeks, and the means it will use to accomplish those ends (Pearce II & Robinson, 2011). Strategic formulation is a three-level approach, that is, corporate level (portfolio analysis, diversification type, diversification process), business unit level (cost leadership, differentiation strategy) and individual level. Pearce & 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 & Platts, 2006), objective settings, alternative actions identification and evaluation and implementation of selected options requires effective strategy formulation. Nenonen (2012) proposed that employees who have the possibility to influence strategy formulation are more committed employees in comparison with those employees who do not have the possibility to participate. Granted such an opportunity, employees who have possibility to participate are more efficient employees, in terms of implementing strategy.

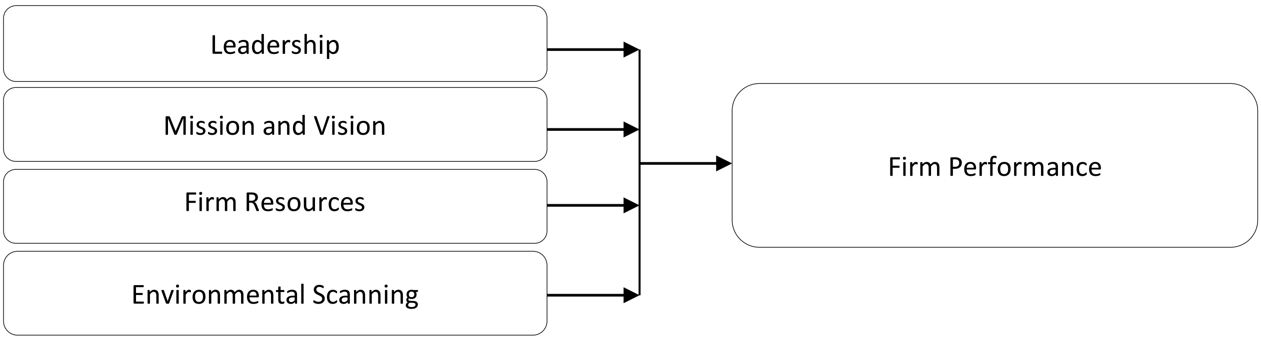
Van Gelderen et al. (2000) contend that strategy formulation process and strategic plan are both important for firms to achieve competitive advantage. Strategy formulation involves reviewing key objectives and strategies of the organisation, identifying available alternatives, evaluating the alternatives and deciding on the most appropriate alternative (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 employees express their concern to inform management and directives in case the quality is violated.

Martin (2014) opined that even board members are not always aware of the working strategy. Strategy planning can be misleading also for the management. Johnson & 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), emergent strategy instigates not in the mind of the strategist, but in the interface of the organization with its environment 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 formulation process should be open ended, which allows for involvement and suggestions. Whereas implementation process has to be closed ended. Mintzberg and Waters (2006) proposed a three-step flow of strategy formulation. The first step is that inside the organisation there should be not any disturbing factor or doubts on behalf of strategy. The second step is collective act, that is, in case there are any concerns among intended strategy those have to be released inside of community, in this case inside of employees. The concerns and actions on behalf of employees have to be accepted by the management. The third step is that any environmental; factor should not affect the intension of palling strategy. The strategy does not come only from higher position managers, but also partly from employees. According to Nenonen (2012), the percentage of successfully implemented strategy will increase, when staff of company has the possibility to influence the procedure of strategy formation. When employees are listened to and they have the possibility to participate, the overall welfare and well implemented and adapted strategy can be succeeded, due to better feeling of cohesion.

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. Groysberg and Abrahams (2014) suggest that executives who generate individual achievements in well-organized teams and environments, have financial success also in the organization where they work. 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 & 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. Involving the actual implementers, that is, the employees of organization, the implementers succeed and accomplish highly better in their tasks when being involved in planning procedure (Dandira, 2011). Similarly, Woldie et al. (2012) argue that an effective strategy formulation mechanism could enhance performance.



Predictor Variables **Response Variable**

Figure 1: Conceptual Framework

Source: Researcher, 2019

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, Ramayah, Min & Songan, 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

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effectively and efficiently as well as coordinating the effects and organizational activities (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)

Mission and Vision: The mission statement is a critical and an integral part of the organization as an entity and the operating plan, which has become a unique vehicle through which the organization in the business world, articulates it strategic intent to exist, survive, grow and how it relates with stakeholders around it and including the wider society. Drucker (1971) stated that a firm is not known by its name or statue but by its mission. A mission statement is a developed document that defines the goals of a stable and unique organization. It defines the purpose of the organization, and act as a medium that guides people within the organization so that they can work independently as well as collectively to achieve the desired level of the organizational performance (Kotler, Armstrong, Saunders, & Wong, 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 "what business are we in? and what is our business for?" (Johnson et al., 2008).

Firm Resources: Firm resources refer to all types of resources (tangible and intangible assets) under the control of management (Garbuio et al., 2010). Organizational resources comprise assets, capabilities, processes, attributes, information and knowledge 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).

Environmental Scanning: Kazmi (2008) defines environmental scanning as monitoring, evaluation, distribution of information from external and internal milieu 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 & Adebola, (2012), environmental scanning involves gaining both factual and subjective information on business surroundings in which a firm operates or considers going into.

METHODOLOGY

This study used a descriptive research design. The target population was 187 managers from parastatals in Kenya. The study adopted a sample of 77 mangers from state corporations proportionately picked from five stratums. The study adopted closed ended questionnaire constructed using ordinal scale of measurement.

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The study used primary data collected through a structured questionnaire. Both descriptive and inferential statistics was used in the analysis.

FINDINGS

Leadership

This section focused on the questions posed respondents on leadership and how it influences their firm performance. The respondents rated questions on a Likert scale of one to five. Where 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral, 4 = Agree; 5 = Strongly Agree. Score of strongly disagree and agree represent a limited extent rating with mean of 0 to 2.4, the score of neutral represent moderate extent with mean of 2.5 to 3.4 and scores agree and strongly agree represented great extent with mean of 3.5 to 5. The variables were analysed using mean, std dev and coefficient of variation. Findings were presented in Table 1 below.

Table 1: Descriptive Statistics for Leadership

Statements	Mean	Std. Dev	Coefficient of Variation
Top management makes decision in consultation with employees	4.31	0.89	20.55
There is delegation of authority and responsibility	3.97	1.21	30.45
Employees have freedom to make their own decision regarding their work	3.43	1.14	33.19
Decision making is decentralized	3.29	1.64	49.77
Leaders create a vision and inspire people to follow it	3.18	1.13	35.64
Leaders inspire employees and redirect their thinking to achieve organizational goals	2.90	1.22	42.23
Top management creates a good working environment for the employees	2.88	1.31	45.46
Communication is a two way both upward and down ward	2.62	0.75	28.79
Responsibility rest with the top management	2.46	0.61	24.81
Employees carry out instructions promptly	2.19	1.22	55.90
Overall	**3.12**	**1.11**	**35.58**

As shown in table 1 to a large extent in terms of leadership; top management makes decision in consultation with employees (mean of 4.31 and std dev of 0.89) and there is delegation of authority and responsibility (mean of 3.97 and std dev of 1.21). To a moderate extent; employees had freedom to make their own decision concerning their work (mean of 3.43 and std dev of 1.14), decision making is centralized (mean = 3.29, std dev = 1.64), leaders create a vision and inspire people to follow it (mean = 3.18, std dev = 1.13), leaders inspire employees and redirect their thinking to achieve organizational goals(mean = 2.90, std dev = 1.22), top management creates a good working environment for the employees (mean = 2.88, std dev = 1.31), communication is a two way both upward and down ward (mean = 2.62, std dev = 0.75) and responsibility rest with the top management (mean = 2.46, std dev = 0.61). To the least extent; employees carry out instructions promptly (mean = 2.19, std dev = 1.22). In overall leadership influence on organizational performance amongst the firms was rated moderately (mean of 3.12 and SD of 1.11). There is high variability in the rating of statements on leadership. Specifically, employees carry out instructions promptly had the highest coefficient of variation of 55.9 percent. This means that the statement had the highest variation in response. The statement top management makes decision in consultation with employees had the lowest coefficient of variation of 20.55 percent. This meant that the statement indicated low variation in the respondents rating. The findings conformed to those of Harris et al., (2017) who posited that modern leadership styles classifies leadership into transformational, transactional, culturally based, charismatic and visionary leadership styles.

Mission and Vision

This section covered questions posed on mission and vision and how it influences firm performance. The respondents rated the statements on a Likert scale of one to five. The respondents rated questions on a Likert scale of one to five. Where 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral, 4 = Agree; 5 = Strongly Agree. The score of strongly disagree and agree represent limited extent rating with mean of 0 to 2.4, the score of neutral represent moderate extent with a mean of 2.5 to 3.4 and the score of agree and strongly agree are taken to represent great extent with a mean of 3.5 to 5. The results were shown in Table 2 below.

Table 2: Descriptive Statistics for Mission and Vision

Statements	Mean	Std. Dev	Coefficient of Variation
My organization possess a formal mission to pursue its objectives	4.16	1.05	25.12
Our organization focuses on what really matters to the stakeholder	4.12	1.07	26.05
All stakeholders interest are well defined	3.41	1.41	41.21
Authority and responsibilities for the entire top management are formally defined	3.34	1.35	40.29
Level of service provided is well articulated in the mission statement	3.29	1.46	44.21
Organization set vision geared towards better service delivery	3.26	1.19	36.52
Our organization has service level agreement statement	3.16	1.31	41.48
Our vision offers clarity for decision making process	2.90	1.20	41.38
My organization has clearly written roles, structure and responsibilities for its functions	2.40	1.50	62.48
All staff signs individual performance contracts in my organization in line with the mission	2.32	1.27	54.86
Our mission defines our customers, our products and services	2.19	1.33	60.70
Performance goals are set periodically to evaluate whether the organization is attaining its goals	1.99	1.31	65.99
Overall	**3.04**	**1.29**	**42.43**

The findings showed that in terms of mission and vision to a large extent; my organization possess a formal mission to pursue its objectives (mean = 4.16, std dev = 1.05), our organization focuses on what really matters to the stakeholders (mean = 4.12 and std dev of 1.07). On a moderate extent the respondents indicated that all stakeholders interest are well defined (mean = 3.41, std dev = 1.41), authority and responsibilities for the entire top management are formally defined (mean of 3.34 and std dev of 1.35) and level of service provided is well articulated in the mission statement (mean = 3.29, std dev = 1.46), organization set vision geared towards better service delivery (mean = 3.26, std dev = 1.19), our organization has service level agreement statement (mean = 3.16, std dev = 1.31) and our vision offers clarity for decision making process (mean = 2.90, std dev = 1.20). On a least extent rating; my organization has clearly written roles, structure and responsibilities for its functions (mean = 2.40, std dev = 1.50), all staff signs individual performance contracts in my organization in line with the mission (mean = 2.32, std dev = 1.27), our mission defines our customers, our products and services (mean = 2.19, std dev = 1.33) and Performance goals are set periodically to evaluate whether the organization is attaining its goals (mean = 1.99, std dev = 1.31).

Overall rating for mission and vision across the respondents was mean of 3.04 and std dev of 1.29

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(moderate extent). Statement "performance goals are set periodically to assess whether the organization is achieving its objectives" had the highest variability (coefficient of variation of 65.99 percent). On the other hand, the statement "my organization possess a formal mission to pursue its objectives" has the lowest coefficient of variation of 25.12 percent. In general, there was high variability in the rating of statements on mission and vision of the organizations. The results are in support of those of Bart, (2001) who found positive association between mission statements and employee behaviour and financial performance. It is conforming to Forbes & Seena, (2006) who stated that mission is a package which combines geographical domain, competitive advantage and financial goals.

Firm Resources

This section focused on the questions asked the respondents on firm resources and how it influences their firm performance. The respondents rated statements on a Likert scale of one to five. The respondents rated questions on a Likert scale of one to five. Where 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral, 4 = Agree; 5 = Strongly Agree. The variables were analysed in terms of averages and variability. The score of strongly disagree and agree represent limited extent rating with mean of 0 to 2.4, the score of neutral represent moderate extent with a mean of 2.5 to 3.4 and the score of agree and strongly agree are taken to represent great extent with a mean of 3.5 to 5.The results were tabulated in Table 3 below.

Table 3: Descriptive Statistics for Firm Resources

Statements	Mean	Std. Deviation	Coefficient of Variation
Our firm is a learning organization	4.32	0.78	18.07
Our firm has a well understood culture by employees embedded in values and belief systems	4.25	1.04	24.52
Our firm take a deep look at the type of business operations and processes involved	4.03	1.12	27.78
Our firm support all stakeholders so as to broaden commercial margins as cost diminishes	3.90	1.08	27.74
Our firm has documented procedures and structures	3.75	1.11	29.64
Equipment's and tools undergo routine checks and repairs	3.62	0.95	26.17
Our firm takes into account knowledge, experience, skill and obligation of employees	3.56	1.25	35.14
Our firm uses systems and processes to leverage learning	3.53	1.24	35.12
Our firm embraces strategies, methodologies, systems operational processes and process management	3.37	1.30	38.70
Our firm is able to effectively acquire, control and utilize knowledge in every business activity	3.26	1.07	32.89
Our firm embraces advance technology driven by research	3.22	1.34	41.50
Our employees contribute to selection, retention and referral of customers	2.66	1.11	41.87
Our firm treat wages earned by employees as rival good	2.62	1.15	43.80
Overall	**3.54**	**1.12**	**31.64**

As shown in table 3, firm resources to a large extent; our firm is a learning organization (mean of 4.32, SD of 0.78), our firm has a well understood culture by employees embedded in values and belief systems (mean of 4.25 and std dev of 1.04), our firm take a deep look at the type of business operations and processes involved (mean of 4.03 and std dev of 1.12), our firm support all stakeholders so as to broaden commercial margins as cost diminishes (mean of 3.90 , SD of 1.08), our firm has documented procedures and structures (mean of 3.75, SD of 1.11), equipment's and tools undergo routine checks and repairs (mean of 3.62 and std dev of 0.95), our firm takes into account knowledge, experience, skill and obligation of employees (mean of 3.56 and std dev of 1.25) and our firm uses systems and processes to leverage learning (mean of 3.53 and std dev of 1.24).

On a moderate extent; our firm embraces strategies, methodologies, systems operational processes and process management (mean of 3.37 and std dev of 1.30), our firm is able to effectively acquire, control and utilize knowledge in every business activity (mean of 3.26 and std dev of 1.07), our firm embraces advance technology driven by research (mean of 3.22 and std dev of 1.34), our employees contribute to selection, retention and referral of customers (mean of 2.66 and std dev of 1.11) and our firm treat wages earned by employees as rival good (mean of 2.62 and std dev of 1.15). Firm resources have been rated in overall to a large extent influencing organization performance (mean of 3.54, SD of 1.12). Statement "our firm treat wages earned by employees as rival good" had the highest variability (coefficient of variation = 43.80 percent). On the other hand, the statement "our firm is a learning organization "had the lowest variability (coefficient of variation = 18.07 percent). The findings were 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.

Environmental Scanning

The section covered questions asked the respondent's on environmental scanning and how it influences their firm performance. The respondents were to rate the statements on a Likert scale of one to five. The respondents rated questions on a Likert scale of one to five. Where 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral, 4 = Agree; 5 = Strongly Agree. The variables were analysed in terms of averages and variability. The score of strongly disagree and agree represent limited extent rating with mean of 0 to 2.4, the score of neutral represent moderate extent with a mean of 2.5 to 3.4 and the score of agree and strongly agree are taken to represent great extent with a mean of 3.5 to 5.The variables were analysed in terms of average and variability. The outcomes are tabulated in Table 4 below.

Table 4: Descriptive Statistics for Environmental Scanning

Statements	Mean	Std. Deviation	Coefficient of Variation
Ethic and tribal inclinations	4.21	0.91	21.57
Cultural practices	4.09	3.72	91.01
Fluctuation in foreign exchange rates	4.03	1.04	25.72
Management uses various sources of information to scan the environment	4.03	1.01	24.99
Level of annual budget allocation to the organization	4.01	0.91	22.56
Population growth rate	3.91	0.96	24.49
Environmental information is useful in resource allocation,	3.68	1.25	34.03
Preference is given to environmental information that has been translated into terms that are meaningful internally	3.51	1.41	40.08
Change in political regime	3.40	1.22	36.01
Level of overall economic development	3.37	1.17	34.76
Government makes changes in policy from time to time	3.34	1.37	40.95
Changes in government fiscal policies	2.88	1.25	43.44
Devolved government structure	2.85	1.30	45.43

All stakeholders' interests are taken care of	2.71	1.38	51.10
Technological customers and competition are important and uncertain to the organization	2.60	1.24	47.47
Information obtained are used for decision making	2.35	1.23	52.32
Rapid development in ICT; internet usage, digitization of services	2.15	0.97	44.99
Occurrence of natural disasters e.g. floods, draught	2.13	1.05	49.22
Rich, verbal information exchanges are preferred because it provides clarification in obtaining feedback,	1.94	1.02	52.57
Information quality and source accessibility is of essence to the organization	1.93	0.94	48.56
Legal framework anchoring the mandate of the organization	1.88	1.10	58.43
Change in the Kenya constitution 2010 and subsequent legislation	1.75	0.95	54.41
Overall	**3.03**	**1.24**	**40.92**

The finding showed that environmental scanning aspects to a large extent; ethic and tribal inclinations (mean of 4.21 and std dev of 0.91), cultural practices (mean of 4.09 and std dev of 3.72), fluctuation in foreign exchange rates (mean of 4.03 and std dev of 1.04), management uses various sources of information to scan the environment (mean of 4.03 and std dev of 1.01), level of annual budget allocation to the organization (mean of 4.01, SD of 0.91) and population growth rate (mean of 3.91, SD of 0.96), environmental information is useful in resource allocation (mean of 3.68, SD of 1.25) and preference is given to environmental information that has been translated into terms that are meaningful internally (mean of 3.51, SD of 1.41). On a moderate extent; change in political regime (mean of 3.40, SD of 1.22), level of overall economic development (mean of 3.37, SD of 1.17), government makes changes in policy from time to time (mean of 3.34, SD of 1.37), changes in government fiscal policies (mean of 2.88, SD of 1.25), devolved government structure (mean of 2.85, SD of 1.30), all stakeholders' interests are taken care of (mean of 2.71, SD of 1.38) and technological customers and competition are important and uncertain to the organization (mean of 2.60, SD of 1.24).

To the least extent; information obtained are used for decision making (mean of 2.35, SD of 1.23), rapid development in ICT; internet usage, digitization of services (mean of 2.15, SD of 0.97), occurrence of natural disasters e.g. floods, draught (mean of 2.13, SD of 1.05), rich, verbal information exchanges are preferred because it provides clarification in obtaining feedback (mean of 1.94, SD of 1.02), information quality and source accessibility is of essence to the organization (mean of 1.93, SD of 0.94), legal framework anchoring the mandate of the organization (mean of 1.88, SD of 1.10) and change in the Kenya constitution 2010 and subsequent legislations (mean of 1.75, SD of 0.95) and legal framework anchoring the mandate of the organization (mean of 1.88, SD of 1.10). Environmental scanning overall rating had mean of 3.03, SD of 1.24. Statement "cultural practices" had the highest coefficient of variation of 91.01 percent while the statement "ethic and tribal inclinations had the lowest variability of coefficient of variation of 21.57 percent. The findings support those of Majid & 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.

Firm Performance

This section focused on the questions asked the respondents on performance of their firms. The respondents were to rate the statements on a

Likert scale of one to five. The respondents rated questions on a Likert scale of one to five. Where 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral, 4 = Agree; 5 = Strongly Agree. The variables were analysed in terms of averages and variability. The score of strongly disagree and agree represent limited extent rating with mean of 0 to 2.4, the score of neutral represent moderate extent with a mean of 2.5 to 3.4 and the score of agree and strongly agree are taken to represent great extent with a mean of 3.5 to 5. Mean, standard deviation and coefficient of variations were used to analyse the statements. The findings are in presented in table 5 below.

Table 5: Descriptive Statistics for Firm Performance

Statements	Mean	Std Dev	Coefficient of Variation
Firm operational efficiency has improved as a result of management involvement	4.29	0.05	1.21
Our firm’s profit margins in the last financial year were greater than those of our competitors	4.12	0.34	8.36
The firm has achieved good returns by involving all stakeholders	4.06	0.37	9.12
Our firm guarantees a level of customer satisfaction that our competition cannot achieve	3.84	0.19	5.01
Overall	**4.08**	**0.24**	**5.88**

Firm performance had an overall rating of mean of 4.08, SD of 0.24. All measures of firm performance were rated agree/strongly agree. Specifically; firm operational efficiency has improved as a result of management involvement had average of 4.29, std dev 0.05, followed by our 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), the firm has achieved good returns by involving all stakeholders (mean of 4.06, SD of 0.37) and our firm guarantees a level of customer satisfaction that our competition cannot achieve (mean of 3.84 and std dev of 0.19) respectively. All the statements had low variability as indicated by coefficient of variation values less than 10 percent.

Correlation and Regression Analysis

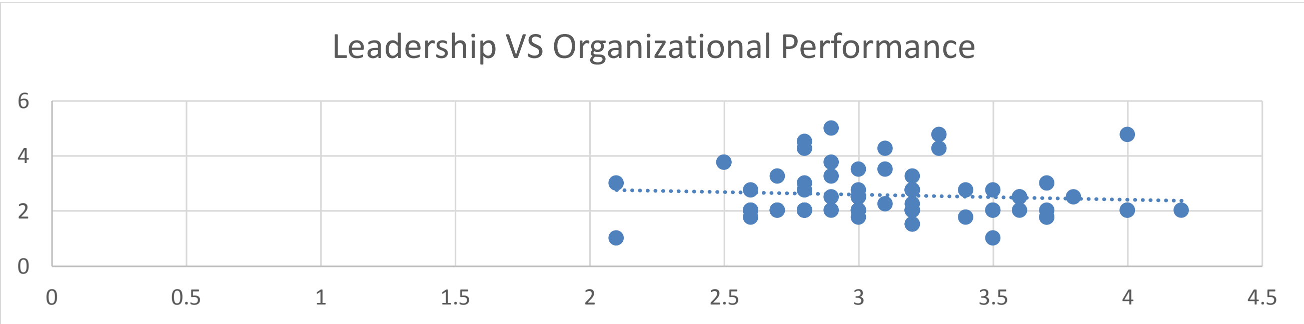

Figure 1: Scatter Plot for Leadership against Organizational Performance

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

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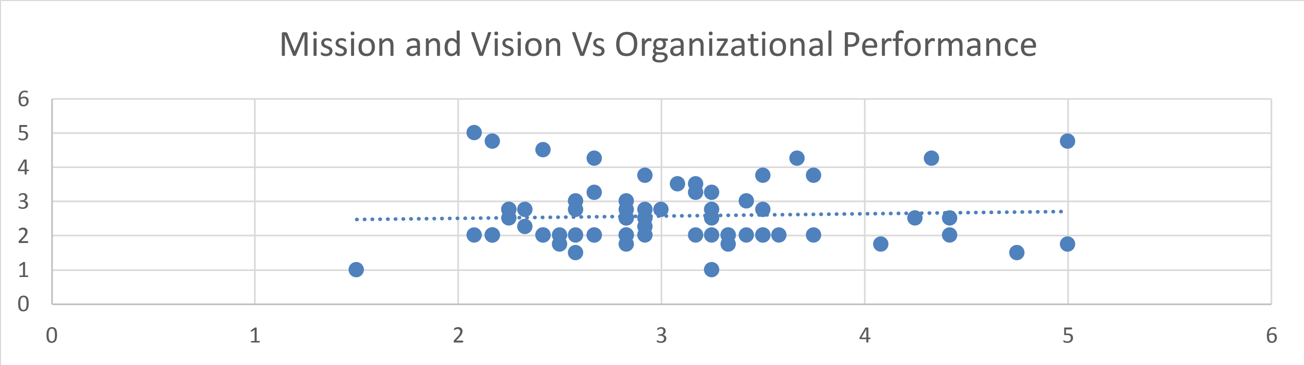

Figure 2: Scatter Plot for Mission and vision against Organizational Performance

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

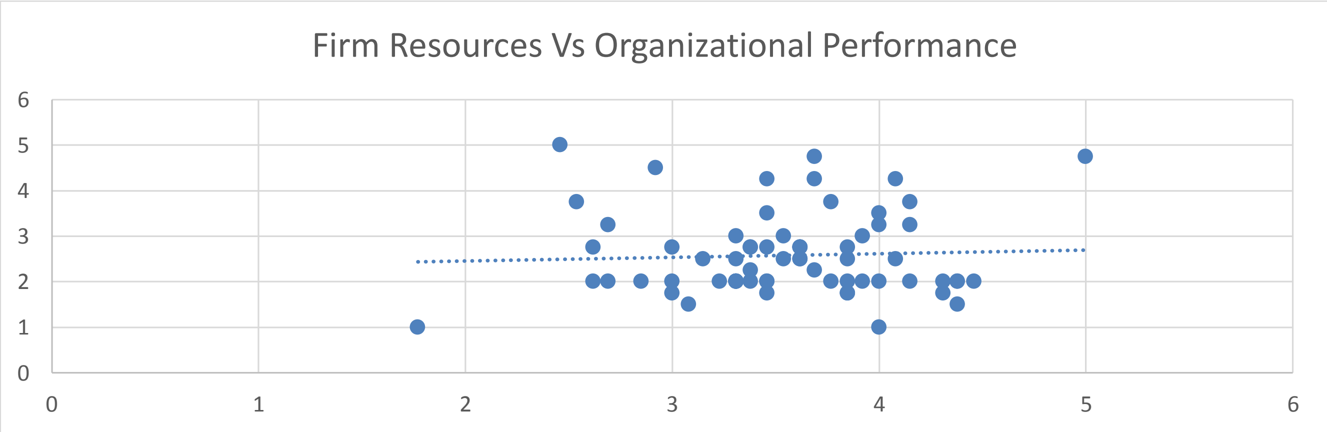

Figure 3: Scatter Plot for Firm Resources against Organizational Performance

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

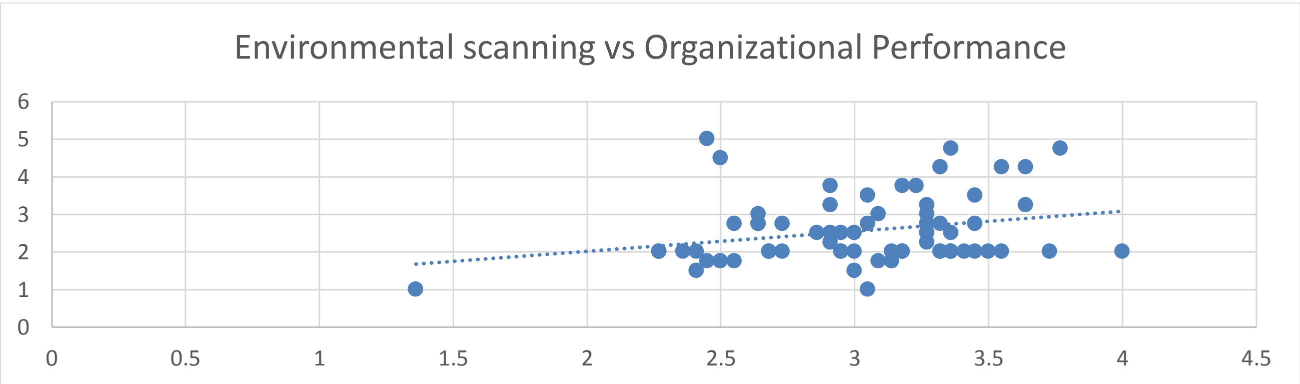

Figure 4: Scatter Plot for Environmental Scanning against Organizational Performance

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

Test of Normality

The histogram of firm performance in figure 5 showed a normal distribution; thus, the assumption of normality is satisfied.

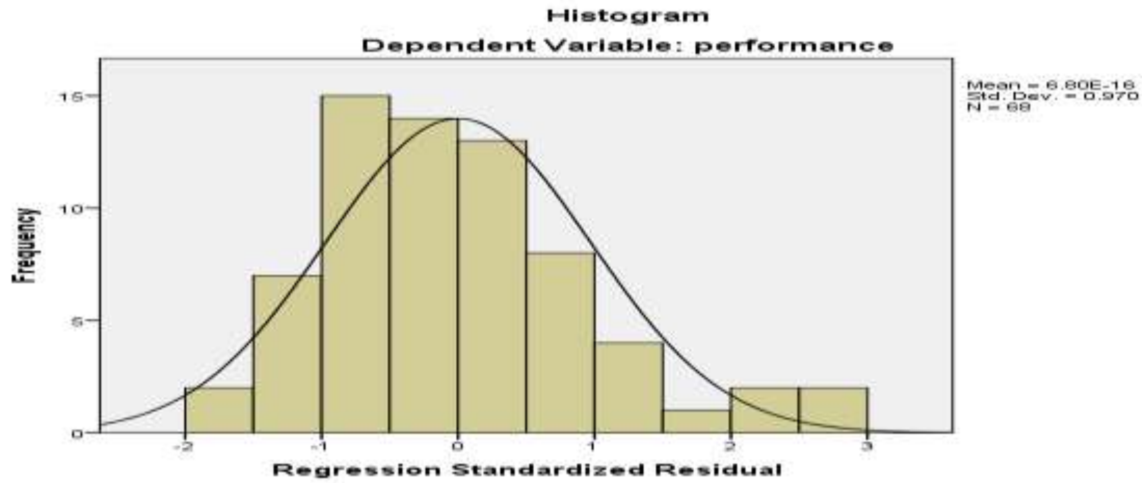

Figure 5: Histogram for Firm Performance

Test of Multicollinearity

As shown in table 6, 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 6: 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

Test of Homoscedasticity

As shown in table 7 below, all the variables had p-value>0.05. It therefore meant that the assumption of homoscedasticity was satisfied.

Table 7: 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

Test of Goodness of Fit of the Model

Table 8, (R^2 = 0.812) showed 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.

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Table 8: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.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

Table 9: 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

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.

The model showed 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 meant that all the four variables were retained in the model.

Table 10: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
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

CONCLUSION AND RECOMMENDATIONS

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.

Arising from the study findings and conclusion, the study recommended 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.

To 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.

Recommendations for Further Research

In this section, suggestions for further research in areas related to this study are given. In future, it is recommended that research be done to address the limitations of this study. The academicians should use this study's findings as source of literature for future studies. Future researchers could consider carrying out a similar study in a different sector or sectors to assess any variation in responses. It would be interesting to explore how the results obtained when the methods applied in this study are applied in other contexts for example in private sector or non-profit making organizations. It would be worthwhile establishing the extent to which the findings of this study are generalizable to other industries, sectors or settings.

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 improve the explanatory power of the model or to reduce the level of error term (18.8 percent) witnessed in the study. Longitudinal studies should be carried out. The current study is cross-sectional. Since it is recommended to have continuous learning, a longitudinal study will show whether the findings vary over time. It could also reveal how strategic formulation affects performance as environmental changes take place over time.

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