

**SELECTED DYNAMIC CAPABILITY DRIVERS, INNOVATIVE BEHAVIOR AND
PERFORMANCE OF STATE CORPORATIONS IN KENYA**

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**Thesis Submitted in Partial Fulfilment for the Requirements of the Award of Doctor of
Philosophy in Business Administration and Management (Strategic Management Option)
of the Kenya Methodist University**

OCTOBER, 2025

DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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DEDICATION

I dedicate this thesis to my Mum and Dad who planted in me the seed of pursuing the highest level of education. To my husband, Dr. Duncan Miano Wambugu and children: Yanira, Theodore and Nathaniel whose love, patience, and unwavering belief in me have sustained me throughout this journey. Your sacrifices, encouragement, and constant support, especially during the many hours I spent away in research made this milestone possible. I am deeply grateful to my sister and brother who have been an invaluable pillar of strength.

I further dedicate this work to my mentors, colleagues, and the academic community that challenged me to think critically and pursue excellence. Your guidance and encouragement shaped both my scholarship and my growth as a professional.

To all who walked beside me, personally and professionally, this achievement is ours.

ACKNOWLEDGMENT

I wish to express my deepest gratitude to all who have contributed to the completion of this doctoral journey.

First and foremost, I thank Almighty God for the gift of life, wisdom, strength, and perseverance throughout this doctoral journey. Without His grace, guidance, and provision, this achievement would not have been possible.

I would like to appreciate the immense guidance and advice accorded to me by my dedicated supervisors Prof. Peter Kihara and Dr. Stephen K. Maore for their invaluable guidance, patience, and encouragement. Your insights and constructive feedback challenged me to refine my ideas and pursue this research with rigor and purpose. May the Lord bless you for your selflessness and motivation.

To my family, I owe my heartfelt appreciation for your unwavering support, love, and understanding. You carried me through the moments of doubt, celebrated each small victory, and inspired me to persevere until the end.

I am also grateful to the CEO's I engaged in this research, my colleagues, peers, and the academic community who enriched my thinking through discussions, collaborations, and shared knowledge. Your contributions made this work stronger.

Finally, I extend my thanks to all the institutions, organizations, and individuals whose support made this achievement possible. This accomplishment reflects not only my effort but the collective strength and encouragement of all who stood with me.

ABSTRACT

State Corporations in Kenya play a critical role in national development, yet they consistently encounter performance challenges. Structural inefficiencies, including bureaucratic rigidity, ineffective leadership, inadequate knowledge management, and slow technological adoption, have undermined their operational effectiveness, diminished service delivery, and increased dependency on government financial support. While previous studies have examined these challenges in isolation or within private sector contexts, there remains a significant gap in understanding how dynamic capabilities collectively influence performance in public sector organizations, particularly with respect to the moderating role of innovative behavior. This study addresses this gap by investigating the combined influence of structural adaptations, technology adoption, leadership styles, and knowledge management on the performance of Kenyan State Corporations, while assessing how innovative behavior modifies these relationships. The study was anchored on Dynamics Capabilities View of the Firm and supported by Resource Based View of the Firm, Diffusion of Innovations Theory and Theory of the Firm. The study employed the Explanatory research designs. This study targeted the 177 State Corporations in Kenya. A sample of 122 State Corporations obtained from Yamane's formula was used. The unit of observation was the CEO of each sampled organization or his representative. As a result, the study used a sample of 122 respondents. A questionnaire served as the major source of primary data for this investigation. A pilot study was undertaken on 10% of the sample size, that is, 12 State Corporations whose respondents were not included in the final research. SPSS, version 24, was employed in this study to analyze the data collected. Tables, graphs and figures were used to present the results. The study found that there is a significant and positive effect of structural adaptations ($\beta = 0.712$; $p = 0.000$), technology adoption ($\beta = 0.779$; $p = 0.000$), leadership styles ($\beta = 0.849$; $p = 0.000$), and knowledge management ($\beta = 0.869$; $p = 0.000$) on performance of State Corporations in Kenya. In addition, innovative behavior had a significant moderating effect on the relationship between leadership styles ($\beta = -0.522$; $p = 0.047$), one of the attributes of dynamic capabilities and performance. Consequently, innovative behaviour serves as an antecedent to leadership styles and as a moderator. Overall, this implies that dynamic capabilities influence the performance of State Corporations but this relationship is moderated by innovative behaviour. Based on these findings, the study recommends that State Corporations implement flatter structures, decentralize decision-making, and digitize operations to overcome bureaucratic inertia. Leadership development and knowledge-sharing systems should be institutionalized, while innovation should be embedded into organizational strategy through incentive programs and participatory platforms. These reforms are essential to foster agility, accountability, and improved service delivery in Kenya's public sector.

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LIST OF ABBREVIATIONS AND ACRONYMS

BSC	Balanced Scorecard
CEO	Chief Executive Officer
DCV	Dynamic Capabilities View
DOI	Diffusion of Innovation
ERP	Enterprise Resource Planning
ESG	Environmental, Social, And Governance
EVA	Economic Value Added
GMM	Generalized Method of Moments
GOK	Government of Kenya
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
KM	Knowledge Management
KMO	Kaiser-Meyer-Olkin
KPLC	Kenya Power and Lighting Company
MSMEs	Micro, Small, and Medium-Sized Enterprises
MVA	Market Value Added
OLS	Ordinary Least Squares
PPP	Public-Private Partnerships
RBV	Resource Based View
ROA	Return on Assets
ROI	Return on Investment
SCC	Supply Chain Collaboration
SEM	Structural Equation Modeling

SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
SSA	Sub-Saharan Africa
TQM	Total Quality Management
VIF	Variance Inflation Analysis

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Enterprises operate in a highly competitive market and must overcome various challenges to survive, which negatively impact their performance. The accomplishment or loss in any single company hinges significantly on its performance, which is especially crucial in today's business landscape marked by increased competition (Cania, 2014). Assessing organizational performance involves both quantitative and qualitative measures, and it relies on the combined efforts of departments and individual employees (Rehman & Nazri 2019). To maintain a reasonable edge and increase productivity, firms must modify their practices both interior and exterior factors, leveraging their available resources, skills, and capabilities. Additionally, they should prioritize strategic approaches that guide their approach to monitoring activities and achieving performance goals (Behl et al., 2022; Adewunmi et al., 2015).

According to Denrell and Powell (2016), the concept of firm performance is researched by numerous authors over the years, with a primary focus on competitiveness and survival in their investigations. This emphasis is particularly pronounced in fast-evolving environments characterized by technology adoption, increasingly diverse consumer demands, shifts in the operating landscape, intense competition, growing regulatory requirements, and globalization, all of which significantly impact organizational performance (Pervan et al., 2017). This quick rate of transformation in the economic world has resulted in heightened uncertainty and a notable increase in business failures. Consequently, businesses are compelled to continually adapt how they reconfigure and utilize their resources to consistently attain and maintain a competitive advantage (Wilden, et al., 2013).

Marweshe (2022) from South Africa emphasized that innovation capabilities play a pivotal role in enhancing market competitiveness for State corporations. Marweshe urged State corporations to consistently enhance their strategies for innovation, focusing on both market innovation and technological innovation capacity to stay competitive in the market. Kihara (2016), on the other hand, found that the effect of strategic execution on the success of SMEs was mitigated by company years and dimension. The research aimed to determine if the success of manufacturing

SMEs in Kenya is influenced by leadership styles, structure, personnel, technological advances, and strategic direction. The findings offered statistical proof that the profitability of the manufacturing SMEs is positively and influenced by the strategy's execution. Furthermore, Ngwenya and Pelsier (2021) investigated the productivity of State Corporations. Their research demonstrated the negative effects of unethical behavior on business productivity, including fraud, conspiracy, graft, and deception. Additionally, the study highlighted that the lack of accountability and transparency significantly hindered firm performance.

The dynamic capabilities framework has gained prominence in recent years to explain how firms develop, integrate, and reconfigure internal and external competencies to address rapidly changing environments (Teece, 2014). This theoretical perspective asserts that beyond static resources, the firm's ability to innovate, learn, and adapt determines its long-term performance. Dynamic capabilities such as organizational learning, knowledge management, and flexible leadership have been shown to mediate the relationship between strategy and performance outcomes, particularly in volatile markets (Petricevic & Teece, 2019). As organizations are increasingly required to evolve in real time, these capabilities become essential for sustainability and value creation.

Moreover, the role of human capital and organizational culture in firm performance cannot be overstated. Studies have emphasized that employee engagement, training and development, and an innovative culture are strongly correlated with improved productivity and customer satisfaction (Albrecht et al., 2015). Organizational culture fosters a shared vision and resilience among teams, which becomes particularly crucial during times of strategic change or industry disruptions. Thus, firms that cultivate high-performance cultures and invest in employee capabilities are better equipped to navigate market challenges and meet performance targets.

Digital transformation is another critical factor reshaping the performance landscape for both private and public sector firms. As technologies like artificial intelligence, cloud computing, and data analytics continue to influence business models, firms that proactively embrace digitalization tend to outperform their competitors (Vial, 2019). However, digital transformation is not merely about technology adoption, it also demands strategic alignment, leadership commitment, and a change-ready workforce (Qiao & Hong, 2024). Failure to integrate these components cohesively can lead to implementation setbacks and performance shortfalls despite significant investment.

The stakeholder management and corporate governance play an integral role in shaping firm performance. Effective governance ensures strategic alignment, reduces risks of fraud, and builds stakeholder trust (Díaz-Arancibia, et al., 2024). In contrast, poor governance practices are linked to inefficiencies, reputational damage, and a decline in investor confidence. Recent global events such as economic recessions and the COVID-19 pandemic have further underscored the necessity of resilient governance structures capable of responding to uncertainty while safeguarding performance metrics and stakeholder interests (Farazmand, 2021).

1.1.1 Global Perspective of the Study

Highly intricate structures known as "dynamic capabilities" are expected to replace, renew, or otherwise change the firm's current assets and abilities. These changes are brought about in reaction to an environment that is changing. Firms that possess global dynamic capabilities can acquire an aggressive edge and exceptional outcomes in the worldwide arena, by exploiting their existing resources and exploring new ones, and by adapting and innovating faster than their rivals (Singh & Pradhan, 2022)

As they attain expertise, multinational corporations are expected to adjust to foreign markets by changing their operations or the resources they use. This suggests that these companies have established methodical approaches to researching and entering new markets. Helfat and Winter (2011) provide a similar list of studies on organizational capacities to engage in different "patterned behaviors," which includes often international operations like alliances and acquisitions. Shah et al. (2024) notes that the ever-changing, information-intensive, global corporate world of today appears to be the perfect setting for illustrating the necessity of flexible skills for ongoing edge over rivals. The only businesses that look final success in these circumstances are those that have developed the capacity to learn from and analyze their surroundings coming up with creative actions for novel situations.

Performance is often evaluated in terms of macroeconomic trends and monetary policy issues from a global perspective. For instance, the performance of multinational corporations or global supply chains can be assessed based on their ability to navigate global economic conditions, manage risks, and capitalize on opportunities. The performance of State Corporations can be hindered by multiple factors, including unclear or conflicting objectives, political interference, and challenges in attracting talented personnel. Despite these obstacles, some State Corporations have managed

to close the performance gap with private sector counterparts. For instance, Petronas, Malaysia's state energy company, implemented an operational excellence campaign that resulted in significant savings and operational improvements, positioning it within the industry's top quartile for operational effectiveness (Wardhani & Rahadian, 2021). These corporations are identified as belonging to the state if the state holds a majority share of over 50.01% at the national or sub-national sector. Their performance is crucial not only for their respective economies but also for the global market dynamics.

In an increasingly interconnected world, geopolitical shifts and trade tensions also shape firm performance globally. For example, firms operating in the global semiconductor industry must navigate export restrictions, tariffs, and global shortages caused by trade disputes or political instability. These dynamics compel firms to adopt proactive strategies like reshoring, diversifying supply chains, and investing in technological self-reliance to preserve performance outcomes (Sturgeon, 2021). Furthermore, the rise of environmental, social, and governance (ESG) standards worldwide has created new performance benchmarks. Organizations with strong ESG performance often experience enhanced brand reputation, investor interest, and regulatory favorability, giving them a competitive advantage in global markets (Kotsantonis & Serafeim, 2019).

Additionally, the COVID-19 pandemic underscored the vulnerability of global enterprises to unforeseen systemic shocks. Multinational firms with robust dynamic capabilities, digital agility, and decentralized decision-making structures adapted more effectively during the crisis. For instance, companies that had previously invested in e-commerce infrastructure, remote working systems, and flexible supply chains sustained operations better than those reliant on traditional models (Van Hoek, 2020). This has led to a reevaluation of global operational strategies, with firms increasingly emphasizing resilience and real-time adaptability as critical dimensions of performance.

Digital globalization also plays a transformative role in shaping firm competitiveness. Cloud computing, AI-driven analytics, and global digital platforms have significantly altered how companies access resources, collaborate across borders, and scale innovations internationally. According to Baldwin (2019), digital technologies reduce the significance of physical distance and enable even smaller firms to compete in international markets by leveraging online platforms. Consequently, strategic investments in digital capabilities now correlate directly with enhanced

global performance metrics, including market share expansion, innovation speed, and customer engagement across geographies.

1.1.2 Regional Perspective of the Study

Sub-Saharan Africa is a region encompassing diverse countries with varying levels of economic development and infrastructure (World Bank, 2020). The region is marked by resource-rich nations alongside others facing considerable challenges such as political instability, inadequate infrastructure, and underdeveloped institutional frameworks (African Development Bank, 2019). SSA is a region with higher levels of economic, political, social, and environmental diversity and dynamism, which pose significant challenges and opportunities for firms (Acemoglu, Johnson and Robinson, 2012). SSA is with new technologies and outside investments stimulating the business environment (International Monetary Fund [IMF], 2020).

However, SSA also faces many structural constraints, such as poor governance, weak institutions, low human capital, and limited infrastructure, which hamper the development and performance of firms (World Bank, 2020). Research in Sub-Saharan Africa has highlighted its role in fostering innovativeness, market entry, and competitiveness (Mulamba et al., 2025; Kareem et al., 2024). Furthermore, studies have suggested that firms in this region may want to cope with the challenges specific to Sub-Saharan Africa. Mbo (2017) conducted an investigation on the efficiency of state corporations in Sub-Saharan Africa. The study highlighted that tech effectiveness, a favorable operation with stakeholders, and effective leadership all had substantial and good effects on the profitability of these State corporations.

State Corporations in Sub-Saharan Africa (SSA) have a significant impact on the region's economic landscape. Recent studies have shown that the financial workability of these entities is varied, with a substantial proportion facing profitability challenges. According to a study by Wezel and Carvalho (2022), approximately 40% of nearly 300 surveyed State Corporations in SSA are unprofitable. This trend is particularly pronounced among larger firms, which also tend to exhibit issues with liquidity and over-leverage. The results show that the sustainability of State Corporation debt stocks is closely linked to the firms' profitability and liquidity, rather than macroeconomic factors, with some exceptions related to governance variables. These financial difficulties not only affect the corporations themselves but also have broader macro financial

implications, potentially impacting bank soundness through delinquent loan exposures (Wezel & Carvalho, 2022).

The underperformance of State Corporations can lead to a strain on public finances, necessitating government intervention or bailouts, which in turn can have ripple effects on the region's financial stability. Moreover, the inefficiencies and financial struggles of State Corporations can hinder economic growth and development, as these enterprises often play crucial roles in key sectors such as energy, transportation, and utilities. Therefore, improving the performance of State Corporations is not only vital for the health of the individual enterprises but also for the economic well-being of the entire region. Strategies to enhance State Corporation performance in SSA may include reforms aimed at improving corporate governance, enhancing operational efficiency, and strengthening financial management practices. Such measures could help to ensure that State Corporations contribute positively to the region's economic development and stability (Wezel & Carvalho, 2022).

One of the recurring recommendations in the literature is the professionalization of management in SSA's State Corporations. According to Ngwenya and Pelsier (2021), many State Corporations in the region are plagued by political patronage and lack of meritocratic recruitment, which significantly undermines strategic decision-making and accountability. The authors argue that corporatization and depoliticization of leadership are critical to reversing inefficiencies and stimulating better organizational performance. Professional boards and transparent procurement processes are particularly essential in enhancing accountability and aligning enterprise goals with national development objectives.

Moreover, public-private partnerships (PPPs) have emerged as a viable mechanism for improving State Corporation efficiency and performance in SSA. PPPs offer access to private capital and managerial expertise while reducing the fiscal burden on governments. For example, Uganda and Senegal have recorded notable successes in electricity distribution and infrastructure management through such partnerships (World Bank, 2018). However, PPPs require strong legal and regulatory frameworks to ensure fairness, sustainability, and equitable risk-sharing between the public and private sectors. Thus, institutional reforms that support PPPs are an important consideration in the regional performance discourse.

Additionally, there is increasing recognition of the role of digital transformation in revitalizing underperforming State corporations. According to Nguena and Abessolo (2023), leveraging digital technologies such as e-procurement, enterprise resource planning (ERP), and mobile service delivery can drastically improve transparency, reduce costs, and optimize resource utilization in State Corporations. Countries like Rwanda and Kenya have made progress in digitizing public services, and similar efforts could significantly improve the accountability and operational effectiveness of State Corporations in sectors such as transportation, agriculture, and health. Digital adoption also opens avenues for more responsive, data-driven decision-making.

It is also critical to address the region's unique socio-political dynamics when crafting performance enhancement strategies. Issues such as ethnic diversity, language barriers, and uneven regional development often complicate policy implementation and organizational cohesion. Therefore, context-specific performance models that integrate local knowledge, inclusive leadership, and culturally sensitive governance structures are essential for sustained transformation of State Corporations in SSA. Adopting such tailored approaches would empower State Corporations to become drivers of inclusive growth and regional integration.

1.1.3 Local Perspective of the Study

Locally, many countries face significant resource constraints, including limited access to financial capital, skilled labor, and advanced technology (Amankwah-Amoah, 2018). Organizations operating in these environments must develop dynamic capabilities that align with these constraints. Factors such as government regulations, political instability, and corruption can either facilitate or hinder an organization's ability to adapt and innovate (Doh et al., 2017). Innovation and learning are pivotal for economic growth in Kenyan markets (Adom & Williams, 2017). This is especially crucial in sectors such as mobile banking and renewable energy, where innovation plays a central role. Kenyan markets are known for their rapid changes and emerging opportunities. Companies with dynamic abilities are set to identify and respond to shifting market dynamics, whether it's the growth of e-commerce or the rise of the Kenyan middle class (African Development Bank, 2019).

Kenyan State Corporations are crucial in the country's performance. However, recent studies have highlighted a trend of poor performance among many of these corporations (Rehman & Kucinkas, 2025). The majority of Kenyan governmental entities, according to Mokaya (2023), have not yet

caught up to their private sector contemporaries. This underperformance has far-reaching implications, affecting not only the corporations themselves but also other sectors of the Kenyan economy. One of the key issues is the over-reliance of these poorly performing State Corporations on the exchequer, which can strain the country's financial resources (Rehman & Kucinkas, 2025). This situation can lead to reduced funding for other sectors, potentially hampering their growth and development.

Furthermore, the poor performance of State Corporations can negatively impact service delivery. For instance, if a state-owned utility company underperforms, it can lead to unreliable services, affecting both households and businesses. This can, in turn, impact other sectors such as manufacturing, which rely on these services for their operations. Mismanagement, bureaucracy, and incompetence have been identified as some of the main problems leading to the failure of State Corporations to achieve their performance targets (Emodia & Mwanzia, 2021). These issues can contribute to inefficiencies and wastage, further exacerbating the economic impact. Moreover, the poor performance of State Corporations can have a ripple effect on the private sector. For example, businesses that rely on State Corporations for certain services or resources may face challenges due to the poor performance of these corporations. This can affect their competitiveness and overall performance.

Efforts to enhance performance at the local level have included policy reforms, governance restructuring, and performance-based contracts. According to Mutembei and Kithae (2023) the introduction of performance contracting in Kenyan public institutions was intended to enhance accountability, efficiency, and service delivery. Although some progress has been observed in certain sectors, inconsistent implementation and political interference continue to hinder its full potential. Leadership commitment and capacity building are critical for such initiatives to succeed and produce tangible improvements in organizational performance.

Additionally, digital transformation is increasingly being recognized as a strategic enabler for improving public sector efficiency in Kenya. The government's push for e-governance exemplified by platforms like e-Citizen and the Integrated Financial Management Information System (IFMIS) has enhanced transparency and streamlined service delivery in some agencies (Wanyoike & Were, 2020). However, these innovations are yet to be uniformly adopted across all State Corporations, and gaps in infrastructure, digital literacy, and change management still pose

considerable barriers. Leveraging ICT tools, data analytics, and citizen feedback systems could substantially increase responsiveness and performance if applied consistently across State corporations.

Moreover, enhancing collaboration between public and private actors in Kenya is essential for knowledge transfer, innovation diffusion, and co-creation of solutions to complex challenges. According to Kinyua and Irungu (2021), partnerships between State Corporations and private enterprises have led to notable improvements in sectors such as water, transport, and ICT. These collaborative ventures introduce private sector efficiency and customer service orientation into the public sector, often resulting in improved outcomes. However, sustained success in such arrangements requires clear regulatory frameworks, well-defined roles, and strong oversight mechanisms.

Finally, institutionalizing a performance culture within local State Corporations is key to long-term improvement. This involves not only establishing measurable performance indicators but also fostering a mindset shift among employees and leaders. Organizations need to embed values of accountability, innovation, and continuous learning into their structures and daily operations. Training programs, leadership development, and performance incentives can drive this change (Mwaura & Gathungu, 2023). Such an integrated approach is crucial for positioning Kenyan State Corporations as reliable engines of national development.

1.1.4 Organizational performance

A firm's real outcomes or results as assessed against its expected outputs (or aims and purposes) describes performance of an organization. Three distinct aspects of company results are included in organizational performance, according to Kaplan and Norton (2021) market outcomes of products; financial success (profits, ROA, ROI); and returns to shareholders (total shareholder return, economic value contributed). A company's performance is evaluated in relation to the management's pledge in the performance management system. It assesses the effectiveness of management strategies and determines whether fiscal, social, and environmental objectives are being met.

Obuobisa-Darko (2020) defines performance as an accomplishment that is frequently used to demonstrate aptitude or as "the show" that is frequently used to demonstrate performance. It can also refer to "completing the task that demonstrates an individual's behavior in working." However,

according to Carmona et al. (2023), performance is the documentation of the outcome attained through the course of a certain task or set of activities within a given time frame.

The activities and financial results of a company are inextricably linked. Studies have indicated that the notion of an entity's performance is multifaceted (Aktan et al. 2016). Firm success is generally described in financial terms because the financial aspect has always been the focus. Furthermore, it is essential to regularly get updates regarding the organization's financial parameters. Among the several performance parameters, monetary performance is the most highly specific and reliable data. However, financial data should also be accessible, especially for legislative and oversight organizations that need to audit specific tax and fiscal matters. The degree to which this financial data should be made public depends on the characteristics of the company, such as its size, whether it is listed or not, and whether it is a private or public entity (Yegon, 2023).

According to Meyer et al. (2023) a firm's profitability is determined by its capacity to create new resources through regular activities over a given time frame. According to Smith and Lewis (2022) and Kaplan and Norton (2021), there are two main categories of monetary performance measurements. The conventional metrics reflect a company's historical financial performance and rely on information from accounting and finance. Also, market-oriented measures, such as the Economic Value Added (EVA) and Market Value Added (MVA) techniques, are calculated from the value of stock markets and are grounded in appraisal tenets. The performance measuring scale utilized in this study was modified from commonly used conventional financial indicators.

In addition to financial indicators, non-financial metrics such as customer satisfaction, innovation rate, employee engagement, and operational efficiency are increasingly gaining recognition in performance assessments. These indicators provide a more holistic view of organizational success, particularly in knowledge-intensive and service-based industries (Aguinis et al., 2020). For instance, organizations with high employee morale and strong learning cultures often demonstrate higher levels of adaptability and sustained performance in competitive markets. Therefore, a balanced performance measurement system should incorporate both tangible and intangible performance indicators for a comprehensive evaluation.

The Balanced Scorecard (BSC) framework introduced by Kaplan and Norton (2021) has been instrumental in guiding firms toward multidimensional performance evaluation. The BSC includes four perspectives (financial, customer, internal business processes, and learning and growth) which

together provide a well-rounded picture of how well an organization is achieving its strategic objectives. Adoption of this approach allows firms to align day-to-day activities with long-term goals, thus enhancing strategic coherence and operational control (Kaplan & Norton, 2021). It also fosters continuous improvement by emphasizing feedback loops and performance monitoring across all organizational levels.

Another important dimension of organizational performance is sustainability, which is increasingly being factored into strategic decision-making processes. Sustainable performance involves not just economic returns but also environmental stewardship and social responsibility. According to Smith and Lewis (2022), integrating sustainability into performance measurement enhances stakeholder trust and long-term viability. Modern firms are now developing sustainability scorecards to track carbon emissions, social equity metrics, and supply chain transparency alongside traditional financial metrics. Such integration is essential for organizations seeking legitimacy in today's environmentally and socially conscious markets.

Moreover, performance outcomes are shaped by the broader institutional environment, including regulatory frameworks, market maturity, and cultural norms. As Smith, and Lewis (2022) notes in his institutional theory, organizational performance is contingent upon conformity to external rules and expectations. In this context, organizations that align their operations with institutional demands through transparency, ethical conduct, and compliance tend to achieve better reputational and financial outcomes. Thus, evaluating performance also requires attention to the socio-political and regulatory environment in which a firm operates.

1.1.5 State Corporations

State Corporations are created in accordance with the State Corporations Act, Chapter 446 of Kenyan laws, and are granted the freedom to manage and focus on particular mandates so as to enhance the delivery of government services. Despite having a board of directors or other comparable governing body to manage their daily activities, they are generally supervised by the Ministries under which they were established (GOK, 2012). Kenya currently has about 177 State Corporations, which are categorized into a number of broad functional groups according to their core duties and mandate. These groups include the following: public institutions of higher learning, financial business entities, business-related and production firms, legislative companies, academic

and research business entities, service corporations, developmental officials, academic institutions, and instructional corporations.

State Corporations are expected to operate in a manner that ensures they are self-sustaining and do not rely heavily on government funding. However, in practice, many of these corporations still face financial challenges and are often dependent on government bailouts. This has raised concerns about their efficiency and accountability. Studies have shown that the lack of clear performance metrics, poor governance structures, and political interference have contributed to the underperformance of many State Corporations in Kenya (Mulamba et al., 2025). Moreover, the culture of complacency, lack of innovation, and inefficiencies in operations further hinder these organizations from meeting their full potential.

State Corporations in Kenya are expected to play a significant role in the country's economic development by providing essential services, stimulating industrial growth, and driving the nation's infrastructure development. Examples of such corporations include Kenya Power and Lighting Company (KPLC), which is responsible for electricity generation and distribution, and Kenya Airways, the national carrier. These corporations not only provide essential services to citizens but also contribute significantly to the government's revenue through taxes and other fees (Mokaya, 2023). However, challenges such as outdated technologies, heavy debt burdens, and inefficiencies have limited the overall impact of these corporations on Kenya's economic progress (Mwaura & Gathungu, 2023).

Reforms in governance and management practices have been implemented in recent years to improve the performance of State Corporations. One of the key strategies has been the introduction of performance contracting, where State Corporations are required to meet specific targets in exchange for government funding and support. This approach aims to increase accountability and operational efficiency by linking government funding to performance outcomes (Mutembei & Kithae, 2023). However, the success of performance contracting has been mixed, with some corporations reporting positive results, while others continue to struggle with governance challenges and inefficiencies.

Furthermore, the role of leadership in State Corporations cannot be overstated. Strong and visionary leadership is critical for the success of these entities, as it can drive innovation, inspire employees, and foster a culture of excellence. However, many State Corporations face challenges

related to leadership, including political appointments, lack of proper succession planning, and inadequate training for leaders (Ngwenya & Pelsner, 2021). The absence of professional leadership often leads to poor decision-making, mismanagement of resources, and failure to meet performance targets. Therefore, the professionalization of leadership within State Corporations remains a key area for reform in Kenya (Mokaya, 2023).

The privatization of State Corporations has also been a topic of debate in Kenya, particularly in cases where the performance of State Corporations is deemed unsatisfactory. Privatization is seen as a potential solution to improving efficiency and attracting private capital and expertise. However, this approach has been met with resistance due to concerns over job losses, the potential for monopolistic behavior, and the impact on the public sector's ability to provide essential services (Mwaura & Gathungu, 2023). A balanced approach that combines private sector involvement with public sector oversight is essential for ensuring that State Corporations can fulfill their mandates while improving their overall performance.

The importance of improving State Corporations performance is further emphasized by national and continental development frameworks. Kenya Vision 2030 prioritizes industrialization, infrastructure development, and efficient public institutions to achieve middle-income status and sustainable economic growth. Efficient State Corporations are key to delivering on these objectives, particularly in strategic sectors such as energy, transport, and finance (African Union Commission, 2015). At the continental level, AU Agenda 2063 envisions a prosperous Africa based on inclusive growth, innovation, and sustainable institutions. State Corporations, as public institutions, are instrumental in implementing AU-wide industrialization, infrastructure, and economic diversification goals.

Furthermore, the United Democratic Alliance (UDA) five-priority agenda for socio-economic transformation by 2027 emphasizes economic empowerment, job creation, digital transformation, and infrastructure development. State Corporations are central to this agenda, as their operational efficiency and innovation capacity directly affect service delivery, public accountability, and the creation of employment opportunities. Underperforming State Corporations, therefore, impede the realization of these strategic objectives, highlighting the need for research into factors that enhance their effectiveness.

1.2 Statement of the Problem

State corporations play a crucial role in the achievement of economic growth, social development and sustainable development goals (SDGs) globally. Specifically, emphasis is put on the attainment of SDG 8 and SDG 9. State Corporations, through service delivery, job creation and infrastructure they were established to provide, have the potential to stimulate economic growth and advance the welfare of the citizen. However, State Corporations often face persistent challenges related to efficiency, governance, and performance. For instance, research by the Organisation for Economic Co-operation and Development (OECD, 2020) highlights that globally, nearly 40% of State Corporations underperform relative to private firms due to bureaucratic rigidity, weak leadership, and slow adoption of technology.

A report published by The Presidential Taskforce on Parastatal Reforms in 2013 revealed that out of one hundred and thirty only twenty-three State Corporations were deemed financially viable. Despite receiving numerous bailouts, most State Corporations continue to grapple with poor performance, as noted by Mutembei and Kithae (2023). Further compounding this issue, financial audits in 2019 revealed that over 70% of State Corporations did not meet their performance contracting targets, indicating persistent operational inefficiencies. Mismanagement, political interference, corruption, and poor service delivery are frequently cited causes of this sustained underperformance. This has rendered State Corporations less transparent, less profitable (specifically for commercial State Corporations) and less committed as far as service delivery is concerned compared to private firms, which, according to a 2020 report by the Kenya Private Sector Alliance, registered average annual growth rates of 7.5%, while many State Corporations posted stagnant or negative growth.

Poor performance influences various stakeholders including the government which is unable to achieve its policies, the citizens are unable to get good services and also the employees of State Corporations may be retrenched because of poor performance not to mention the suppliers who may lose job opportunities.

Several studies have been conducted on the organizational capabilities of various institutions in Kenya, spanning both the private and governmental sectors. In their research, Bhawaj et al. (2015) noted that effective leadership capabilities play a pivotal role in unleashing the potential

performance of firms. Aydiner et al. (2019) from China made a noteworthy discovery of information system capabilities on decision-making processes and customer satisfaction rates.

In a separate investigation, Kusumawati et al. (2022) underscored the importance of strategic management and development for State Corporations in enhancing the profitability of these entities. Khalif, Deya, and Noor (2022) unveiled an association between resource capabilities with the outcomes of commercial State corporations in Kenya. Additionally, Onyango et al. (2015) emphasized that marketing, leadership, and resource capabilities can significantly enhance the outcomes of sugar firms in Kenya.

Hence, a research gap exists in understanding how Dynamic Capabilities and innovative behavior impact State Corporations. This study aimed to fill this gap by investigating the influence of structural adaptations, technology adoption, leadership styles and knowledge management and the moderating influence of innovative behavior on performance in the unique context of Kenyan State Corporations.

1.3 Objectives of the Study

1.3.1 General Objective

The general purpose of the study was to assess the influence of dynamic capabilities and role of innovative behavior on performance of State Corporations in Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were;

1. To establish the influence of structural adaptations on performance of State Corporations in Kenya.
2. To determine the influence of technology adoption on performance of State Corporations in Kenya.
3. To establish the influence of leadership styles on performance of State Corporations in Kenya.
4. To determine the influence of knowledge management on performance of State Corporations in Kenya.
5. To establish the moderating influence of innovation behavior on the relationship between dynamic capabilities and performance of State Corporations in Kenya.

1.4 Research Hypotheses

The study was guided by the following research hypotheses:

H₀₁: Structural adaptations of a State Corporation do not have a significant influence on performance.

H₀₂: Technology adoption in a State Corporation does not significantly influence performance.

H₀₃: Leadership styles in a State Corporation has no significant influence on performance.

H₀₄: Knowledge management in a State Corporation has no significant influence on performance.

H₀₅: Innovative behavior of a State Corporation does not significantly moderate the relationship between dynamic capabilities and performance of State Corporations in Kenya.

1.5 Significance of the Study

This study has produced data that is valuable in informing policy formulation aimed at ensuring State Corporations operate effectively and conform to established standards and regulations. The findings support the initiation and refinement of policy guidelines by oversight bodies such as the inspectorate of State Corporations. Furthermore, the study provides a foundational basis for developing robust frameworks that enhance transparency, accountability, and operational efficiency in State Corporations, thereby promoting the stability of the public sector and contributing positively to national economic development.

The results of the study are instrumental for top management teams within State Corporations in making evidence-based decisions that foster the adoption and development of capabilities to boost organizational performance. By highlighting key performance gaps and areas requiring improvement, the findings offer guidance for developing targeted strategies to optimize operational processes, financial controls, and human resource management. The study also facilitates benchmarking against best practices, encouraging a culture of continuous improvement and operational excellence. Additionally, the insights gained are applicable in shaping leadership and management development programs that support innovative and effective decision-making.

The study has also provided critical input for State Corporations in the development of key performance indicators (KPIs), which enable continuous performance tracking and the adoption

of corrective measures where necessary. These findings help promote a results-driven culture that enhances both immediate productivity and long-term sustainability. Moreover, the results contribute to the refinement of performance measurement frameworks to better align with changing organizational and market needs.

Through its findings, the study has enabled organizations to evaluate internal processes, ensuring that their competencies align with desired outcomes. These insights have been used to inform internal policy enhancements in other State Corporations, leading to improvements in operational efficiency, competitiveness, and public service delivery. This has also translated into enhanced customer satisfaction and stronger stakeholder engagement.

The study has identified and addressed key barriers that limit the effective utilization of organizational capabilities in State Corporations. These findings have offered actionable recommendations for overcoming such challenges, thereby improving performance outcomes and helping institutions fulfill their mandates more effectively in alignment with national development goals.

On a theoretical and empirical level, this research contributes to a deeper understanding of productivity in state commercial corporations. It fills existing gaps in literature by offering detailed analysis and empirical evidence on the role of governance, leadership, and strategic management practices in shaping performance. These contributions offer a valuable reference point for future academic research and comparative studies in public sector management, particularly within developing economies.

Finally, by linking dynamic capabilities and innovation behavior to performance outcomes, the study advances the theoretical discourse on public sector performance. It contextualizes the dynamic capabilities framework within Kenya's public sector and demonstrates its practical applicability, offering new perspectives to scholars, policymakers, and practitioners striving to improve State Corporation governance and performance.

1.6 Scope of the Study

The research focused on State Corporations in Kenya, specifically examining the factors contributing to the dynamic capabilities that influence their performance. Dynamic capability was measured in terms of structural adaptations, technology adoption, leadership styles, and knowledge

management. These dimensions were selected based on their significant role in determining the operational efficiency and sustainability of State Corporations. By focusing on these elements, the study aimed to provide insights into how State Corporations can effectively leverage their resources and capabilities to adapt to an increasingly complex and competitive environment.

This study targeted the 177 State Corporations in Kenya, which encompass a diverse range of sectors and industries, including finance, energy, transportation, education, and service delivery. These organizations are integral to the country's economic development, and understanding their operational dynamics is crucial to improving their effectiveness. Given the diversity within these corporations, the study sought to offer a comprehensive view by examining a representative sample of 122 State Corporations. The selection of this sample was made to ensure that the study was both manageable and statistically significant, providing a broad perspective on the dynamics at play within these entities.

The unit of observation for this study was the CEO or their representative from each of the organizations, as they are central to decision-making processes and strategic direction in State Corporations. Engaging top-level leadership ensured that the insights gathered would reflect the overall organizational strategy and vision, as well as the influence of leadership on the dynamic capabilities of these corporations. Data was collected through surveys and interviews, offering both quantitative and qualitative insights into the factors that influence performance outcomes.

The study was conducted during the period 2024-2025, providing a contemporary snapshot of the dynamics within State Corporations in Kenya. This time frame was chosen to capture the current trends in management practices, technology adoption, and governance reforms that have been implemented in recent years. The evolving economic, political, and technological landscape in Kenya, particularly in the wake of global disruptions such as the COVID-19 pandemic, made this period an ideal focus for studying the capacity of State Corporations to adapt and thrive.

The research delimited itself by focusing solely on State Corporations within Kenya, which are owned and operated by the government. By narrowing the scope to these organizations, the study concentrated on examining the dynamics of public sector entities that directly contribute to national development. The study sought to explore how dynamic capabilities are developed, deployed, and adapted within these State Corporations to meet both internal and external

challenges, providing a detailed understanding of factors affecting performance in the public sector.

Additionally, the study was built upon a well-researched literature review that provided a clear theoretical framework for understanding the relationship between dynamic capabilities and organizational performance in State Corporations. This ensured that the research focused on critical factors without attempting to explore every possible variable that could impact State Corporations' performance. The focus on specific elements of dynamic capabilities, such as leadership styles, technology adoption, and knowledge management, allowed for a more focused and manageable investigation.

The study also delimited itself by excluding private organizations and non-governmental entities, limiting its findings to the public sector. However, the insights gained can inform policy development for State Corporations, and the methodologies used could be adapted for similar studies in the private sector.

1.7 Limitations of the Study

The study faced several limitations, which were mitigated to ensure the reliability and validity of the findings. One limitation was the exclusive focus on State Corporations, which restricted the generalizability of the results to other sectors such as the private sector. To mitigate this, the study specifically selected a representative sample of State Corporations across various industries, which helped to ensure that the findings remained relevant to a broader spectrum of government-run entities, thus enhancing the external validity of the research.

Another limitation was the use of self-reported data, which may introduce response bias, as senior management perspectives might not always reflect the true internal realities of the organizations. To mitigate this, the study incorporated both quantitative data from surveys and qualitative data from interviews, allowing for cross-validation of responses and a more comprehensive understanding of the factors influencing performance. Additionally, the study emphasized confidentiality and voluntary participation to encourage honesty and openness in responses.

The study was also limited by its timeframe (2024–2025), which may restrict the longitudinal applicability of the findings. Given the rapid pace of technological and economic change, the study focused on providing a snapshot of the current situation while recognizing that future changes in

governance, technology, and regulation might influence State Corporations in different ways. Although the research provides valuable insights for the present context, it serves as a foundation for future studies that can track changes over time.

1.8 Assumptions of the Study

This study was based on several key assumptions:

1. It was assumed that the survey instruments and interview questions used for data collection were reliable and capable of consistently capturing the intended data. The survey instruments were pre-tested to ensure clarity and effectiveness in gathering relevant information from respondents.
2. It was assumed that the measurement scales used to assess dynamic capabilities and performance were valid and appropriate for the study's context. The scales were derived from well-established frameworks in the literature and tested for their relevance to the Kenyan context, ensuring they accurately measured the constructs of interest.
3. The study relied on the dynamic capabilities framework, which assumes that organizations can adapt and reconfigure their resources to meet environmental changes. It was assumed that State Corporations in Kenya have the potential to utilize their dynamic capabilities to enhance performance. Furthermore, it was assumed that the leadership styles, technology adoption, and knowledge management practices in these organizations would significantly influence their overall performance outcomes.
4. The study assumed that respondents would provide truthful and accurate responses, given the assurances of confidentiality and voluntary participation. It was assumed that senior management representatives, particularly CEOs or their delegates, would have the knowledge and authority to provide reliable insights into their organizations' operations and strategic direction.

1.9 Operational Definition of Terms

Dynamic Capabilities: is the capacity of a company to modify, incorporate, and reorganize its resources and competencies to match the adjusting environment (Mulamba et al., (2025)

Innovative behavior: refers to the organization's the capacity to recognize novel concepts and develop them into fresh or enhanced goods, services, or procedures that improve a firms' proposition to its consumers (Mendoza-Silva, 2021).

Knowledge Management: This is the process that promotes continuous acquisition, sharing, application, storage, and protection of organizational knowledge with intention of improving efficiency (Mtawali & Kiiru, 2018).

Leadership styles: refers to the ways that leaders behave and interact with their followers, peers, and superiors in order to achieve organizational goals (Avolio & Bass, 2009).

Structural adaptations: entails changes in the design, arrangement, or distribution of roles, functions, or processes within an organization that enable it to respond effectively to changing environments, technologies, or goals (Johnson, 2020).

Technology adoption: introducing new or improved methods, processes, devices, or systems that increase the capabilities, efficiency, or productivity of human activities (Willie, 2025).

State Corporations: are government-owned entities established by the state to carry out specific functions that support the implementation of national policies and the provision of public goods and services (Government of Kenya [GOK], 2018).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers prior works, which were conducted on topics that are relevant to this investigation on the impact of dynamic capabilities on efficiency of SCs in Kenya. Theories that underpin the research are discussed in detail in this chapter, which also includes a framework that depicts the association among study factors and the empirical literature on each of the variables. There is a section that provides an analysis of the previous research, and there is another section that highlight the gaps in knowledge that offer support to the argument that this study needed to be conducted.

2.2 Theoretical Review

The research was anchored on various theories that are presented in this section. This includes the Dynamic Capabilities View of the firm which anchored the study and also supported by others.

2.2.1 Dynamic Capabilities View of the Firm

The Theory focuses on how organizations adapt, reconfigure, and build internal and external resources to address rapid changes taking place in the environment. The theory, first suggested by Teece (2014) maintains that firms must continually integrate, obtain, and reconfigure internal and external competences to achieve and maintain a competitive advantage. Teece (2014) explained Traditional capabilities mean utilising your resources as efficiently as possible. Dynamic capabilities are more about the ability to adapt to changes in the environment. This theory is particularly relevant in environments marked by rapid technological advancements, changing customer preferences, and global competition (Helfat & Martin, 2015). In the context of State Corporations, dynamic capabilities enable these organizations to align their strategies with both internal capabilities and external market dynamics, ensuring long-term success and stability (Basil, et al., 2024; Eisenhardt & Martin, 2000).

The theory links strongly to the study's key variables, especially structural adaptations, technology adoption, and leadership styles. Dynamic capabilities suggest that an organization must be capable of modifying its structure to adapt to new environments and incorporate changes in its external environment (Helfat & Martin, 2015). For instance, State Corporations can enhance their

operational efficiency by revising internal processes, adjusting their organizational structure, or redesigning workflows to respond to shifting policy, technological advancements, or changes in the global market (Teece et al., 2007). These structural adaptations ensure the organization remains flexible and responsive, directly contributing to improved performance outcomes. Likewise, the capacity for technology adoption is another core component of dynamic capabilities. According to Teece (2014), firms that have the capability to integrate new technologies are better equipped to manage market disruptions and capitalize on emerging opportunities. In State Corporations, this means incorporating advanced technological solutions into their operations to improve efficiency, service delivery, and competitive advantage (Teece, 2014; Helfat & Martin, 2015).

Leadership plays a crucial role in shaping and directing dynamic capabilities within an organization (Bornay-Barrachina et al., 2023). The leadership styles within State Corporations are essential for facilitating organizational adaptability. Leaders must possess the vision and skills to steer the organization through changes, whether through technological transformation or structural redesigns (Helfat & Martin, 2015). This is consistent with the view of Eisenhardt and Martin (2000), who argue that strategic leadership is integral to managing dynamic capabilities in ways that optimize resource allocation and foster innovation. In the context of State Corporations, leadership ensures that the vision for organizational change aligns with the broader goals of national development while promoting the organizational agility necessary to thrive in a complex and evolving environment (Bornay-Barrachina et al., 2023; Teece, 2007). Thus, the leadership style within State Corporations must be conducive to fostering dynamic capabilities that enhance performance by managing resources effectively and adapting to changes.

Dynamic Capabilities Theory is a critical framework for understanding how State Corporations in Kenya can enhance their performance. By focusing on structural adaptations, technological adoption, and leadership, the theory offers valuable insights into how these organizations can respond proactively to external changes, continuously evolving to meet new challenges and opportunities. The theory provides a robust foundation for exploring how State Corporations can leverage their dynamic capabilities to improve performance in the face of changing external conditions and internal needs (Teece, 2007; Teece et al., 2016). Therefore, dynamic capabilities, particularly those involving the adaptation of organizational structures and the integration of technology and leadership, are essential for ensuring the long-term viability and effectiveness of State Corporations in Kenya.

2.2.2 Resource-Based View of the Firm

According to Wernerfelt, 1984's article introduced the Resource-Based View (RBV) of the firm. The RBV was further refined in 1991 by Barney. Resource Based View Postulation of Resource Based View (RBV). In his VRIN framework, Barney (1991) noted that resources must be valuable, rare, inimitable, and non-substitutable for organizations to outcompete their rivals. Unlike traditional views that focus on external factors such as market structure or competitive dynamics, the RBV posits that the internal resources of an organization, including physical assets, intellectual capital, and organizational culture, play a pivotal role in determining long-term success (Wernerfelt, 1984; Barney, 1991). This view aligns closely with the idea that firms can gain a competitive edge by effectively managing and leveraging their internal resources, which are often difficult for competitors to replicate or substitute.

In the context of State Corporations, RBV highlights the critical importance of knowledge management, technology adoption, and structural adaptations in driving performance. Knowledge, both tacit and explicit, is considered a key strategic resource in the RBV framework (Grant, 1996). For State Corporations, knowledge management facilitates the continuous development of new capabilities, ensuring that employees at all levels can access, share, and apply relevant knowledge to improve operations and service delivery. Effective knowledge management systems enable organizations to foster innovation and maintain competitive advantage by leveraging organizational learning, which is central to long-term success in a rapidly changing environment (Chebii et al., 2019). This makes knowledge management a crucial variable for enhancing the overall performance of State Corporations in Kenya.

RBV also underscores the value of technology adoption as a key resource for firms to adapt to environmental changes and enhance their operational capabilities. As Mulamba et al. (2025) argues, firms with strong dynamic capabilities are better positioned to integrate new technologies into their existing systems, thereby gaining a competitive advantage. This is particularly relevant for State Corporations, which must modernize their operations to keep up with evolving technological trends and improve service delivery. Through technology adoption, State Corporations can enhance their efficiency, reduce operational costs, and improve customer satisfaction (Barney, 1991; Teece et al., 2016). Furthermore, structural adaptations, which involve changes to organizational processes, systems, and structures, are essential in enabling State

Corporations to leverage their resources effectively. The ability to adapt organizational structures to optimize resource use and align with strategic objectives is crucial for performance enhancement (Helfat & Martin, 2015; Barney, 1991).

Another important aspect of the RBV is the emphasis on intangible resources such as organizational culture and leadership capabilities. These intangible resources play a critical role in sustaining competitive advantage, as they are often difficult to replicate by competitors (Andreeva et al., 2019). Leadership, as a strategic resource, is particularly important in guiding and coordinating the other resources within the organization (Hitt, et al., 2013). In State Corporations, strong leadership is needed to drive organizational change, make strategic decisions, and align resources with the corporation's objectives. Leadership ensures that the strategic direction is in line with the national development goals, making it a vital factor in improving organizational performance (Hitt et al., 2013).

Resource-Based View (RBV) provides a robust framework for understanding how State Corporations can leverage their unique resources to enhance performance. By focusing on knowledge management, technology adoption, and structural adaptations, State Corporations can better align their internal capabilities with the demands of the external environment. RBV's emphasis on intangible resources such as leadership and organizational culture further underscores the importance of managing internal resources effectively to achieve sustained competitive advantage. This theory provides valuable insights into how State Corporations in Kenya can optimize their resources to enhance their operational efficiency and contribute to national development goals (Jaleha & Machuki, 2018; Haule & Mushi., 2024)

2.2.3 Diffusion of Innovation Theory

Rogers (1971) proposed the Diffusion of Innovation (DOI) Theory, which attempts to explain how new ideas, technologies and innovation come to be adopted in a social system. The diffusion process is the process by which an individual or organization communicates a new idea or practice to another (Rogers, 1995). The theory outlines that the rate and extent of adoption depend on several factors, including the perceived relative advantage, compatibility with existing systems, simplicity, trialability, and observable results of the innovation (Rogers, 2003). Innovations that offer clear, tangible benefits tend to be adopted more quickly, whereas those that require significant changes or present higher risks often experience slower adoption rates. In the context of State

Corporations, technology adoption and innovative behavior are central to this theory, as they determine how new technologies or operational practices are adopted and implemented within these organizations.

In State Corporations, the adoption of innovation often faces unique challenges due to the bureaucratic structures, risk aversion, and regulatory constraints inherent in the public sector (Chesbrough, 2010). The DOI theory helps explain why some innovations, such as new technologies or process improvements, are adopted more readily than others. State Corporations, much like private firms, operate within a broader social system, where the adoption of innovation can be influenced by the characteristics of the innovation itself and the organizational culture (Hawario Asser et al., 2023). For State Corporations, the potential benefits of adopting technology such as improving service delivery, enhancing efficiency, or reducing costs may encourage quicker adoption. However, resistance to change, particularly in large public organizations, can slow down the process (Rogers, 2003; Chesbrough, 2010). Therefore, understanding the diffusion process is crucial for ensuring the successful implementation of new technologies and practices in State Corporations.

The DOI theory also introduces the concept of adopter categories, which categorize individuals or organizations based on their willingness to adopt innovations. Innovators are the first to adopt new technologies, often taking risks and experimenting with untested innovations. Early adopters follow closely behind, typically playing a crucial role in influencing others due to their opinion leadership. The early and late majorities adopt innovations once they are widely accepted, while laggards are the last to adopt, often resisting change until it becomes unavoidable (Rogers, 2003). In State Corporations, leadership styles play a pivotal role in determining which category an organization falls into (Elegba et al., 2025). Leaders who encourage risk-taking and champion innovation can move their organization toward the early adoption phase, driving the diffusion of new technologies and practices more rapidly. Conversely, more conservative leadership may result in slower adoption, particularly among the late majority and laggards, thus hindering performance improvements (Rogers, 2003; Irami et al., 2013).

Additionally, the theory emphasizes the role of communication channels in the diffusion process. Effective communication is essential for overcoming resistance to innovation and ensuring the successful adoption of new ideas or technologies. Rogers (2003) highlights that innovations spread

more quickly through strong communication networks, where trusted opinion leaders play a significant role in influencing adoption decisions. In State Corporations, these communication channels can include formal mechanisms like training sessions, workshops, or meetings, as well as informal networks among employees and management. The involvement of opinion leaders and influential figures within the organization can accelerate the diffusion process, as they can help reduce uncertainty and persuade others to adopt new technologies or practices (Rogers, 2003). Therefore, understanding the role of communication channels and opinion leaders is crucial for effectively managing innovation adoption within State Corporations.

Diffusion of Innovation Theory provides a useful framework for understanding how innovations, particularly technology and new organizational practices, spread within State Corporations. The theory's emphasis on adoption categories, perceived relative advantage, and communication channels offers valuable insights into how State Corporations can effectively manage the adoption of new technologies and innovations. By considering the organizational and social factors that influence adoption, State Corporations can better navigate the challenges of innovation diffusion and enhance their performance outcomes. This understanding is critical for fostering an environment of continuous improvement, which is necessary for maintaining competitive advantage in a rapidly changing environment (Rogers, 2003; Chesbrough, 2010).

2.2.4 The Theory of the Firm

The Theory of the Firm seeks to explain why firms exist, how they are structured, and how they interact with their environment. Rokkan and Haugland (2022) conceptualize the firm as an organization that maximizes its efficiency and profit by effectively utilizing resources while minimizing transaction costs. This theory is built on the premise that firms form to reduce the costs associated with market exchanges, such as negotiation, enforcement, and information gathering, which could be inefficient in open markets (Patil et al., 2024). Firms internalize these transactions to streamline operations and maximize performance. This concept is directly linked to the dependent variable in this study because the firm's ability to optimize its internal processes, manage resources effectively, and adapt to external changes can significantly influence its overall performance outcomes. In State Corporations, the structure and efficiency of resource utilization, particularly in managing transactions and operations within a regulatory framework, are critical factors in achieving desired performance.

The Theory of the Firm also includes resource orchestration, which refers to the firm's competence or ability to manage, deploy and reconfigure its resources in the light of market rivalry (Sirmon, et al., 2007). This perspective is essential for understanding how the internal operations of firms can be structured to improve performance. State Corporations often face unique challenges, such as bureaucratic inefficiencies and regulatory constraints that can impede their ability to manage resources effectively. The theory suggests that by aligning internal capabilities such as leadership, technology adoption, and organizational structure with the firm's strategic goals, performance can be optimized (Sirmon et al., 2007). In State Corporations, this means that effective leadership and resource orchestration are critical for improving performance, especially when adapting to both internal inefficiencies and external pressures such as political or economic changes.

A key component of the Theory of the Firm is the concept of transaction cost economics, which examines the cost of making exchanges within the firm versus in the market (Coase, 1937). In State Corporations, managing transaction costs efficiently can lead to better resource utilization and cost savings, ultimately improving performance. For instance, internalizing certain processes or creating specialized units to handle procurement or service delivery can lower transaction costs and increase efficiency, which in turn enhances overall performance. When transaction costs are minimized, firms can allocate resources more effectively, streamline operations, and reduce inefficiencies, leading to improved performance outcomes. The internal management of resources, supported by effective leadership and sound organizational strategies, is a central tenet of this theory, directly influencing the performance of State Corporations.

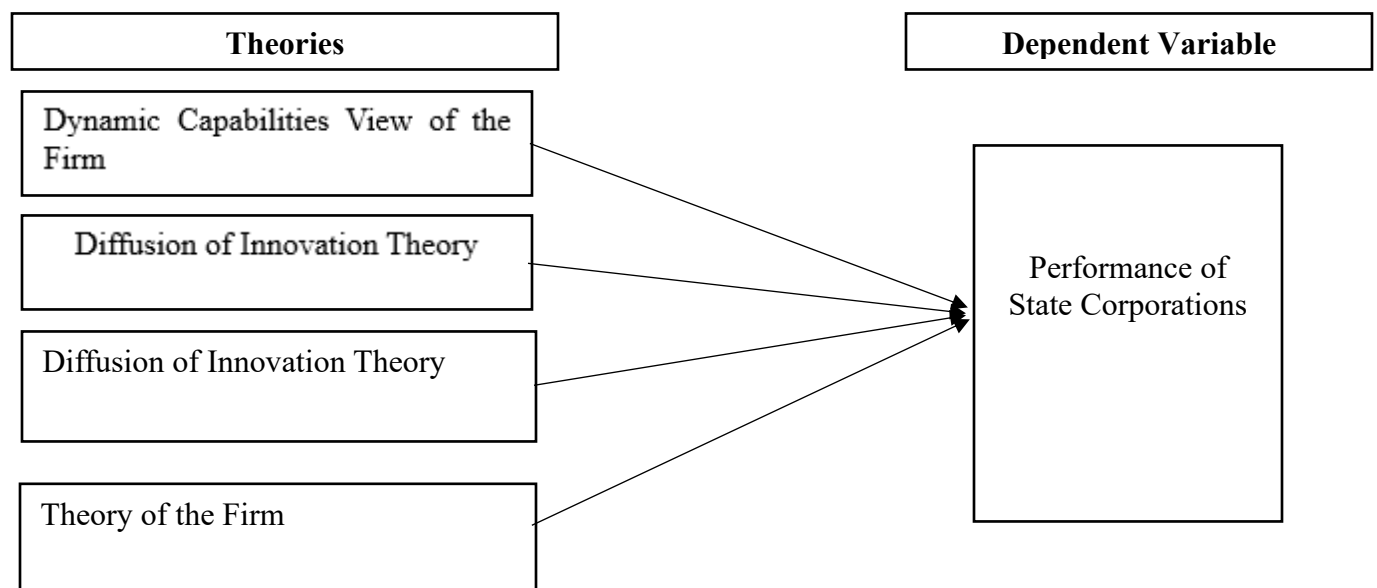
Moreover, the Theory of the Firm highlights the firm's need to adapt to both microeconomic and macroeconomic factors, which can significantly impact organizational performance. Microeconomic factors include pricing strategies, labor costs, and production methods, all of which directly affect the efficiency and profitability of the firm. Macroeconomic factors, such as economic growth, inflation, and political stability, provide the broader context in which firms operate. State Corporations are particularly influenced by these external factors, as their performance is often linked to national policy decisions, regulatory environments, and economic conditions (Muturi & Kalui, 2022 ; Songa et al., 2023). Understanding and adapting to these factors is crucial for enhancing performance, as State Corporations need to align their operations with the country's economic and development goals while managing risks posed by external uncertainties. Therefore, the Theory of the Firm not only addresses the internal management of resources but

also highlights the external context in which State Corporations must operate to ensure sustained performance.

Theory of the Firm offers valuable insights into how State Corporations can enhance their performance by optimizing resource utilization, minimizing transaction costs, and adapting to both internal and external changes. By applying the principles of transaction cost economics and resource orchestration, State Corporations can improve their operational efficiency, streamline processes, and better align their activities with strategic goals, all of which contribute to better overall performance. Effective leadership and the ability to manage internal and external factors are central to achieving these performance outcomes, highlighting the critical role of management in driving the success of State Corporations (Coase, 1937 Murithi et al., 2024).

Figure 2.1

Theoretical Framework



2.3 Empirical Literature Review

2.3.1 Structural Adaptations and Performance of State Corporation

Khamis et al. (2019) investigate the connection between control model and business success. 42 out of 48 businesses from a range of industries that were listed on the Bahrain Bourse between 2012 and 2017 make up the research collection. The study was anchored on dynamic capability theory since ownership and control is usually a governance capability which by extension is a dynamic capability. The research looked at organizational and management control as well as various facets of property consolidation. There were two different productivity metrics used: Tobin's Q and Return on Assets (ROA). To address potential endogeneity issues among the study variables, the 2SLS statistical method was employed. The findings indicate that ownership concentration negatively and significantly impacts company performance. On the other hand, institutional ownership improves the performance of the business. Conversely, no discernible impact of leadership ownership on performance was found. It has been noted, nonetheless, that leadership involvement only improves performance in situations where focus on ownership is falling.

Ali et al. (2022) approach the impact of structural adaptation through the lens of global food value chains disrupted by the COVID-19 pandemic. Using the dynamic capabilities framework, they examine how firms in the agri-food sector restructured their supply chains, decision hierarchies, and partner networks to develop resilience. Structural adaptations such as flexible sourcing, virtual collaboration setups, and decentralized operations were found to enhance firms' ability to mitigate risk and maintain performance. The study utilized survey data from global SMEs and multinationals and applied structural equation modeling to test the relationships. A significant contribution of the paper is its empirical validation that structural realignment in response to exogenous shocks leads to sustained organizational performance, supporting Teece's proposition that reconfiguration of resources is central to dynamic capabilities. Their findings underscore that during periods of disruption, firms that rapidly adapt structurally are more likely to achieve both operational continuity and competitive advantage.

Angeles et al. (2022) study delves into how micro, small, and medium-sized enterprises (MSMEs) in Mexico use strategic and structural flexibility to navigate their organizational lifecycles. The study was anchored on dynamic capabilities theory. The authors conceptualize structural flexibility

a form of structural adaptation as a dynamic capability that enables firms to respond proactively to market demands, resource constraints, and internal growth pressures. Data was collected from over 200 MSMEs across different sectors, and results showed that firms exhibiting greater structural adaptability such as rotating leadership responsibilities, fluid team compositions, and simplified communication flows demonstrated superior performance metrics, including innovation output, customer responsiveness, and revenue stability. The study integrates lifecycle theory with the dynamic capabilities framework, offering a comprehensive explanation of how structural changes, especially during transitional business phases, positively influence firm viability and sustainability.

Placing an emphasis on the function of possession, Beecher's (2018) paper attempts to investigate the relationship between publicly traded sector performances particularly that of aquatic utilities and the significance of organizations and systems. The investigation examines the way administrative (external) and systemic (intrinsic) administration impact productivity results using a systems theory framework that makes this distinction. The research reveals that there is conflicting and largely ambiguous practical data about the influence of possession, and that commercialization might not be both required and adequate to guarantee productivity. Instead of placing too much focus on possession, the analysis suggests a practical strategy that enhances basic management competencies in connection with operational aspirations. To demonstrate the use of a theoretical framework, this research also offers an analytical review of the US aquatic industry.

Research was done by Tsegba and Ezi-Herbert (2014) using a dataset that included 73 organizations that have listings on the Nigerian Stock Exchange. The aim of their investigation was to investigate the association involving business pattern and business productivity. The study utilized agency theory and the Resource-Based View (RBV) theories. Three key conclusions emerged from the examination's outcomes. Initially of all, it demonstrated that focus on ownership and productivity were negatively correlated. It also found a detrimental relationship amongst insider investment and output. Finally, the study found that foreign possession and earnings had a favorable, while statistically insignificant, link.

In a research paper by Kumar et al. (2025), the relationship amid shareholding pattern and productivity was investigated using the ROA indicator on an inventory of 5,224 Indian enterprises that exists between 1994 and 2000 using the Agency Theory and RBV theories. The results of the

investigation demonstrated a connection between executive and societal of institutions in terms of productivity. Khamis et al. (2015) examined corporate structure's effect on 15 privately owned financial institutions listed on the Amman Stock Exchange in an alternate investigation, utilizing the Agency Theory. The results of this analysis showed that management of Jordanian financial institutions is noticeably concentrated. It was interesting, although, that success, as determined by the fiscal indicator (ROA), wasn't significantly affected by this substantial asset intensity.

A study by Jafar and El-Sawa (2019) in Jordanian examined a group of 132 Jordanian businesses that had been listed between 2012 and 2015 on the stock exchange in Amman applying agency theory and organizational behavior theory. The investigation aimed to evaluate the effects of panel composition and shareholder intensity on business success. The results of the research demonstrated a substantial and beneficial association amongst productivity and variables like corporate attention, panel magnitude, and the number of appointments. In a different study, Al-Sa'eed (2018) assessed corporate system and profitability in Swedish businesses between 2007 and 2012. The inquiry's findings showed that the profitability of the organizations based on review was negatively impacted by the usage of multifaceted category stakes, which have distinct power to vote and payouts of dividends for general investors and the firm's proprietors.

Investigation was done by Perini et al. (2019) utilizing an array of Italian businesses that were active in the sector from 2010 to 2013 applying the RBV theory. Their goal was to investigate the connection amongst business productivity and shareholder composition. The examination's conclusions showed a beneficial association between a business's total capitalization and its share status of its top 5 investors. On the other hand, leadership stakes appeared to be better in businesses with a smaller degree of property. Bakri et al. (2024) examined Malaysian companies that went public on the shares exchanges in a different study applying agency theory and RBV. Their aim was to examine how these organizations' worth was affected by various variables, including corporate order, payouts, and the deck of leadership. In contrast to predictions, their research unexpectedly showed that hierarchical and consolidated management showed no discernible effects on corporate worth.

Kihara et al. (2016) investigated effect of strategically reliant architectural aspects on the productivity of substantial manufacturing enterprises in Kenya using functional paradigm as an exploratory criterion. The investigation's underlying principle of inquiry was optimism, and it

employed an interdisciplinary investigation method that incorporated qualitative and analytic polling data. The research project's the populace comprised 499 massive industrial corporations, with a representative size of 217 administrators taken from every of the 217 industries. By distributing survey forms to the relevant superiors, the information was acquired. The research's findings demonstrated that the firm's hierarchical strategy has a major impact on the output of large manufactures.

Kachisa and Otuya (2024) conducted an in-depth study on sugar companies in Western Kenya, focusing on the influence of structural alignment on organizational performance. Using the dynamic capabilities and resource-based theories, they demonstrated that structural alignment is crucial for navigating turbulent environments and enhancing competitive advantage. The study showed that internal alignment of roles, departments, and leadership structures significantly influenced customer retention, cost efficiency, and sales volume. Employing SPSS-based regression and correlation analyses, the findings indicated that structural alignment accounted for 70% of performance variability among the firms. The authors concluded that firms need to flexibly reconfigure their structures in response to dynamic environmental challenges. This supports the dynamic capabilities perspective that structural adaptations enable firms to effectively deploy resources to achieve strategic goals. The study is particularly significant for manufacturing sectors in developing countries where firms face frequent disruptions and policy volatility.

Anam (2024) investigated the role of distinctive and adaptive capabilities including structural alignment on MSMEs in Indonesia, specifically looking at their impact on business model adaptation and performance. Utilizing structural equation modeling (SEM), the research highlighted that firms with dynamic structural configurations such as team reconfiguration and workflow redesign outperformed those with rigid, static systems. The empirical data showed strong positive correlations between adaptive capabilities and various performance indicators such as innovation output, financial results, and customer satisfaction. Anam emphasized that adaptability in structure allows firms to pivot swiftly during crises or market changes, aligning with the dynamic capability view that prioritizes sensing, seizing, and reconfiguring organizational assets. The study also recommended managerial flexibility and decentralized decision-making as key enablers for successful structural adaptation, particularly for MSMEs operating in unpredictable market contexts.

Sarfo et al. (2024) explored how exploitative and exploratory search, supported by structural adaptation, enhanced SME adaptation, innovation, and environmental performance. Using partial least squares structural equation modeling, the authors found that firms with reconfigurable structures were more adept at integrating market feedback and fostering innovation. Structural adaptations such as the decentralization of decision-making and modular organizational design allowed SMEs to toggle between exploration and exploitation effectively. The study also found that dynamic structural mechanisms served as mediators between knowledge acquisition and performance outcomes. The authors concluded that SMEs, constrained by fewer resources, could outperform competitors through adaptive structuring and flexible governance models. Their findings validate the dynamic capability framework, emphasizing that structural configuration is not merely a backdrop for strategy but a strategic resource in itself.

Pavi (2025) investigates into performance measurement systems in R&D organizations, focusing on how structural and policy adaptations influence both individual and organizational performance. While not limited to structural adaptation alone, the research emphasizes how flexible organizational structures and dynamic internal policies play a pivotal role in shaping productivity and innovation outcomes. Structural adaptation was approached through the lens of performance alignment mechanisms, incorporating role clarity, succession planning, and team dynamics. Using a large sample of 400 R&D professionals from various sectors in India, the study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) to validate relationships between structural components of PMS and performance outcomes. One of the key findings was that organizational politics negatively moderated this relationship, while policy coherence mediated it positively. Importantly, the study underscores the value of adaptive structures tailored to specific R&D contexts, highlighting the limitations of generic, one-size-fits-all approaches to performance systems. This contribution is novel in aligning dynamic capabilities theory with human capital measurement in complex environments.

Budianto et al. (2025) examine how structural adaptation, especially in the context of artificial intelligence (AI), reshapes leadership roles and organizational performance. The study applies dynamic capabilities theory to explore how organizations restructure workflows and managerial hierarchies to integrate AI decision-support systems. Structural adaptation here involved transitioning from rigid, silo-based departments to collaborative, tech-enabled ecosystems. Key findings suggest that firms that adopted such structural changes experienced improved strategic

agility and faster decision-making cycles, leading to enhanced innovation rates and performance efficiency. The study reinforces the notion that adaptability in organizational design, facilitated by digital technologies, constitutes a critical dynamic capability in the modern era.

Liu (2025) explores how dynamic capabilities shape leaders' change-oriented behaviors. The paper argues that structural adaptations particularly in temporary or agile project environments enable enhanced collaboration, decentralization of authority, and innovation-friendly climates. The research integrates organizational change management theory with the dynamic capabilities framework to highlight how adjusting governance structures supports performance through increased responsiveness and proactive behavior. Key mechanisms include restructuring roles, project-team formation, and adaptive communication channels. The findings confirm that structural adaptation fosters employee engagement, improves morale, and enhances project outcomes, thereby making a measurable impact on performance.

Mielcarek and Chwiłkowska-Kubala (2025) investigate the interrelationship between business process agility, structural adaptation, and process maturity within agile organizations. The authors use structural equation modeling to analyze how dynamic structural configurations impact business performance. They argue that structural agility i.e., enabling rapid reconfiguration of teams, roles, and workflows is fundamental to sustaining performance in volatile environments. The research identifies that higher process maturity is achieved when structures are not static but can evolve in response to external market stimuli. As such, structural adaptation is a key enabler of operational excellence and strategic responsiveness, validating its classification as a dynamic capability.

Basit et al. (2024) explore the dynamic interplay between social media usage, structural adaptations in supply chains, and sustainable performance. The study, grounded in the dynamic capabilities framework, demonstrates how the structural adaptation of supply chains through digitized coordination, decentralized decision points, and modular system design enables firms to respond better to environmental uncertainties. Structural changes included the integration of real-time communication platforms and the reorganization of logistics teams based on digital monitoring. The research found that such changes significantly improved sustainability metrics such as waste reduction, delivery efficiency, and cost control. These adaptations, functioning as

dynamic capabilities, supported higher levels of firm agility and performance under market volatility.

The null hypothesis was;

H₀₁: Structural adaptations of a State Corporation do not have a significant influence on performance.

2.3.2 Technology Adoption and Performance of State Corporation

In evaluating the effects of entrepreneurial social structure, entity magnitude, and computational competence on the achievement of SMEs, Tang et al. (2020) performed an investigation utilizing Dynamic Capabilities Theory (DCV). Three different ranges of sequential multilevel modelling procedures were used by investigators to examine these impacts, with an emphasis on the important variables that explicate in connection to the subjective parameter. There were 1,124 companies in the initial set of logistic equations that were involved in the combination of the production and support sectors. In order to evaluate different assumptions, this research assembled information from 1,124 SMEs in China and used linear modeling. Outcomes showed the productivity of SMEs was substantially positively impacted by both organizational capacity and technology capabilities.

In order to investigate how technical skills, affect the productivity of businesses (SMEs) in the production industry, Rehman and Nazri (2019) established a multi-mediation scheme. Drawing on the DCV theory, this investigation was conducted. Using an ensemble of 489 production SMEs in Pakistan, the research employed the PLS approach. The investigators used a poll as their main collection instrument in addition to the group selecting strategy. The research's insights showed that organizational inventiveness and absorbent aptitude had a major impact on the interaction amongst both aspects.

Otiso (2017) carried out an evaluation with the intention of examining how technical capacities affected Nzoia Sugar corporation's productivity. Both poll and instance study approaches were used in the investigation alongside dynamic capabilities theory (DCV). A tiered randomization procedure was employed to get 210 participants for the collection. Protocols for inquiries and surveys were used as data gathering tools. Following collection, information was analyzed at a 95 % accuracy threshold utilizing inductive as well as metrics. Because the sugar sector is so unique,

the policies and methods found in this investigation could prove to be practically relevant to the drug sector. The survey's conclusions centered mainly on the efficacy of the sugar sector.

Omar et al. (2025) in its study revealed a strong positive mediation effect of technology adoption, affirming its role as a dynamic capability. Specifically, transformational leadership enhanced firms' ability to develop dynamic capabilities (e.g., sensing market changes), but it was the adoption of digital tools, ranging from customer relationship management (CRM) systems to e-commerce platforms that significantly influenced financial and non-financial performance outcomes. The study empirically validated the theoretical position that technology adoption is not static but evolves with managerial intent, becoming a core enabler of organizational performance.

Tian et al. (2025) study aimed to understand how digital capabilities, seen through the lens of dynamic capability theory, interact with global innovation networks to influence innovation performance. Quantitative data was analyzed using multiple regression analysis, while qualitative responses helped interpret network integration mechanisms. Findings showed that firms with stronger digital capabilities (e.g., data analytics, platform integration) and openness to global partnerships had higher innovation performance. Importantly, digital capability was not just a resource but a transformational lever enabling firms to co-create, adapt, and innovate effectively in dynamic environments.

Rehman and Kucinskas (2025) adopted a longitudinal panel analysis of 145 transitional economy firms from Eastern Europe, assessing how technology adoption and open innovation strategies influence firm growth over five years. Using generalized method of moments (GMM), they captured dynamic relationships between digital transformation, innovation output, and firm performance. The study was grounded in Schumpeterian and dynamic capability theories. The results demonstrated that technology adoption facilitates resource reconfiguration and market responsiveness, leading to incremental and radical innovations. Moreover, firms with mature digital infrastructures ERP systems, digital collaboration platforms were more resilient to market disruptions, suggesting that dynamic capabilities, when technologically enabled, serve as buffers against volatility.

Onomakpo (2025) applied a fuzzy-set Qualitative Comparative Analysis to examine how Norwegian firms configure dynamic capabilities to extract value from collaborative innovation pathways. The study analyzed 30 case studies of cross-sector innovation alliances using archival

data and semi-structured interviews. The findings revealed multiple pathways to performance improvement, all involving some degree of technology adoption (e.g., cloud collaboration platforms, digital prototyping tools). Technology adoption functioned as a dynamic capability when firms combined it with strategic foresight, organizational learning, and absorptive capacity. The configurational method allowed identification of different equifinal strategies, highlighting the complex but systematic role of tech adoption in value capture.

Feranita and Dwimahendrawan (2025) employed a case study approach to investigate how dynamic capabilities contribute to business performance among 25 women entrepreneurs in Indonesia using the Dynamic capabilities theory. Using in-depth interviews and thematic coding, the researchers identified digital technology adoption (e.g., online storefronts, mobile payments) as the primary enabler for accessing new markets, managing operations, and building customer trust. The findings underscored that for underserved entrepreneurial populations, digital adoption is a dynamic enabler of equality and growth. The researchers integrated the dynamic capability framework into the Sustainable Development Goals (SDGs) narrative, arguing that digital tools empower marginalized entrepreneurs to build resilient, competitive businesses.

Al-Al-Msiedeen and Al Sawalqa (2021) conducted a quantitative survey of 310 hospitality managers across Gulf Cooperation Council countries using dynamic capabilities theory. Examined the relationship between AI adoption, dynamic capabilities (sensing, seizing, transforming), and firm performance under environmental turbulence. Results confirmed that technology readiness alone does not drive performance unless paired with dynamic capabilities. AI technologies were most effective when embedded in strategic processes like customer service automation and predictive analytics. The study contributed a validated model showing that dynamic capability moderates the relationship between tech adoption and performance outcomes.

Arias-Aranda and Bautista-Carrillo (2025) utilized a longitudinal design involving 78 Spanish firms over 4 years to examine how the timing and sequencing of technological implementation affect sustainable innovation. The study utilized dynamic capabilities theory. Using time-series regression and event history analysis, the study found that technology adoption must follow a path-dependent process, where early-stage investments (e.g., ERP systems) create capabilities that support more complex technologies (e.g., AI, blockchain). This sequential layering formed a capability trajectory that aligned with sustained innovation outcomes. Misaligned adoption

sequences led to underperformance, suggesting the importance of strategic timing in capability development.

Ali et al. (2025) used a descriptive and causal research design to assess 104 private schools in Kenya applying the dynamic capabilities theory. Data was gathered via questionnaires and analyzed through multiple regression analysis. The study focused on strategic IT agility as a component of dynamic capabilities and its influence on sustainable performance. Results indicated that schools that embraced IT solutions (e.g., LMS platforms, digital reporting) outperformed peers in operational efficiency and stakeholder satisfaction. The agility to pivot digitally in response to curriculum changes or COVID-19-related disruptions was a crucial enabler of resilience, reaffirming technology's dynamic role.

Mwiti (2025) employed a correlational research design to study 97 cooperative societies in Kenya.. The findings indicated that BPM systems enhanced internal controls, service delivery, and customer satisfaction when supported by continual technological updates. The role of leadership in adapting BPM for digital environments was essential. Dynamic capability theory underpinned the conceptual framework, positioning technology adoption as a continuous learning and transformation process that drives performance.

Cui (2025) carried out a meta-analytic review focusing on the role of artificial intelligence (AI) adoption as a dynamic capability in enhancing cross-border trade performance in Southeast Asia. Drawing data from 42 empirical studies published between 2019 and 2024, the meta-analysis employed random-effects modeling to determine effect sizes across different contexts. The study revealed that AI enhances firm capabilities such as real-time decision-making, predictive analytics, and supply chain responsiveness each correlating positively with financial and non-financial performance. The moderating role of institutional quality and digital infrastructure across countries was also statistically significant, emphasizing that technological adoption impacts vary by context. The findings support dynamic capability theory, showing how AI technologies, when integrated into decision systems, act as transformative levers that help firms adapt and compete across national boundaries.

Trivedi and Srivastava (2025) investigated Indian IT firms to understand whether improvisational behaviors mediate the relationship between knowledge management processes and organizational innovativeness in the context of technological dynamism. Using a survey-based quantitative

design, they collected responses from 225 middle managers across IT firms and analyzed the data using Structural Equation Modeling (SEM). Their model was grounded in dynamic capability theory and organizational improvisation literature. Findings revealed that firms exhibiting strong improvisational tendencies were more likely to effectively adopt emerging technologies and integrate them into strategic routines, thereby enhancing performance. Improvisation, framed as a form of dynamic reconfiguration, served as the critical link connecting knowledge use to performance. The study reinforced the notion that dynamic capabilities, including the agile adoption of technology, are central to innovation and competitive advantage.

Haval (2025) explored the role of cloud computing and data warehousing in enhancing supply chain analytics capabilities in retail sectors applying dynamic capabilities theory (DCV). This applied study used a quasi-experimental design within three large Indian retail firms over a 12-month implementation cycle. Data was collected before and after the deployment of cloud-based SCM systems and analyzed using difference-in-differences (DiD) regression models. The research showed that cloud platforms enhanced real-time data access, inventory accuracy, and demand forecasting, thereby improving supply chain responsiveness and customer service. Technology adoption here was conceptualized as a dynamic capability because of its role in continuously sensing supply chain disruptions and facilitating resource reconfiguration. The study emphasized that dynamic technology infrastructures provide a foundation for long-term operational excellence.

Abdulmuhsin et al. (2025) used a multi-case study approach involving five multinational corporations from the MENA region to explore how digital Communities of Practice (CoPs) enhance organizational sustainability grounded in dynamic capabilities theory (DCV). Through interviews, document analysis, and content analysis techniques, the study revealed that CoPs fostered internal knowledge sharing and cross-departmental collaboration, especially when supported by digital platforms (e.g., Slack, SharePoint). When embedded in dynamic capability systems, these technologies promoted innovation and sustainable practices. This study highlights the integrative function of tech-enabled CoPs as dynamic mechanisms improving firm-level performance. Ferrer-Dávalos (2023) explored the impact of technology adoption on the performance of microenterprises in Paraguay guided by the Technology-Organization-Environment (TOE) framework. The study employed a mixed-method approach, combining qualitative interviews and quantitative surveys with 300 microenterprise owners. The findings indicated that adopting digital technologies significantly improved operational efficiency, product

quality, and customer satisfaction. However, these improvements were most notable when the microenterprises also received technical support and training. The study underscores the importance of not only adopting technology but also providing the necessary support and training to maximize its benefits.

Dastane (2020) carried out a quantitative study to explore how adopting new technologies affects productivity in the manufacturing sector, drawing on the Diffusion of Innovation (DOI) theory. The research involved survey responses from 150 manufacturing firms that had recently implemented technological changes. Using Structural Equation Modeling (SEM), the study examined how technology adoption connects to productivity outcomes. The findings showed a clear positive link technology helped streamline operations, cut down on human errors, and made better use of resources. The study also emphasized that the success of adopting new technologies depends not just on the tools themselves but on key factors like an organization's readiness for change, internal adaptability, and external pressures such as market competition. It underscores the importance of taking a strategic approach when integrating new technologies into business operations.

Baskaran et al. (2020) explored how adopting technology affects employee job performance, focusing on tech-heavy industries and using the Technology Acceptance Model (TAM) as their framework. They surveyed 200 employees from technology firms across Southeast Asia and used regression analysis to evaluate the impact. The study found that using advanced technologies significantly boosted task efficiency and job satisfaction among employees. However, it also uncovered a downside — when employees felt overly dependent on technology, it often led to feelings of job insecurity, which in turn hurt their performance. The researchers highlight the need for companies to strike a balance: embracing innovation while also supporting employees through clear communication, upskilling, and job security measures to maintain a healthy, productive workplace.

Nugroho et al. (2022) examined how well companies in Indonesia adopt information technology and how this ability impacts their overall performance. Drawing on the Resource-Based View (RBV) theory, the study highlighted that a firm's internal strengths—like its resources, skills, and capabilities—are key to gaining a competitive advantage through technology.

To determine how IT adoption capability serves as a link between a company's success and its strategic direction, the researchers used route analysis on a structured survey that was filled out by 250 businesses. The results showed that companies with excellent IT adoption capabilities did better, particularly in terms of differentiating themselves from rivals and remaining sensitive to changes in the market. According to the study, businesses that had distinct strategic orientations like being very market-focused or entrepreneurial—were also more likely to build strong IT capabilities. Overall, the research indicates that merely implementing technology is insufficient; in order to achieve real performance improvements, businesses must actively develop their IT capabilities and ensure that such endeavours are in line with their larger business plans.

The null hypothesis was;

H₀₂: Technology adoption in a State Corporation does not significantly influence performance.

2.3.3 Leadership Styles and Performance of State Corporation

The principal effects of style of leadership on the success of State corporations in Kenya were examined in Koech and Namusonge's (2012) study. The investigation's particular aim was to evaluate the impacts of radical, transient and laissez-faire leadership styles on these firms' output. Midrange and executive administrators from thirty (30) State corporations in Mombasa, Kenya, provided their insights. Correlation method applied in showing the leadership philosophies that affected organizational performance. The study found that business outcome ratings and leadership-related factors had significant associations ($P < .05$; ranges 0.518 to 0.696), while the connections between transactional manager behaviors and company accomplishment were relatively lower ($P < .05$; ranges 0.219 to 0.375). As predicted, there was no discernible relationship between business success and the laissez-faire leadership style. One of the study's recommendations was for managers to actively guide their subordinates instead of adopting a laissez-faire leadership style. Additionally, public managers need to create and execute efficient mechanisms for recognition and incentives.

According to Kihara (2016), the magnitude and maturity of the company have an effect of execution of strategies on the achievement of producing SMEs. The research purposed to determine whether the success of production SMEs in Kenya is impacted by approaches to leadership, framework, personnel, technology, and their overall strategy. 115 businesses were

selected among Kenya's 593 registered SMEs in order to provide information for the study. This approach was informed by the logical positivist ideology. Using a stratified sampling technique, these businesses were categorized as small, medium, or old. The SMEs that took part in this study were chosen through a thorough random sampling procedure. A poll was utilized to gather information from CEOs or actual proprietors of each chosen company. Results of inferential statistics as well as summary statistics like mean scores, variances, were employed to show the statistics. The findings offered statistical proof that the efficiency of the production SMEs is impacted by the strategy's execution.

Investigating the influence of directors' management approaches on the overall efficiency of elementary school educational facilities in Kenya, Lumumba et al. (2021) carried out this study. Assessments were the main tool used in the study's quantifiable technique to gather facts. Nine administrators and 225 educators made up the research's cohort. The Questionnaire was modified and used to evaluate types of leadership. The results of the investigation showed that administrators in the elementary instructors' colleges demonstrated neither authoritarian nor democratic leading styles very often.

Akbari et al. (2021) explore how entrepreneurial leadership affects employees' innovative work behavior (IWB) in organizational settings. The research highlights the role of creative self-efficacy and support for innovation as mediating factors. The results showed that entrepreneurial leadership significantly enhanced IWB by fostering an environment that encourages creativity and innovation. Moreover, creative self-efficacy and organizational support for innovation played pivotal roles in mediating this relationship. The study concluded that entrepreneurial leadership is a crucial driver of innovation, particularly when leaders actively support and encourage creative behaviors, which ultimately leads to improved performance within organizations.

Su et al. (2020) examined the influence of servant leadership on employees' service innovative behavior. The research specifically focused on the roles of intrinsic motivation and leader identification as mediating factors. A total of 250 employees from service-oriented sectors participated in the study. Hierarchical regression analysis was used to test the proposed model, revealing that servant leadership positively influenced employees' service innovative behavior. Intrinsic motivation and identification with the leader were found to mediate this relationship, suggesting that leaders who prioritize the development and empowerment of their employees

encourage innovative behavior, especially in service settings. The study emphasized that by fostering an environment of trust, motivation, and support, servant leaders can significantly enhance employees' willingness to innovate, which in turn improves organizational performance in service industries.

Okwurume and Igwe (2024) in their study examined the relationship between transformational leadership style and organizational justice within multinational corporations. The study utilized quantitative survey methods, collecting data from employees across various multinational organizations. The researchers applied structural equation modeling (SEM) to analyze the extent to which transformational leadership influences perceptions of justice and its subsequent impact on organizational performance.

Basit et al. (2017) investigated how a private Malaysian firm's leadership style affected worker outcomes. The findings showed that *legerdemain* organization had a favorable effect on staff efficiency, indicating that implementing this style of authority could enhance employee output. Filial management was found to have an adverse association with staff productivity when contrasted with alternative managerial techniques ($r = -.1685$, $p < .05$), weakly positively correlated with democratic leadership ($r = .241$, $p < .001$), and strongly positively correlated with democratic administration ($r = .581$, $p < .001$).

Nyamboga et al. (2014) investigated how the achievement of learners in elementary and secondary schools in Tana River County was affected by the management style of the principals. The county's schools had shown a range of outcomes under different leadership philosophies. From 2005 to 2009, the county's mean score was extremely low. The investigation's conclusions revealed a strong association amongst KCSE students' achievement and head teachers' leadership style. The average authoritarian leadership style of Tana River County's principals was highly connected with the subpar academic achievement of their students. Students' performance in national exams was found to be significantly impacted negatively by autocratic leadership styles.

Al Maqbali and Khudari (2024) conducted a study focused on the impact of participative leadership styles on the performance of State Corporations in Oman's food processing industry. Using correlation analysis and regression models, the study found a statistically significant relationship between participative leadership where leaders engage employees in decision-making

and improved performance indicators, such as increased efficiency, employee satisfaction, and innovation.

Assessment on the effect of administration on workforce productivity at the Kampaka District Council was carried out by Nyamboga, et al. (2014). The study's findings showed a substantially considerable detrimental link between dictatorial approach to management and worker productivity ($r = -0.422$, $p < .001$). This result suggests that personal productivity was negatively impacted by authoritarian leadership, which resulted in lower productivity at job. The investigation looked into how the dictatorial governance of leadership of PTTC directors affected the operational efficiency of these schools.

Elegba et al. (2024) conducted an in-depth analysis of leadership styles and project team performance in construction firms in Akure, Nigeria. Findings revealed that transformational leadership was positively correlated with team effectiveness, particularly in goal attainment, motivation, and communication. This study framed leadership as a dynamic capability that adapts to environmental demands and drives collective action, crucial in high-variability construction projects. Transactional leadership had moderate influence, whereas laissez-faire styles showed negligible impact, emphasizing the need for active and adaptive leadership strategies in dynamic project environments.

Alves et al. (2025) explored the multidimensional role of leadership in educational settings. Through synthesizing nine empirical studies, their editorial highlighted how leadership practices that prioritize inclusion, justice, and innovation significantly influence teacher motivation, organizational effectiveness, and overall school performance. Entrepreneurial and transformational leadership emerged as particularly effective, fostering continuous improvement and adaptive school cultures. The research demonstrates that when leadership is approached as a dynamic capability it enhances not only operational effectiveness but also psychological and social wellbeing across organizational levels.

Yadav and Rena (2025) investigated the interplay of entrepreneurial leadership, talent management, and digital technologies in the handicraft industry. The authors found that entrepreneurial leadership significantly influenced business performance, especially when paired with innovation as a moderating variable. The study confirmed that entrepreneurial leadership

serves as a dynamic capability by facilitating strategic resource allocation and fostering innovation, resilience, and adaptability key determinants of competitive advantage in creative sectors.

In a cross-cultural comparative study, Engelen et al. (2021) examined transformational leadership behaviors of top management across eight countries. Their findings underscored the role of transformational leadership in enhancing innovation orientation a critical dynamic capability. The study found that in cultures with high uncertainty avoidance, dynamic leadership that encouraged risk-taking and intellectual stimulation was more effective in improving innovation performance. This research reinforced the idea that leadership styles must align with cultural and strategic contexts to maximize their dynamic potential.

In a Persian study by Norouzi et al. (2022), dynamic capabilities were analyzed as mediators between leadership strategies and company performance. The study confirmed that leadership, when designed to build business model innovation and sustainable competitive advantage, significantly enhances performance. Using quantitative methods on Iranian firms, the study presented leadership not merely as an operational function but as a strategic asset capable of reconfiguring organizational resources and routines in turbulent environments.

Alzoraiki et al. (2024) investigated the impact of transformational leadership on school culture and teaching performance in Yemeni public schools. Utilizing a quantitative research design, the study surveyed 246 teachers across several government-run institutions using a structured questionnaire based on the Multifactor Leadership Questionnaire (MLQ) framework. The study employed Structural Equation Modeling (SEM) to examine causal relationships between leadership dimensions and school outcomes. The findings showed that key components of transformational leadership had statistically significant and positive effects on both teacher performance and the reinforcement of school culture. These outcomes validated the theoretical framing of leadership as a dynamic capability, especially valuable in post-conflict settings like Yemen, where adaptive and visionary leadership is critical for institutional rebuilding and resilience.

Mohammadi et al. (2024) explored the role of leadership in the integration of technological knowledge within the mining and mineral industries of Iran. Data from the surveys were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), while interview data were thematically coded. The research confirmed that transformational leadership, characterized by future orientation and employee engagement, was a central enabler of technological knowledge

integration, facilitating long-wave innovation adoption. The study strongly positions leadership as a change-enabling dynamic capability, capable of aligning organizational strategy with external innovation imperatives and fostering internal readiness for technological transformation.

Jinke et al. (2024) focused on entrepreneurial leadership in educational settings in China, analyzing the relationship between principal leadership behavior, teacher efficacy, and organizational effectiveness. The research adopted a quantitative correlational design, surveying 312 teachers and principals across 28 English training institutions. Standardized instruments were used, including scales for entrepreneurial leadership and teacher efficacy. Using Structural Equation Modeling (SEM), the study found that principal entrepreneurial leadership significantly enhanced teacher efficacy, which in turn increased organizational effectiveness. Additionally, feedback loops were detected, where institutional performance reinforced principal engagement. This mutual reinforcement demonstrated that dynamic leadership fosters empowered and self-evolving organizational systems, highlighting the recursive nature of dynamic capabilities in educational institutions.

Sariakin et al. (2025) distinguished between leadership and management in their evaluation of teacher motivation and performance across Indonesian schools. The study used a cross-sectional quantitative design, collecting data via structured questionnaires from 280 teachers. Leadership behaviors were measured using adapted versions of the MLQ and school management effectiveness scales. Using multiple regression analysis, the results indicated that leadership had a stronger influence on teacher motivation and performance than did routine school management practices. Specifically, vision-driven leadership significantly boosted intrinsic motivation, while bureaucratic management practices had no statistically significant effect on motivation. These findings underscore that leadership acts as a dynamic capability, energizing individual-level performance by promoting purpose, ownership, and adaptive learning across institutional systems.

Javadin et al. (2021) offered a systematic literature review that developed a competency-based human resource development (HRD) model for public and private organizations in Iran. The study followed PRISMA guidelines for systematic review, drawing from 105 peer-reviewed articles published between 2000 and 2020. Through thematic content analysis, the study synthesized how leadership style is a foundational antecedent to HR competencies that support innovation, adaptability, and learning. The model identified key HR processes (e.g., learning, development,

talent management) that are activated by transformational and strategic leadership styles. The review concluded that leadership significantly affects organizational agility and learning capability, reinforcing its dynamic role in fostering performance adaptability in volatile environments.

The null hypothesis was;

H₀₃: Leadership styles in a State Corporation has no significant influence on performance.

2.3.4 Knowledge Management and Performance of State Corporation

The study by Rehman and Kucinskas (2025) explores the theoretical framework and examines the connections between knowledge management and other performance metrics in IT-enabled business initiatives. According to the suggested theory, knowledge management when mediated by a novel idea called knowledge alignment is essential to project performance. 212 IT-enabled business initiatives inform study methodology. The results demonstrate that project managers can significantly enhance the attainment of business value from the project by achieving Knowledge Alignment among the personnel and artifacts from the three project components: the IT team, the business transformation team, and the governance team. It has been demonstrated that reaching higher levels of knowledge alignment does not significantly affect meeting schedule or financial goals.

Keya and Kinyua (2025) aimed to examine how organizational learning an essential component of knowledge management acts as a precursor to competitive advantage. Through a literature-based methodology reinforced with sector-specific case insights from Kenyan organizations, the authors explored KM as a dynamic capability that allows firms to absorb, transform, and apply knowledge in changing environments. Findings showed that embedding learning systems into KM processes significantly enhances adaptability, innovation, and strategic alignment. The study concluded that organizations which institutionalize continuous learning through KM practices are more likely to outperform competitors and maintain relevance amid volatility. It recommends that firms establish structured knowledge-sharing platforms, support learning-based cultures, and link learning outcomes to key performance indicators for sustainable competitive edge.

Oguntegbe et al. (2024) explored how the integration of dynamic capabilities and business model innovation contributes to the evolution of industrial internet platforms in China. The purpose was

to understand the role of KM in fostering adaptability and innovation. A two-phase methodology was used: qualitative interviews with 15 senior managers followed by a quantitative survey of 180 platform-based firms. The study found that knowledge integration, as a dynamic capability, empowers firms to restructure business models swiftly in response to technological and market shifts. Conclusions emphasized that KM enables structural and behavioral agility necessary for industrial evolution. The authors recommended prioritizing KM investment in digital ecosystems and promoting internal training programs to reinforce cross-functional knowledge exchange.

Hassan et al. (2024) investigated the mediating role of green dynamic capabilities, particularly green knowledge management (GKM), in the relationship between green human resource management (GHRM) and sustainable performance in Pakistan's construction sector. The authors concluded that knowledge-intensive green practices help in embedding sustainability into operational performance. Recommendations included the adoption of green training programs and integration of GKM into corporate strategy to enhance responsiveness to environmental demands and long-term firm sustainability.

Abdulmuhsin et al. (2025) aimed to explore how communities of practice (CoPs), facilitated by knowledge management systems, influence organizational sustainability and performance. The researchers used a structured survey administered to 45 firms across the Middle East and employed regression analysis to test the hypothesized relationships. Findings demonstrated that CoPs enhance dynamic capabilities through active knowledge sharing, leading to improved innovation and sustainable outcomes. The study concluded that knowledge-intensive collaboration reinforces firm learning agility and long-term strategic outcomes. It recommended the institutionalization of CoPs, backed by KM technology platforms, to ensure consistent knowledge transfer and process refinement across departments.

Ali et al. (2025) sought to assess the influence of strategic IT agility, mediated by KM, on the sustainable performance of private educational institutions in Kenya. Adopting a descriptive cross-sectional design, data were collected from 182 respondents and analyzed through multiple regression techniques. Results showed that knowledge management enhances IT agility by facilitating rapid knowledge flow and decision-making, ultimately contributing to resource optimization and stakeholder satisfaction. The conclusion emphasized KM as a catalyst for digital readiness and adaptive performance. The study recommended that private institutions embed KM

systems within IT structures and provide regular capacity-building programs for knowledge leaders.

Trivedi and Srivastava (2025) aimed to examine whether improvisation mediates the relationship between KM processes and innovativeness in Indian IT firms. A structured questionnaire was administered to 273 professionals, and Structural Equation Modeling was used to analyze the data. The study found that improvisation significantly strengthens the link between knowledge creation, sharing, and innovative performance. It concluded that KM, when coupled with real-time problem-solving (improvisation), can act as a powerful dynamic capability in fast-evolving sectors. The authors recommended encouraging improvisational thinking through training, and the integration of flexible KM tools to allow for spontaneous knowledge application.

Kumar et al. (2025) explored how green knowledge management moderates the relationship between artificial intelligence (AI) capabilities and environmental sustainability performance. Based on survey data from 212 tech firms and regression analysis, the study discovered that GKM amplifies the impact of AI by channeling technological insights into sustainable practices. The findings supported the assertion that KM functions as a dynamic capability, especially when it aligns with digital innovations. The study concluded that integrating GKM enhances firms' adaptability in meeting regulatory and societal expectations. Recommendations included establishing environmental knowledge databases and cross-training employees to interpret AI outputs for green innovation.

Yoshikuni et al. (2025) examined the joint role of IT governance and organizational agility in enhancing performance, emphasizing KM as a dynamic enabler. The study used a multi-country dataset of firms in Asia and Latin America and applied multi-group SEM to test hypotheses. Results indicated that well-structured KM governance improves agility, allowing firms to realign quickly during crises or market shifts. The conclusion was that KM is a key enabler of both agility and IT effectiveness. Recommendations called for tighter alignment between KM policies and IT governance frameworks and greater investment in data-driven decision-making tools.

Abdi et al. (2025) investigated how strategic agility, rooted in KM, affects sustainable organizational performance in Kajiado County, Kenya. A sample of 150 organizational leaders was surveyed, and the data were analyzed using factor analysis and multiple regression. Findings revealed that firms leveraging adaptive KM systems exhibited better strategic foresight and

performance under uncertainty. The study concluded that knowledge adaptability, when institutionalized, creates competitive resilience. Recommendations emphasized the need for agile knowledge dashboards and the incorporation of environmental scanning mechanisms within KM frameworks.

Morales and Robalino-López (2025) aimed to understand the role of KM in shaping innovation behaviors within the ICT sector in Ecuador. Using a longitudinal survey and social network analysis, they found that dynamic knowledge exchange significantly contributes to ecosystem resilience and innovation potential. The study concluded that KM systems that encourage cross-boundary collaboration enhance adaptive innovation in developing markets. Recommendations included investing in collaborative KM platforms, encouraging public-private innovation hubs, and promoting tacit knowledge sharing through inter-organizational communities.

In their study, Mardani et al. (2020) investigated the statistical connection between effectiveness, inventiveness, and management of knowledge. Their goal is to clarify the effects of knowledge management (KM) initiatives on a company's capacity for innovation and overall success. Businesses don't realize the true effects of knowledge management. Based on the literature study, they create a research model that demonstrates the beneficial relationship between productivity knowledge and oversight, as well as how it affects innovation, which further improves the performance of the company. The empirical validity of this model was examined using information from 120 Iranian Power Syndicate member companies. The PLS approach results for the SEM provided support for study ideas. The findings demonstrate that KM initiatives have an immediate effect on innovative and company productivity, as well as a secondary effect through raising the ability to innovate. It has been discovered that innovation and achievement are facilitated by knowledge production, emancipation and deployment.

Akpa et al. (2020) conducted an analysis to assess influence of information administration on the outcomes of businesses in the Nigerian foodstuff and drinks production industry. To achieve the intended goal, this investigation used the method of approach research with 320 subjects selected from an assortment of 1587 workers of specific foodstuff and drinks enterprises in Nigeria. A verified survey was used to collect the info, and systemic element programming was used for evaluating it. The results proved that information extraction exhibited a substantial negative influence on inventiveness, whereas learning expertise had an enormously beneficial effect.

Additionally, the outcomes demonstrated that expertise generation had a substantial favorable effect on occupational contentment whereas information expressing had a small detrimental effect.

The impact of KM on company efficiency, as well as the elements influencing its execution and enablement inside companies, were examined and identified by Rezaei et al. (2021). The connection amongst KM and the success of the largest steel mill in Afghanistan, Kabul Steel mill, is also examined. A 48-question questionnaire was used to gather the preliminary data. 108 executives and managerial employees of the business took part. Both SPSS and SmartPLS employed evaluate the gathered info. The use of t-test analysis allowed for the rejection of the theories on the impact of strategy and tech on KM. Ultimately, the results demonstrated the beneficial benefits of credibility, governance, culture, and framework on a company's understanding of management. Additionally, knowledge management affects company success directly as well as through the human capital mediating variable.

In their study, Shahzad et al. (2020) investigated how the knowledge management strategy contributes toward business profitable operations through the combination of managerial flexibility and innovative green practices. The methodology used in the study was longitudinal. Information from 475 participants who functioned for multinational production companies in Pakistan was gathered using convenient selection. For evaluation, parametric dynamic simulation was employed. This study found that expertise administration approach and all of its components, obtaining, dissemination, and implementation, are what lead to environmentally sound inventiveness, and that the invention itself is modulated by corporate feasible effectiveness and every of its components (setting, fiscal, and societal).

In their research, Sofiyabadi and Valmohammadi (2020) examine how knowledge management techniques (KMPs) affect the innovative success of Bank Pasargad, a prominent private financial institution in Iran. 237 specialists and executives at the Iranian Bank Pasargad headquarters were given a questionnaire with 52 questions. Utilizing both confirmatory and exploratory factor analysis, the study data is examined. The modeling method is used to examine the research's postulated conceptualizing framework. The primary prediction was tested, and outcomes indicate that KMPs have a considerable and beneficial impact on innovative productivity. A closer look at the sub-hypotheses also showed that innovative productivity at the bank under study has a significant and beneficial effect by KMP sub constructs, including managerial initiatives,

beneficial knowledge oversight, based on information employment, informed by knowledge learning, fueled by knowledge assessment of achievement powered by IT, and expertise sharing using IT.

The null hypothesis was;

H₀₄: Knowledge management in a State Corporation has no significant influence on performance.

2.3.5 Dynamic Capabilities and Performance of State Corporation

To ascertain the impact of dynamic capabilities on the productivity of large commercial enterprises in Kenya, Kihara et al. (2016) undertook a study. The study used positivism as its research ideology. 217 companies were chosen from the 499 large-scale production companies that made up the study population. The study's conclusions showed that dynamic skills significantly and favorably affect the performance of Kenya's big industrial companies. Large manufacturing companies should also increase their investments in instruction, innovative thinking, network connectivity, and researching and advancement, according to the report.

Correia et al. (2020) study introduces dynamic capabilities as an intermediary of a connection between market attitude and strategic benefits which in turn affect company results, with the goal of investigating a novel connection between marketplace orientation and company success. The mediating roles of strategic advantages and dynamic capacities are examined with a sample of 1,190 Portuguese enterprises. The relationship between competitive advantages and market orientation is mediated by dynamic capacities.

Hassan (2020) investigated how dynamic capabilities affected the way a plan was implemented in Kenya's dairy sector. The investigation's focused on 1064 managers. The study's analysis was based on quantitative study data. The outcomes demonstrated that the successful execution of strategy in dairy industry is significantly affected by the synchronization of managerial actions for future positioning. In contrast to this survey, which looks at State Corporation performance rather than plan execution, the study was restricted to the dairy industry.

Osisioma et al. (2016) evaluated the relationship between productivity and dynamic capacities in a subset of Nigerian banks. A descriptive study design was used, and standardized questionnaires played a key role in gathering the necessary information. The results showed that coordination

skills and sensing abilities enhanced company performance. The study concluded that as these factors affect a company's long-term performance, businesses should focus on establishing a synergy between coordinated corporate capabilities and the rising opportunities and dangers they face in their daily operations. However, the report does not include State Corporations; rather, it solely looks at commercial banks.

In his study, Vu (2020) explores the intersection of dynamic capabilities, innovation capabilities, and entrepreneurial capabilities, examining their collective influence on firm performance. Vu argues that possessing these capabilities allows organizations to not only adapt to external changes but also to shape their internal processes to foster innovation. Innovation capabilities, according to the study, amplify this effect by enabling firms to bring novel products or services to market, thus enhancing competitive advantage. The research further establishes that dynamic capabilities are not standalone assets; rather, they are most effective when integrated with innovation and entrepreneurial capabilities. This integration leads to sustainable performance outcomes, making this study highly relevant for managers seeking to align innovation with strategy.

Abbas et al. (2019) study investigates the mediating role of dynamic capabilities in the relationship between entrepreneurial business networks and the performance of small firms. Through empirical analysis using Smart PLS-SEM software, the study uncovers significant pathways through which dynamic capabilities enhance firm performance, particularly within the context of sustainability. The authors find that small businesses with robust dynamic capabilities are better equipped to capitalize on their entrepreneurial networks, thereby improving their market position. By utilizing dynamic capabilities like opportunity sensing and resource reconfiguration, firms can effectively leverage these networks to drive sustainable performance. The study further explores the impact of environmental and market changes on small businesses, illustrating that firms equipped with dynamic capabilities are more resilient and adaptable. This research is crucial for understanding how small firms can integrate dynamic capabilities into their strategic frameworks to foster both short-term success and long-term sustainability.

Zhou et al. (2019) study delves into how dynamic capabilities impact organizational performance, with a specific focus on the mediating role of innovation. The researchers propose that dynamic capabilities such as strategic decision-making, resource reconfiguration, and market sensing are critical to a firm's ability to innovate and maintain a competitive advantage. Their study

demonstrates that innovation, as a dynamic capability itself, is a key mechanism through which dynamic capabilities influence overall performance. The authors further argue that firms with strong dynamic capabilities are better positioned to create and implement new ideas, products, or services, thereby driving long-term performance and competitiveness. This research also addresses the challenges that firms face when trying to integrate dynamic capabilities into their strategic practices, especially in highly competitive and fast-changing industries.

Schlosser (2024) investigated how strategic leadership facilitates the development of dynamic capabilities to create shared value and impact firm performance. Using qualitative case studies involving senior leadership in European manufacturing firms, the research emphasized how ambidextrous leadership balancing exploitation and exploration enabled firms to reconfigure resources and maintain strategic alignment. The study highlighted that shared value creation acts as a mediating mechanism between leadership-driven DCs and sustained performance. Data collection involved semi-structured interviews and performance document analysis, supporting a grounded theory approach. The findings suggest that strategic leadership must dynamically guide organizations through uncertain environments, and this agility ultimately improves firm resilience and stakeholder value.

Saberifard et al. (2024) presented a system dynamics model focusing on the LARG (Leanness, Agility, Resilience, Green) supply chain paradigm in the Iranian automotive industry. They constructed a simulation model to measure how dynamic capabilities interact with external environmental disruptions to influence firm performance. Methodologically, they used empirical data from automotive suppliers and performed scenario testing through Vensim software. Their results confirmed that dynamic sensing and integration capabilities significantly improved system adaptability and financial outcomes during supply shocks. The research contributes to performance modeling literature by integrating supply chain and DC theories through empirical systems modeling, a less commonly used methodology in this area.

Dominiczewska (2024) examined the relationship between dynamic capabilities and firm performance in the Polish SME sector. Utilizing a mixed-methods approach that combined quantitative surveys (n=180 firms) with in-depth interviews, she operationalized DCs across four dimensions: sensing, learning, integrating, and reconfiguring. Regression analysis revealed that integrating and reconfiguring capabilities had the strongest positive association with both financial

and non-financial performance. Qualitative insights further showed that DCs are especially critical for navigating institutional uncertainty in post-transition economies. This study reinforces the contingent value of DCs and suggests that contextual factors (e.g., institutional support) shape their performance effects.

Liu et al. (2025) conducted a meta-analysis to determine how dynamic capabilities mediate the impact of big data analytics (BDA) on firm performance. Analyzing 46 studies published between 2019 and 2024, the study employed meta-regression and moderation analysis to test theoretical propositions. They found that BDA's contribution to firm performance was fully mediated by dynamic capabilities such as data-driven sensing and knowledge integration. Cultural dimensions (e.g., collectivism) acted as moderators, influencing the strength of these relationships. The study underscores that firms cannot rely on technology alone; rather, their ability to dynamically integrate data insights is key to unlocking performance outcomes.

Bourdy (2024) studied how dynamic capabilities in digital marketing affect SME performance in Portugal. Employing a structural equation modeling (SEM) technique based on data from 135 SMEs, the research found that dynamic marketing capabilities such as rapid content iteration and customer feedback integration directly influenced customer satisfaction and revenue growth. Bourdy emphasized the role of technological affordances, suggesting that digital platforms serve as enablers of micro-level sensing and responsiveness. The study contributes to digital transformation literature by highlighting the need for flexible and iterative marketing behaviors as part of DC frameworks.

Karimi and Raesi (2024) examined how employee knowledge management practices influence service quality in Iranian tourism firms through the mediating role of dynamic capabilities. They confirmed that knowledge sharing enhances DCs (especially sensing and learning), which in turn drive service innovation and customer satisfaction. The study emphasizes the micro foundations of DCs, suggesting that internal knowledge routines form the bedrock of broader organizational agility. By connecting human capital processes with service outcomes, this work expands the performance implications of DCs in service sectors.

Wanyoike and Were (2020) in their study used hierarchical regression analysis to model the interplay between corporate social responsibility (CSR), dynamic capabilities, and firm outcomes. Results indicated that DCs moderate the relationship between CSR and performance, particularly

under conditions of high market competition. This work situates DCs within broader sustainability and stakeholder frameworks and shows how they can magnify the returns on ethical and environmental investments.

Lu (2024) analyzed the impact of gender-diverse boards on firm performance in China, mediated by dynamic capabilities. Drawing on archival data from 450 firms over a 10-year period (2010–2020), she employed fixed effects regression modeling. The findings revealed that gender-diverse boards foster sensing and learning capabilities, particularly in tech-intensive firms, which ultimately led to improved innovation and market share. This research connects corporate governance with the dynamic capabilities framework, offering a governance-based pathway to enhancing adaptive capacity and performance.

Ma (2024) investigated the effect of human resource management (HRM) practices on dynamic capabilities and economic efficiency in multinational firms. The study employed panel data regression across 15 firms operating in Southeast Asia between 2015 and 2022. The analysis demonstrated that HRM practices such as training, performance-based incentives, and participatory decision-making significantly boosted reconfiguring and learning capabilities, which in turn had a positive effect on ROI and market responsiveness. The study strengthens the theoretical bridge between HRM and dynamic capabilities and argues that people-based mechanisms are foundational to dynamic performance enhancement.

Hartadi and Sujoko (2025) conducted a meta-literature review to assess how training, motivation, and work ethic indirectly support dynamic capabilities that enhance employee and firm performance. Though not empirical in the traditional sense, the study synthesized 42 articles (2019–2024) and identified key recurring themes. It concluded that individual-level competencies (like proactive behavior and adaptability) aggregate into organizational dynamic capabilities. While based on secondary data, their systematic coding and thematic synthesis followed PRISMA guidelines and offered an insightful overview of micro-to-macro capability building.

2.3.6 Innovative Behavior and Performance of State Corporation

Modise et al. (2020) carried out an assessment to ascertain the impact of innovative capability on delivery within the South African Police Service (SAPS). The investigation employed a dynamic technique, comprising a survey involving 200 SAPS employees and a qualitative case study of two police stations. Utilizing multiple regression analysis and thematic analysis, the research explored

the info. The primary results indicated a substantial association between innovative capability and service delivery. Moreover, the dimensions of innovative capability, including creativity, problem-solving, and risk-taking, displayed positive correlations with service delivery indicators such as customer satisfaction, efficiency, and effectiveness. The study's conclusion highlighted innovative capability as pivotal in enhancing SAPS service delivery, recommending the establishment of an innovation culture, provision of employee training and development, and implementation of reward and recognition systems for fostering innovation.

Yusr (2016) undertook a study to examine the purpose of innovation capability as mediation between TQM and innovation outcomes. This research surveyed 164 manufacturing firms in Malaysia and employed SEM to research the research modelling. The key outcomes emphasized that TQM strategies, encompassing authority, employee involvement, and progress, exerted a positive and substantial influence on innovation capability. Consequently, inventive performance which includes both procedure and commodity innovation was favorably and substantially impacted by innovative capacity. The investigation also showed that the association involving techniques for quality management and inventive efficacy was somewhat controlled for by inventive capabilities. The research concluded that integrating TQM and innovation management could enhance innovation performance by nurturing innovation capability, offering a pathway to competitive advantage.

Aramburu and Sáenz (2011) conducted an empirical investigation to assess the influence of various organizational enablers, especially architectural funding, while considering the brainstorming step of innovative operations from the perspective of creativity. Their questionnaire-based data collection encompassed 142 Spanish producers that conduct R&D and have more than fifty personnel. Using modified lowest squares as the basis for fundamental dynamics analysis, the study evaluated the hypotheses. The main conclusions demonstrated that company backing from superiors, together with personal traits like delight in assisting others and expertise self-assurance, greatly impacted information-sharing procedures. These processes, in turn, facilitated improvements in innovation capability. Additionally, the research observed that company size moderated the relationships between structural capital and knowledge-sharing processes. In summary, the study underscored structural capital as a critical driver of innovation capability and recommended the cultivation of a knowledge-sharing culture and alignment of organizational structures with innovation objectives.

An empirical study on expertise of information and its effect on an organization's capacity for inventiveness was covered by Lin (2007). The aim of this study was to find out how intellectual exchange procedures are impacted by personal variables (such as satisfaction from assisting other people and academic self-worth), corporate variables (such as company incentives and executive aid), and technological aspects (such as the use of interpersonal and communicating computing) and how these variables ultimately affect company innovative capacity. Interviews were used to collect information from 172 staff members in 50 sizable Taiwanese companies. Using SEM to investigate the investigation's model, the main conclusions showed that satisfaction with aiding others, expertise self-worth, and backing from superiors all had a substantial impact on information-sharing procedures, which included both expertise contribution and acquisition. Moreover, procedures for exchanging expertise were found to be a stimulant for improving the company's capacity for inventiveness. The investigation came to the conclusion that sharing expertise was crucial to a company's ability to be inventive, and it recommended that computer technology be used to promote the development of a culture that values transferring expertise and offers motivations for doing so.

Battistelli and Odoardi (2019) examined the complex interactions between work-based learning, organizational commitment, and challenging tasks and their effects on innovative behavior and employee performance. The results showed that work-based learning significantly enhances employees' innovative behavior by providing them with the skills and knowledge necessary to generate new ideas and solutions. Furthermore, organizational commitment played a pivotal role in fostering innovative behavior, as committed employees are more likely to engage in behaviors that contribute to innovation. The study also highlighted the critical role of challenging tasks in motivating employees to push their creative boundaries, thereby enhancing overall performance.

Bos-Nehles and Veenendaal (2019) investigated how human resource (HR) practices and an innovative organizational climate influence employees' innovative behavior. The results revealed that HR practices play a crucial role in fostering an innovative climate within organizations. Specifically, HR practices that promote employee involvement, provide continuous learning opportunities, and support creative risk-taking behaviors were found to significantly enhance innovative behavior. Additionally, the perception of an innovative climate, where creativity and innovation are valued, was found to act as a strong catalyst for employees to engage in innovative behaviors. These behaviors, in turn, led to higher levels of organizational performance.

Karatepe and Aboramadan, (2020) explored the role of servant leadership in promoting innovative behavior and enhancing employee performance within the hotel industry. This study used a quantitative approach, surveying 310 employees from various hotels, which provided valuable insights into how leadership styles affect employees' creativity and performance in the service industry. The researchers utilized hierarchical regression analysis to test the mediating role of climate for creativity in the relationship between servant leadership and innovative behavior. The results indicated that servant leadership, characterized by a focus on empowering and supporting employees, positively influenced employees' innovative behaviors. Specifically, servant leaders create an environment that nurtures creativity, which in turn motivates employees to engage in innovative activities that enhance their performance. The study further showed that the climate for creativity played a critical mediating role, as employees who perceived their workplace as supportive of creative ideas were more likely to demonstrate innovative behaviors.

Fang et al. (2019) focused on how inclusive leadership influences employees' innovative behaviors through the mediation of psychological capital. The study used a cross-sectional survey design, collecting data from 305 employees working in diverse sectors. To analyze the relationships between inclusive leadership, psychological capital, and innovative behavior, the researchers employed structural equation modeling (SEM). The study's findings demonstrated that inclusive leadership characterized by openness, support for diversity, and shared decision-making positively impacted employees' psychological capital, which in turn facilitated the expression of innovative behaviors.

Lyu et al. (2020) examined the impact of servant leadership on employees' innovative behaviors in service-oriented industries, such as hospitality and customer service. The study used a sample of 280 employees and applied hierarchical regression analysis to assess the relationships between servant leadership, intrinsic motivation, leader identification, and innovative behavior. The research found that servant leadership positively influenced employees' innovative behavior by fostering an intrinsic motivation to innovate and by promoting a strong identification with the leader. The findings suggested that when employees identify strongly with their leaders, they are more likely to be motivated to engage in innovative behaviors that align with organizational goals. Additionally, intrinsic motivation played a significant mediating role in this relationship. The study concluded that servant leadership is a powerful leadership style that can enhance employees' creative potential and drive improved performance in service contexts.

Willie (2025) examined the dynamics of Leader-Member Exchange (LMX) as a facilitator of innovative behavior and organizational performance, focusing on the roles of open communication, biases, and personality challenges. This empirical literature review synthesizes findings from databases like JSTOR and Google Scholar and adopts a thematic analysis method to collate insights from recent LMX studies. The paper shows that high-quality LMX relationships defined by trust, transparency, and mutual respect substantially improve employee engagement, job satisfaction, and proactive behaviors like innovation and collaboration.

Wulandari et al. (2025) conducted an empirical study to investigate the mediating effect of Innovative Work Behavior (I.Web) on the relationship between Work Engagement (W.Eng) and Job Performance (J.Per) within Indonesia's public sector. Utilizing a quantitative survey-based approach, data were collected from 103 permanent employees (ASN) in the Directorate General of Land Transportation. Responses were gathered using Likert-scale items, and structural equation modeling (SEM) via SmartPLS 3 was employed to assess both direct and indirect relationships. The results reveal that work engagement significantly and positively impacts both innovative behavior ($\beta = 0.911, p < 0.001$) and job performance ($\beta = 0.550, p = 0.004$). However, innovative behavior did not significantly mediate the relationship between engagement and performance ($\beta = 0.280, p = 0.122$). Despite high engagement leading to increased innovation, the latter didn't translate into measurable performance gains in this public context.

The study by Nguyen (2024) addresses innovation in a highly technical context, examining how innovative behavior in securing IoT systems contributes to performance outcomes in cybersecurity frameworks. The study utilized a mixed-method empirical design involving both simulation-based testing and field deployment, focusing on four distinct innovation systems such as anomaly detection and federated learning frameworks. One of the core innovative behaviors examined was the autonomous detection and response to network intrusions without centralized control. This innovation significantly boosted system performance, measured by detection accuracy, latency, and resilience to backdoor attacks. The study's methodology relied on federated learning as the central model to test performance across different IoT settings. The novelty of longitudinal context-based pairing and anomaly detection further demonstrates how performance improvements can be directly linked to behavioral innovation, particularly when contextual awareness and adaptive learning are embedded into system behavior. This work reveals that

proactive and context-sensitive innovative behavior can elevate system-level performance in dynamic environments.

Rahim et al. (2025) provided a conceptual and literature-based analysis of how transformational leadership contributes to job satisfaction and organizational performance, particularly in the Malaysian retail sector. Though the paper was conceptual in nature rather than purely empirical, it synthesizes numerous empirical studies and leadership theories to explain how innovative behaviors are triggered under transformational leadership and how this, in turn, affects employee motivation and organizational performance. Drawing heavily from Bass and Avolio's transformational leadership framework, the study outlines four dimensions idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation that collectively foster job satisfaction and innovative behavior.

Abdullaeva (2023) conducted a comprehensive systematic review of 50 empirical studies published between 2019 and 2023, focusing on how leader managers influence labor productivity through mechanisms tied closely to innovative behavior. Although the study primarily emphasizes leadership and productivity, the innovation-performance connection emerges strongly through the mediating variables of empowerment, autonomy, and communication. The research follows a systematic review methodology, carefully curating peer-reviewed articles and case studies that investigated leadership styles such as visionary, empowering, and feedback-driven leadership across organizational settings. Key findings show that leader managers who provide autonomy and encourage innovation significantly enhance productivity. The review also highlights emotional intelligence, strategic feedback, and supportive environments as critical leadership behaviors that catalyze innovative employee behavior, indirectly boosting overall organizational performance.

Kolluru and Mukhopadhaya (2017) conducted a research on the achievement of firms in invention spanning the years 1995 to 2016. The study identified and classified 113 empirical studies into four categories: input-output studies, process studies, contextual studies, and holistic studies. Employing a systematic review methodology, the research analyzed and synthesized the findings. The primary discoveries revealed that the majority of studies concentrated on input-output relationships, such as R&D intensity and patents. Comparatively, fewer studies delved into process aspects, such as innovation strategy and capabilities, or contextual factors, including industry characteristics and environmental dynamism. Additionally, the study noted the scarcity of holistic

studies, which integrated multiple dimensions of innovation performance, yet offered more comprehensive insights. In conclusion, the analyses highlighted the necessity for more comprehensive study on innovative effectiveness and suggested that future research should adopt a dynamic perspective, encompass multiple levels of analysis, and incorporate longitudinal data.

The null hypothesis was;

H₀₅: Innovative behavior of a State Corporation does not significantly moderate the relationship between dynamic capabilities and performance of State Corporations in Kenya.

2.4 Conceptual Framework

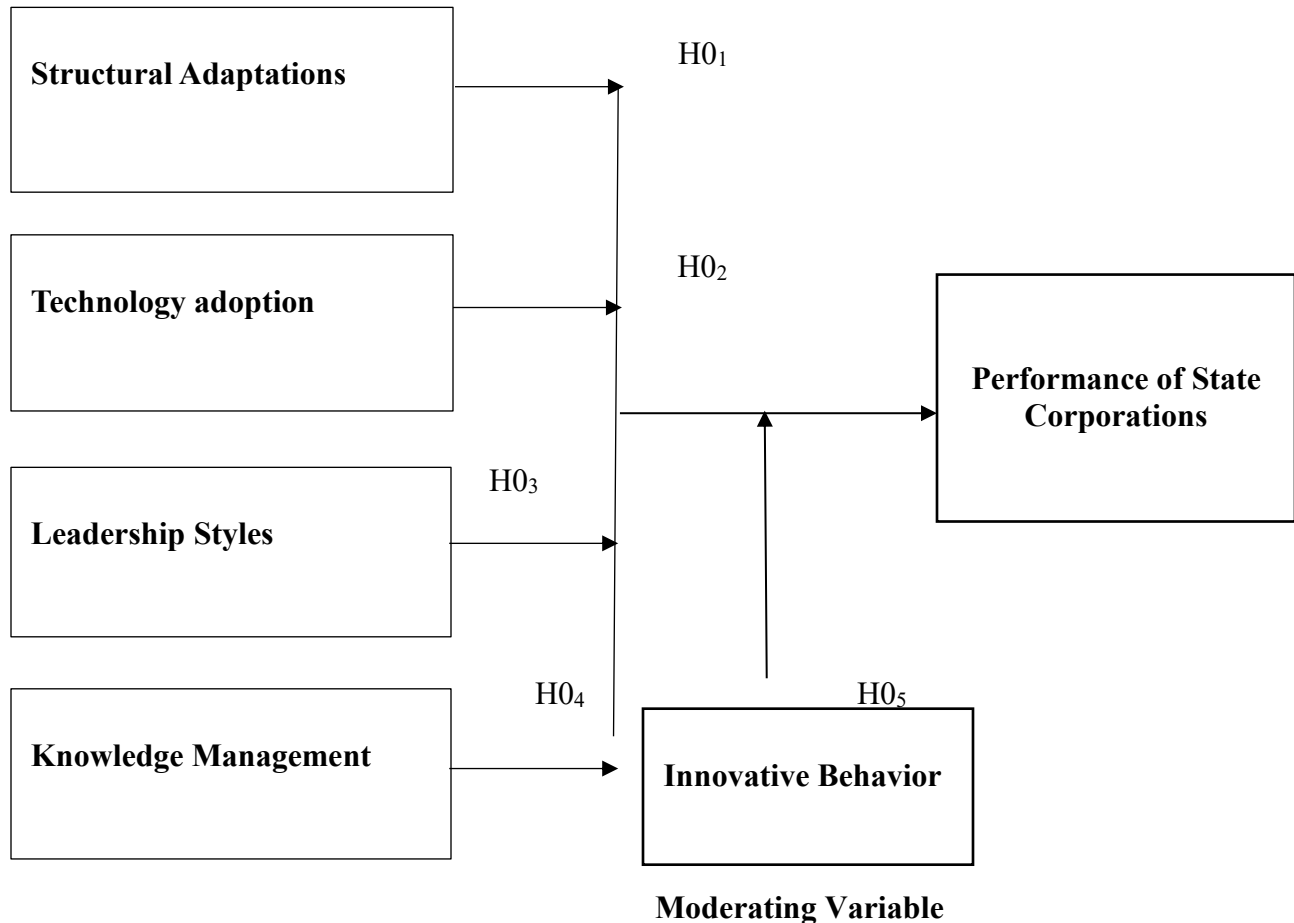
The study focused on impact of innovative behavior and capabilities on the corporate efficiency of State corporations in Kenya. The independent variable in the study was the dynamic capabilities of State corporations of Kenya and the factors considered were structural adaptations, technology adoption, leadership styles and knowledge management. However, there was a moderating factor of innovative behaviour that moderated the association between capabilities and organizational success. This is illustrated below;

Figure 2.2:

Conceptual Framework

Independent Variables

Dependent Variable

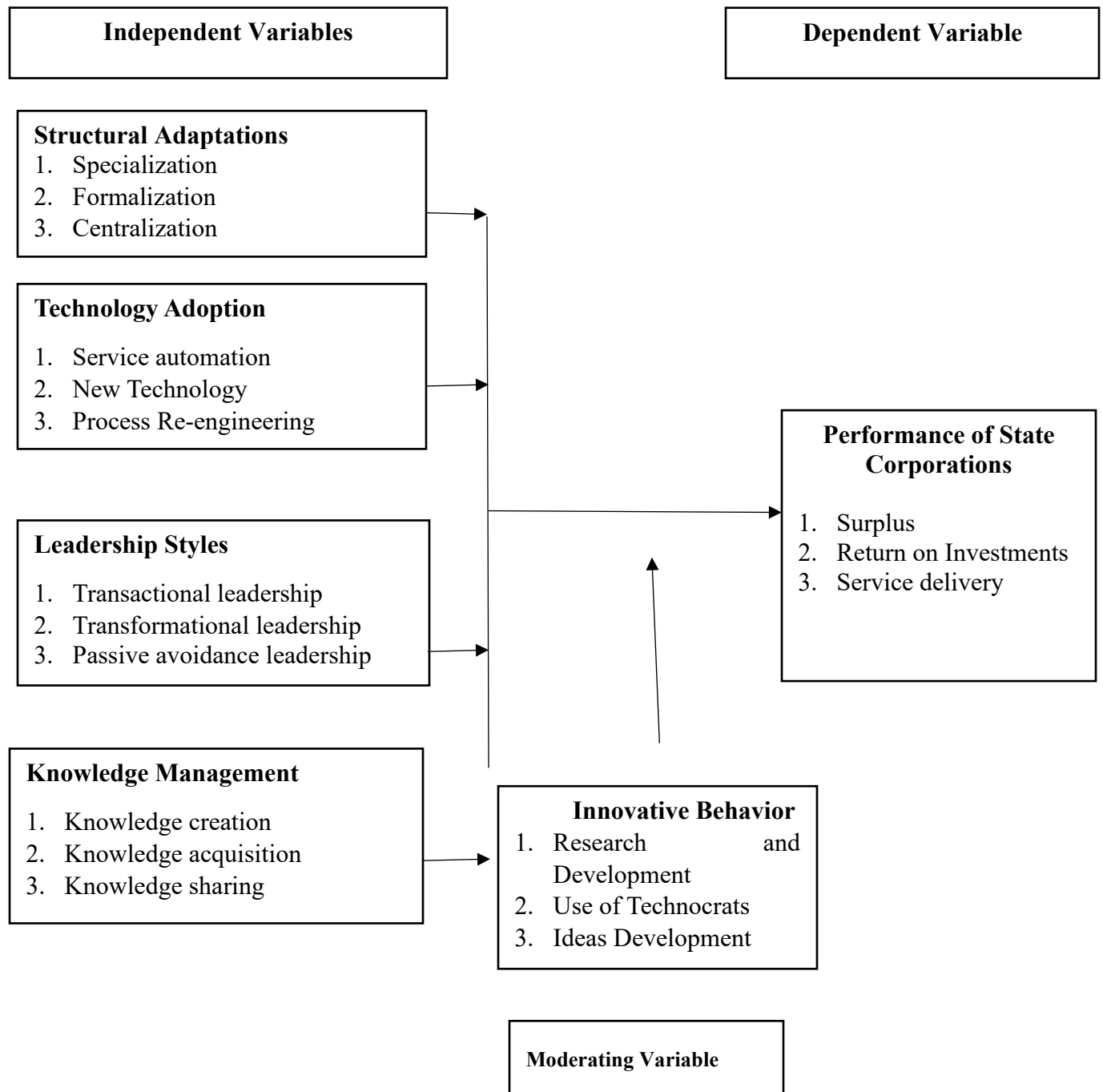


2.5 Operational Framework

The planned research theme is further elaborated in the operational framework. In order to help the researcher identify the association of the study factors and operationalize the desired study, this operational model shows the numerous parameters that were utilized to measure the research variables.

Figure 2.3

Operational Framework



2.5.1 Structural Adaptations

Structural adaptations refer to the formal reconfiguration of an organization's internal structure to better align with its strategic objectives and respond to changing environments. This includes altering the level of specialization within the workforce, the degree of formalization in procedures, and the extent of centralization in decision-making processes. These elements were selected because they reflect an organization's ability to remain flexible and strategically responsive. For instance, specialization involves assigning distinct roles to departments to increase efficiency, while formalization ensures consistency through documented processes (Robbins & Coulter 2018). Centralization reflects the concentration of decision-making authority at senior levels, which can either enhance coordination or limit organizational responsiveness.

Ali et al. (2022) argue that adaptive structural configurations enable public institutions to improve service delivery and accountability, especially when faced with complexity and change. Similarly, Gede and Huluka (2023) demonstrated that organizational structure must align with environmental demands for optimal performance. Structural adaptation is typically driven by operational inefficiencies, regulatory reforms, fiscal constraints, and increasing demands for transparent and responsive public service. Daft (2016) further note that mechanistic structures suit stable environments, while organic structures facilitate innovation in dynamic contexts. The capacity to restructure enables public organizations to balance bureaucratic control with operational flexibility (Ketprapakorn & Kantabutra, 2022). Galbraith (2014) emphasizes that structural design must consider information processing requirements and coordination mechanisms. Structural adaptations in public organizations often involve decentralizing decision-making to frontline managers, creating cross-functional teams, and reducing hierarchical layers to enhance responsiveness. These reconfigurations enable organizations to respond more effectively to citizen

needs while maintaining accountability frameworks essential for public trust (Pollitt & Bouckaert, 2017).

2.5.2 Technology Adoption

Technology adoption involves the acquisition, integration, and application of new technological systems to enhance operational efficiency and service delivery. In this study, technology adoption was measured using three main constructs: service automation (e.g., digitization of public-facing services), adoption of new technology (such as cloud systems or artificial intelligence), and business process re-engineering (redesigning processes through technological solutions). According to Vial (2019), technology adoption is a cornerstone of digital transformation, allowing public organizations to enhance agility and transparency. Rogers (2003) emphasizes that the diffusion of innovations follows predictable patterns influenced by perceived advantages, compatibility, complexity, trialability, and observability.

The process is influenced by factors such as leadership support, staff digital literacy, funding availability, and policy environments (Ramdani et al., 2022), Wafula et al. 2025) introduced the Technology-Organization-Environment (TOE) framework, which explains that technological, organizational, and environmental contexts collectively shape adoption decisions. State Corporations often adopt technology in response to global digital trends and increasing citizen expectations for efficient, user-centered services . However, Gil-Garcia et al. (2014) caution that technological implementation without organizational readiness can lead to failure. Ayaz and Yanartaş (2020) further suggest that user acceptance models must consider voluntariness, social influence, effort expectancy, and facilitating conditions to ensure successful technology integration in public institutions. Ayaz and Yanartaş (2020) argues that perceived usefulness and ease of use are critical determinants of technology acceptance. Additionally, Gil-Garcia et al. (2014) highlight

that digital government initiatives require alignment between technological capabilities and institutional capacities. Effective technology adoption transforms service delivery models, enabling 24/7 accessibility, personalized services, and data-driven decision-making. Resistance to change and legacy system constraints remain significant barriers requiring systematic change management approaches (Kim & Lee, 2020).

2.5.3 Leadership Styles

Leadership styles are central to shaping the direction, motivation, and adaptability of an organization. This study conceptualized leadership through three styles: transactional, transformational, and passive avoidance leadership. Transactional leadership focuses on compliance and reward systems, operating through contingent reinforcement mechanisms (Antonakis & House, 2014). Transformational leadership emphasizes vision, innovation, and employee empowerment, inspiring followers to transcend self-interest for organizational goals. Passive avoidance leadership reflects inaction or delayed responses in decision-making, often manifesting as laissez-faire or management-by-exception behaviors (Jun & Lee, 2023).

The constructs capture how leadership approaches affect strategic direction and innovation. As Nguyen et al. (2021) observe, transformational leadership is particularly effective in environments that demand innovation and continuous improvement, characteristics critical in the public sector. Khan, et al. (2020) note that transformational leaders stimulate intellectual engagement and foster organizational commitment through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Leadership style is influenced by organizational culture, leader personality, training, autonomy levels, and political environment (Northouse, 2021). Ayaz and Yanartaş (2020) emphasize that leadership development programs can enhance transformational competencies. Al Maalouf et al. (2025) further argue that public sector contexts

require leaders who balance bureaucratic accountability with adaptive innovation. Effective leadership facilitates change readiness and organizational resilience during turbulent periods (Schiuma et al., 2024). Schiuma et al. (2024) identify that exemplary leaders model desired behaviors, inspire shared vision, challenge processes, enable others to act, and encourage commitment. Khan et al. (2020) suggests that public sector leadership must navigate political pressures while maintaining ethical standards and operational effectiveness. The alignment between leadership style and organizational context significantly determines implementation success and employee engagement levels.

2.5.4 Knowledge Management

Knowledge management encompasses systematic processes for creating, acquiring, storing, sharing, and applying organizational knowledge to enhance decision-making and performance (Mohagheghvet al., 2024). In this study, it was measured through constructs including knowledge creation (developing new insights internally), knowledge acquisition (sourcing from external and internal entities), and knowledge sharing (disseminating knowledge across departments and staff). Effective knowledge management enables organizations to avoid redundancy, foster learning, and make evidence-based decisions.

Akhavan et al. (2022) emphasize that digital tools, a learning culture, and strong leadership support are critical enablers of knowledge management in the public sector. Otioma (2023) argue that information technology facilitates knowledge codification and transfer across organizational boundaries. Organizational learning theory suggests that knowledge management transforms individual expertise into institutional memory, enhancing adaptive capacity. Knowledge-sharing behaviors are influenced by trust, organizational structure, incentive systems, and communication platforms (Abbasi et al., 2021). Cristache et al. (2025), propose that knowledge infrastructure and

knowledge processes must align for effective knowledge management. In public organizations, knowledge management supports evidence-based policymaking and service innovation enabling continuous improvement and operational excellence. Cheng, et al (2024) identifies that public sector knowledge management must address challenges including bureaucratic silos, staff turnover, and limited documentation practices. Communities of practice facilitate tacit knowledge sharing and collaborative problem-solving (Kassa & Ning, 2023). Effective knowledge management systems integrate repositories, collaboration tools, and expertise locators to maximize knowledge accessibility and utilization. When properly implemented, knowledge management reduces duplication of effort, accelerates learning curves, and enhances organizational memory, thereby improving service quality and innovation capacity (González-Illescas & Zaragoza-Sáez., 2023).

2.5.5 Innovative Behavior

The moderating variable, innovative behavior, plays a crucial role in shaping the relationship between dynamic capabilities and performance. Innovative behavior was conceptualized as the deliberate and proactive generation, promotion, and implementation of novel ideas, services, or processes within an organization. It was measured through indicators such as investment in research and development (R&D), involvement of technocrats in problem-solving, and platforms for employee-driven idea development. Innovative behavior can either amplify or reduce the effects of the independent variables on performance depending on how well it is integrated within the organization's strategy and culture (Hock-Doepgen et al., 2021).

Mendoza-Silva (2021) notes that organizational climate, leadership encouragement, openness to experimentation, and incentivization strongly influence the degree to which innovation is embedded and operationalized in public institutions. Amabile (1988) emphasizes that creativity

thrives in environments characterized by autonomy, resources, challenge, and encouragement. Pajuoja et al. (2025) identify that individual innovation involves idea generation, promotion, and realization stages, each requiring different organizational supports. Organizational support mechanisms — such as allowing dedicated time for innovation, ensuring resource availability, and maintaining tolerance for failure facilitate innovative behavior by creating a climate of psychological safety and opportunity (Wang et al., 2021; AlMunthiri et al., 2024). In public sector contexts, innovation is often constrained by risk aversion, rigid regulations, and bureaucratic structures, necessitating deliberate interventions to cultivate an innovation-oriented culture that balances accountability with experimentation (Lee & Kim, 2024; Mutonyi, Slåtten, & Lien, 2022). Yuan and Woodman (2010) argue that innovative behavior emerges from the interaction between individual outcome expectations and organizational context. Anderson et al. (2014) define innovation broadly as the process comprising both idea generation and implementation. Employee involvement in decision-making, psychological safety, and recognition systems significantly predict innovative behavior (Wang, et al., 2021; AlMunthiri et al., 2024). Public organizations must create platforms for experimentation, protect time for innovation activities, and celebrate both successes and learning from failures to sustain innovative momentum (Mutonyi et., 2022; Lee & Kim, 2024).

2.5.6 Organizational Performance

The dependent variable, organizational performance, is defined as the organization's ability to achieve its intended outcomes in financial, operational, and developmental dimensions. This study used three key indicators to measure performance: surplus (financial profitability or sustainability), service delivery (quality and accessibility of services), and return on investment (ROI) reflecting

efficiency in resource utilization. These indicators collectively provide a comprehensive understanding of both financial sustainability and service effectiveness (Bryson, 2014).

As Kaplan and Norton (2021) suggest in their Balanced Scorecard model, performance must be viewed through multiple lenses—internal efficiency, stakeholder satisfaction, financial outcomes, and learning capacity—to capture the real value being generated. Lee and Kim (2024) argue that organizational performance is multidimensional, encompassing financial, operational, and organizational effectiveness measures. In public sector contexts, performance evaluation extends beyond profit to include public value creation and social impact (Korhonen et al., 2023). Tran and Nguyen (2020) note that performance measurement in public organizations must balance efficiency with equity, effectiveness, and responsiveness. Bryson, (2014) emphasize that environmental volatility, leadership quality, and organizational capacity significantly influence performance outcomes. Dauerer (2025) further suggest that managerial networking and external collaboration enhance public organizational performance. Contemporary performance frameworks increasingly integrate sustainability and innovation metrics alongside traditional financial indicators. Bryson (2014) demonstrate that strategic management practices positively correlate with performance improvement in public organizations. Restrepo-Morales et al. (2023) argues that performance measurement must consider contextual factors including political pressures, stakeholder expectations, and resource constraints. Effective performance management systems align individual objectives with organizational goals, provide regular feedback, and support continuous improvement initiatives. The integration of multiple performance dimensions enables holistic assessment and facilitates evidence-based strategic adjustments.

2.6 Summary of the Literature Review

The literature review reveals that dynamic capabilities encompassing structural adaptations, technology adoption, leadership styles, and knowledge management are critical drivers of organizational performance across various sectors. The Dynamic Capabilities View underscores the importance of an organization's ability to reconfigure internal structures and processes in response to environmental changes. Empirical studies affirm that flexible organizational structures and decentralization enhance agility and responsiveness, especially in public sector entities (Ali et al., 2022; Kapucu & Garayev, 2014). Similarly, the adoption of emerging technologies is recognized as a key enabler of operational efficiency and innovation (Vial, 2019; Ramdani et al., 2022), with digital transformation efforts linked to improved service delivery in government institutions.

Leadership styles, particularly transformational leadership, have been shown to significantly influence employee engagement and organizational outcomes (Nguyen & Nguyen, 2021). Leadership's role in fostering an innovative culture is increasingly emphasized, though tensions remain between traditional leadership models and innovation demands (Mendoza-Silva, 2021). Knowledge management practices, including knowledge creation, sharing, and application, are widely documented as vital to sustaining competitive advantage and organizational learning (Restrepo-Morales et al., 2023; Akhavan., 2022).

Despite this robust body of work, a critical gap persists in the literature regarding the integrated examination of these dynamic capabilities within the public sector, particularly State Corporations in developing countries. Most studies focus on private sector firms or individual capabilities in isolation, lacking a holistic approach that considers how these factors collectively influence performance. Additionally, the moderating role of innovative behavior remains underexplored in public sector contexts, limiting understanding of how innovation interacts with dynamic capabilities to shape outcomes.

Table 2.1*Summary of Research Gaps*

Author(s) & Year	Focus of the Study	Key Findings	Identified Research Gaps
Ali et al. (2022)	Structural adaptation in global food SMEs	Flexible sourcing, decentralized operations improve resilience and performance	Contextual & Geographical: Global SMEs; not Kenyan State Corporations. Methodological: Lacks qualitative insights.
Angeles et al. (2022)	Structural flexibility in Mexican MSMEs	Adaptive structures improve innovation and revenue stability	Contextual: MSMEs; public sector applicability limited.
Kihara et al. (2016)	Structural factors and productivity in Kenyan manufacturing	Structural strategy positively impacts output	Contextual: Manufacturing firms; not State Corporations. Methodological: Cross-sectional survey only.
Kachisa & Otuya (2024)	Structural alignment in sugar companies, Kenya	Alignment improves efficiency and customer retention	Contextual & Conceptual: Focused on private sector; lacks innovative behavior perspective.
Anam (2024)	Structural adaptation in Indonesian MSMEs	Adaptive structures enhance innovation and financial performance	Contextual & Geographical: MSMEs; public sector not included.
Sarfo et al. (2024)	Decentralization fosters innovation and environmental performance		
Omar et al. (2025)	Technology adoption in Malaysian MSMEs	Digital adoption mediates leadership and performance	Contextual: SMEs; findings not generalizable to State Corporations.
Tian et al. (2025)	Digital capabilities and global innovation, China	Digital adoption enhances innovation performance	Contextual & Geographical: MSMEs; limited public sector application.
Rehman & Kucinskis (2025)	Technology adoption in Eastern European firms	Technology enables innovation and growth	Contextual: Private high-tech firms; not State Corporations.
Ali et al., (2025)	IT agility in Kenyan schools	IT adoption improves operational efficiency	Contextual & Geographical: Transitional economies; State Corporations excluded.
Mwiti (2025)	BPM systems in cooperatives, Kenya	Technology improves controls and service delivery	Contextual: Schools; public sector State Corporations not studied.
			Contextual: Cooperatives; not State Corporations.

Cui (2025)	AI adoption in cross-border trade Knowledge management in IT firms, India	AI improves decision-making and responsiveness Improvisation enhances innovation	Contextual & Geographical: Private firms; not Kenyan State Corporations. Contextual: Private IT firms; State Corporations not studied. Contextual & Geographical: Retail sector; not Kenyan State Corporations. Contextual & Geographical: MENA; public sector not studied.
Haval (2025)	Cloud computing in Indian retail Digital communities of practice, MENA Leadership	Technology adoption improves supply chain Knowledge sharing improves performance	Contextual: General firms; limited public sector focus. Contextual & Geographical: Chinese firms; State Corporations not included. Conceptual: Focus on strategy only; does not integrate dynamic capabilities fully.
Abdulmuhsin et al. (2025)	capabilities and firm performance Information system capabilities in China	Effective leadership improves outcomes IS adoption improves decision-making and customer satisfaction	
Bhawaj et al. (2015)	Strategic management in State Corporations	Strategy enhances profitability	
Aydiner et al. (2019)	Resource capabilities and commercial State Corporation outcomes, Kenya Marketing, leadership, and resource capabilities in sugar firms, Kenya	Resource capabilities influence performance	Methodological: Cross-sectional; lacks moderation or innovation focus.
Kusumawati et al. (2022)			
Khalif et al. (2022)			
Onyango et al. (2015)	Ownership and management in US aquatic utilities	Managerial competence more important than ownership	Contextual: Sugar firms only; generalizability to other State Corporations limited. Contextual & Geographical: US utilities; limited applicability to Kenyan State Corporations. Contextual & Geographical: SMEs; not Kenyan State Corporations. Conceptual: Limited integration of dynamic capabilities framework.
Beecher (2018)	Technology and entrepreneurial capabilities in Chinese SMEs Technology adoption in Pakistani manufacturing SMEs	Capacity and technology positively impact performance Innovation and absorptive capacity improve performance	
Tang et al. (2020)			
Rehman & Nazri (2019).			

Otiso (2017)	Technical capacities in Nzoia Sugar Corporation	Technical capacity improves productivity	Methodological & Contextual: Single firm; limited generalizability.
Pavi (2025)	Structural adaptation in R&D organizations	Flexible structures enhance innovation and performance	Contextual: R&D organizations; not public State Corporations.

2.7 Research Gaps

The present investigation discovered a significant body of published work supporting the ever-changing capacities on success of State corporations, following the available literature evaluation. The investigations nevertheless contain certain shortcomings that revealed various information deficits. For instance, the study by Khamis et al. (2019) presents a geographical gap by focusing its study on companies spanning various sectors in the Bahrain Bourse. Furthermore, Tegba and Ezi-Herbrt's (2019) investigation used an inventory of 73 entities that are quoted on the NSE for its analysis. This also presented a geographical gap as the study focused on Nigeria. The results from these studies cannot be generalized for all countries hence, our assessment aimed to cover this by studying the influence of dynamic capabilities on efficiency of Kenyan State Corporations.

Additionally, a methodological gap was identified from the literature presented. While several of the studies quantitative or qualitative methodologies, there was a noticeable absence of experimental research designs. Experimental studies can provide stronger causal evidence, which is particularly important when investigating the impact of interventions or treatments, such as the effect of specific educational approaches or leadership styles. For instance, Lumumba et al. (2021) research employed a quantitative methodology, utilizing questionnaires as the primary data collection instruments. In contrast, Shahzad et al. (2020) use the RBV theory to investigate how the knowledge management process integrates organizational agility and green innovation to support corporate sustainable performance. This study's design was cross-sectional.

A conceptual gap was also identified in some studies. For example, Aramburu and Sáenz (2011) conducted an empirical investigation to assess the influence of various organizational enablers. Results revealed that structural capital is a critical driver of innovation capability. Although they found that structural capital strongly influenced service delivery, our study focused on different factors, namely dynamic capabilities, and their effects on performance in State corporations at a

national level. Therefore, our study covered this research gap by exploring the unique impact of dynamic capabilities and moderating effect of innovative behavior.

Furthermore, a contextual gap was found in the literature review. For example, Hassan (2020) investigated how dynamic capabilities affected the way a plan was implemented in Kenya's dairy sector. The 1064 managers working in dairy business were used. There was a contextual gap because the study was restricted to the dairy business, but this study looked at State Corporation performance rather than plan execution. In a similar vein, Osioma et al. (2016) evaluated the relationship between productivity and dynamic capacities in a subset of Nigerian banks. However, the report did not include State Corporations; rather, it solely looked at commercial banks.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology used to investigate how dynamic capabilities and innovation affect the performance of State Corporations in Kenya. This chapter explains how the study was conducted. It encompasses the research design, population, sampling techniques, data collection instruments, procedures, and other related aspects of the study.

3.2 Research Philosophy

The philosophical approach adopted for this study is logical positivism, which emphasizes the use of scientific and objective methods to gather empirical data. Logical positivism, as articulated by scholars such as Creswell (2014) asserts that knowledge is derived from observable and measurable phenomena, with a strong focus on the quantifiable aspects of reality. In this paradigm, the emphasis is on testing hypotheses through the collection of numerical data, with the aim of identifying relationships between variables in a manner that is objective and replicable.

According to Bryman (2016), within a positivist framework, the primary goal is to establish causal relationships between variables through rigorous testing of hypotheses based on numerical evidence. This reliance on measurable data ensures that the research process is grounded in objective reality, free from personal biases or subjective interpretations. The logical positivist approach advocates for a structured methodology that prioritizes precision and quantification, making it particularly suitable for studies focused on understanding the dynamics of dynamic capabilities and its impact on the productivity of State Corporations.

3.3 Research Design

According to Pandey and Pandey (2015), this is the process of creating rules for gathering, processing, and interpretation with the goal of balancing the process's affordability with the study's relevancy. The investigation adopted an explanatory design. Explanatory research aims to establish cause-and-effect relationships by explaining the reasons behind observed phenomena (Saunders, Lewis, & Thornhill, 2019). This study focused on exploring and explaining the underlying factors or causes of the phenomenon under investigation. The research utilized both qualitative and quantitative data, enabling a comprehensive understanding of the "how" and "why" of the study's

key parameters. The information gathered was systematically organized and presented in a clear, accessible format for analysis and interpretation.

3.4 Target Population

The components considered are those that what the investigator has an interest in and that possess the knowledge needed to answer the study questions. It is clearly defined, highlighting the households, social groups, and components that the researcher wants to look at (Creswell, 2014).

There are 177 State Corporations in Kenya in all sectors based on the information from the National Treasury (Appendix II). The study was therefore based on all the 177 Kenyan Corporations which formed the unit of analysis in this study.

3.5 Sample Size and Sampling Technique

Sampling is the practice of selecting individuals from a larger population who are thought to be representative of the whole (Nayak & Singh, 2021). By using only, a representative subset of the population, sampling helps keep research costs down.

The formula developed by Yamane (1967) was utilized to figure out the appropriate size. The following algorithm found an ideal sample size for $e = 0.05$ and a 95 percent confidence level;

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

Where:

n = Sample size

N = Population

e = Standard error

With a 0.05 a syntax error tolerance and a 95% credibility level, the population of 177 State Corporations gave:

$$n = 177 / (1 + 177(0.05)^2)$$

=122 State Corporations

The unit of observation was the CEO or his representative, from each of the 122 State Corporations. As a result, sample of 122 respondents was used.

To conduct this study, stratified sample technique was used. This involved dividing the entire population into distinct subgroups or “strata” based on their sector affiliation, for example, Ministry of Agriculture, Ministry of Health, Ministry of Education, and so forth. Stratification ensures that each sector is adequately represented in the sample, reflecting its size and importance within the total population. Within each stratum, respondents were then selected using simple random sampling, meaning that every entity in a sector had an equal chance of being chosen.

The sample sizes per sector in Table 3.1 were determined proportionately based on the size of each sector’s population. For instance, the Ministry of Education, Science and Technology had the largest population (40 entities) and correspondingly the largest sample size (28 respondents). Smaller sectors, such as the Ministry of Lands with only 2 entities, had proportionally smaller sample sizes (1 respondent).

Table 3.1 illustrates how the study structured its sample to ensure balanced representation across the various sectors, thereby enhancing the validity and generalizability of the study’s findings to Kenya’s State Corporations.

Table 3.1:
Sample Size

No.	Sector	Population	Sample Size
1	Ministry of Agriculture and Irrigation	25	18
2	Ministry of Health	10	7
3	Ministry of Energy	9	6
4	Ministry of Education, Science and Technology	40	28
5	Ministry of Information and Communication Technology	6	4
6	Ministry of Justice and Legal Affairs	3	2
7	Ministry of Labour and Social Protection	4	3
8	Ministry of Lands	2	1
9	Ministry of National Treasury	15	10
10	Ministry of Sports and Heritage	6	4
11	Ministry of Tourism and Wildlife	11	8
12	Ministry of Transport and Infrastructure Development	7	5
13	Office of Attorney General	8	6
14	Planning, National and Regional Development	11	8
15	Water and Sanitation	20	14
	Totals	177	122

3.6 Data Collection Instruments

According to Taherdoost (2016), the term "research instrument" refers to any method or technique employed in the process of data collection. Knowledge, attitude, and ability can all be assessed with the help of the right instrument. Quantitative primary data was used in the investigation. A questionnaire served as the major source of information for this investigation. Questionnaires have this advantage because they provide respondents the freedom to share their own experiences and insights on the topic.

Primary data was gathered by asking predetermined questions and recording responses on a 5-point Likert scale for this study. The Likert scale gauges how much people agree or disagree. Because the questions asked can be consistently asked and the data collected can be statistically examined, this kind of questionnaire is more suitable. According to Mohajan (2018), Likert scales are useful for assessing behavior, attitudes, perceptions, and values. This study used a questionnaire since it allowed the researcher to quickly get first-hand information. An interview was used to collect qualitative data which is not captured in the questionnaire.

3.6.1 Data Collection Procedure

The data collection procedure for this study was carefully designed to ensure the accuracy, reliability, and validity of the information gathered from State Corporations in Kenya. Data was collected from CEOs or their appointed representatives, as they are directly involved in decision-making processes and have comprehensive knowledge of the organizations' operational, strategic, and technological practices. Prior to commencing data collection, the researcher obtained the necessary research authorization from Kenya Methodist University and relevant regulatory authorities to ensure compliance with legal and institutional requirements.

To facilitate effective data collection, appointments were scheduled with respondents in advance, providing them with information on the purpose, scope, and significance of the study. This approach ensured that respondents were prepared and available to provide accurate and considered responses. Ethical considerations were emphasized at the outset, with assurances that participation was voluntary, responses would remain confidential, and all information would be used solely for academic purposes. Consent forms were provided to all participants, outlining the rights of respondents and their ability to withdraw at any stage without any repercussions.

The primary data collection instrument was a structured questionnaire developed based on validated scales for dynamic capabilities, innovative behavior, and organizational performance. The questionnaire was administered both physically and electronically, depending on the availability and preference of the respondents. The survey included close-ended questions rated on a five-point Likert scale to capture the degree of agreement or disagreement with statements related to structural adaptations, technology adoption, leadership styles, knowledge management, and innovative behavior. This design ensured that quantitative data could be systematically analyzed and compared across organizations.

To enhance the reliability and validity of the data collection instruments, a pilot study was conducted with a small subset of 12 State Corporations not included in the main study. Feedback from the pilot study was used to refine the questionnaire, clarify ambiguous items, and ensure that all questions were contextually relevant to the Kenyan public sector environment. Factor analysis and reliability testing were carried out to confirm that the instrument accurately measured the intended constructs and that responses were consistent across respondents.

During the data collection phase, the researcher personally administered the questionnaires, followed up with respondents via email and phone calls, and monitored completion to ensure a high response rate. Completed questionnaires were checked for completeness and consistency before data entry. All data were coded and securely stored in a database for analysis, ensuring integrity and confidentiality throughout the research process.

This systematic and ethically guided data collection procedure ensured that high-quality, reliable, and valid data were obtained, providing a strong foundation for subsequent descriptive and inferential analyses aimed at understanding the influence of dynamic capabilities and innovative behavior on the performance of State Corporations in Kenya.

3.7 Pilot Study

Pre-testing the questionnaire is crucial to preventing issues after it is distributed. According to Kumar et al. (2025), a pilot study is conducted to test the reliability and validity of data collection instruments by administering them to a small sample prior to the main study, enabling the researcher to refine the tools and ensure accurate measurement. By using this technique, an investigator can lower the amount of inaccurate answers that come from survey participants misreading the queries or creating gaps. A pilot research involving 10% of the 122 participants

was conducted; the results were not included in the overall evaluation. According to Taherdoost (2016), who claims that 5–10% of the collection size is adequate for a pilot, it was reasonable to conduct a pilot study on the cohort of twelve participants from the State Corporations.

3.7.1 Validity of the Research Instrument

Validity is how well such instrument measure the actual concept that it is designed to measure. According to Saunders et al. (2019), validity is the most important aspect of measurement as it determines the credibility of the findings. Creswell and Creswell (2018) argue that the instruments must be valid for the research findings to present the actual phenomenon being studied. In this study, content validity was used to test whether the items of the questionnaire adequately represented the constructs. As noted by Aila and Ombok (2015), content validity is shown when items of measurement satisfactorily represent the domain of investigative questions. The variable reduction procedures with content and construct validities for deleting redundant and irrelevant items and keeping only necessary items to measure the objectives of the study (Taherdoost, 2016).

Content validity helps make sure the new tool has been developed for its purpose and will work. The questionnaire for this research was validated by four judges made of two academic supervisors and two specialists in strategic management. Each expert judged each item on the basis of relevance and adequacy. After evaluating all items and achieving consensus, relevant and good representations of the constructs were added to the final questionnaire.

Construct validity means the extent to which an instrument measures the thing it is supposed to measure. (Sekaran & Bougie, 2016) To ensure construct validity, the study performed Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, Bartlett's Test of Sphericity and factor analysis Varimax rotation. The KMO index helps to assess whether the number of items is sufficient to measure a factor. Field (2018) states the acceptable values begin at 0.50 and are strong at 1.00. Bartlett's Test tests whether or not the correlation matrix significantly differs from an identity matrix. Its outcome justifies the use of factor analysis. To sum up, the Principal Component Analysis was performed which identified underlying factors and calculated composite scores using the five-point Likert scale in the study.

3.7.2 Reliability of the Research Instrument

Reliability is the extent to which an experiment or test is repeatable and gets the same result upon repetition. A dependable tool is one that produces dependable results and is relatively free from random measurement errors (Sekaran & Bougie, 2016). According to Babbie (2020), errors in measurement that can compromise reliability include respondent tiredness, interviewer bias, inconsistency of scoring, and other unexplained factors.

In this study, Cronbach's Alpha coefficient was used to test the instrument reliability. Cronbach's Alpha is widely known as an effectiveness measure of internal consistency. It shows the average correlation between items and a scale (Tavakol & Dennick, 2011). The analysis kept items that produced Cronbach's Alpha between 0.70 and 0.90 as acceptable and thus retained. This proved the scale was internally and consistently valid in obtaining reliable information.

3.8 Data Preparation, Analysis, and Presentation

The raw data received from respondents was processed for analysis. The preparation process involved finding and changing impossible values and solving non response. Impossible values are measurements that are beyond the acceptable limits. To identify this kind of error, descriptive statistical checks were employed using SPSS version 23. When an error was found, the original questionnaires were cross-checked, and correct responses were inputted back in the data. After these adjustments, the database was confirmed to be free from the impossible value according to the results of the descriptive analysis. The researcher used inferential and descriptive statistics to analyze the quantitative data. The study utilized various inferential statistics such as Pearson correlation coefficients and regression models. Means, standard deviations, and averages of the responses were studied in descriptive analysis.

3.8.1 Correlation Analysis.

Pearson's product-moment correlation coefficient was used to measure the strength as well as the direction of the relationship between the predictor variables and outcome variable. The correlation coefficient can tell how closely related the two variables are, the higher the value, the stronger the relationship. According to Pallant (2020), correlation coefficients are interpreted at broad thresholds according to their proximity to zero. Coefficients close to zero indicate that there is no linear association; between 0.10 and 0.29 is a weak relationship; between 0.30 and 0.49 is a

moderate relationship; and above 0.50 is a relatively strong relationship. A perfect positive correlation of 1.0 shows a full and direct association between the two. Before the correlation was performed, diagnostic checks were run to check if Pearson correlation and regression analysis statistical assumptions were met. Results will be robust due to diagnostic checks.

3.8.2 Regression Analysis.

To evaluate the impact of the independent variables on the dependent variable regression was used. As Gujarati and Porter (2009) explain, regression models can offer a systematic framework to understand the role of predictor variables in variation. In particular, the individual and combined effects of the independent variables were examined through bivariate and multiple regression techniques. Through the coefficient of determination (R^2), the model adequacy could be assessed, which is an indicator of the extent predictor variables account for the variance in dependent variable (Hair et al., 2019).

The p-values helped make the decisions, while the t-test statistic gave the significance of each predictor. The level of significance was accepted at 0.05 threshold. Where $p < 0.05$, null hypothesis was rejected in favor of the alternative, meaning that predictor was statistically significant on the outcome. Values of R^2 that are closer to 1.0 show that the model explains a substantial amount of variance. Values of R^2 that are smaller imply that there are other factors at play that are not measured. The F-statistic confirmed the overall degree of explanatory power of the regression model and this indicates that independent variables all contribute to improving the fit of the model as the p-value is significant ($p < 0.05$) (Field, 2018).

Both unstandardized and standardized coefficients were analyzed to interpret the predictors more accurately. The unstandardized beta values (B) denoted the magnitude and direction of influence. Positive values showed a direct relationship, and negative values showed an inverse relationship. The standardized beta values (β) enabled the researcher to compare the size of the effects relative to the variables which were not measured on the same scale (Hair et al., 2019). Finally, the interrelationships of the variables were evaluated using hierarchical multiple regression. Researchers think this method was the most suitable, as it enables the study to systematically test direct effects and interaction effects. The current situation provided important insight into how

organizational capabilities and innovation practices collectively influence performance outcomes by Kenyan state corporations.

Three models were specified: Model 1, Model 2, and Model 3. Model 1 assessed the direct effect of dynamic capabilities' dimensions (structural adaptations, technology adoption, leadership styles, and knowledge management) on organizational performance. Model 2 tested the individual influence of each dimension on performance. Modified Model 3 incorporated the moderating effect of innovative behavior.

For the moderation analysis, all independent variables and the moderator were first mean-centered to reduce multicollinearity and improve interpretability. Centering involved subtracting the sample mean from each observed score of the independent variables (X) and the moderator (M), producing centered variables. This procedure ensures that the main effects of dynamic capabilities and innovative behavior are interpretable while interaction effects are tested accurately.

The centered adventure-induced mortality risk groups multiplied each centered independent variable by the centered moderator. Model 3 was then fit with the main effects and these interaction terms as predictors:

Model One;

$$Y = \beta_0 + \beta_i X_i + \varepsilon \quad (i=1,2,3,4) \dots\dots\dots (1a)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots\dots\dots (1b)$$

Where;

Y = Performance

X₁ = structural adaptations

X₂ = technology adoption

X₃ = leadership styles

X₄ = knowledge management

ε = Error term

β₀ = the constant term

β_i, with i = 1, 2 and 3 were the beta coefficients while ε was the error term

This study also sought to establish the moderating effect of innovative behaviour and therefore the empirical model for determining this hypothesis was obtained from following models.

Model with moderator as an independent variable;

Model Two;

$$Y = \beta_0 + \beta_i X_i + \beta_j Z_j + \varepsilon \quad (i=1,2,3,4,5, j=1,2,3) \dots\dots\dots (2a)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_j Z_j + \varepsilon \dots\dots\dots (2b)$$

Where Z_j = Moderating variable (dichotomized)

β_j = Coefficient of moderator as a predictor

Model Three;

Model with interaction terms where innovative behavior interacts with all variables;

$$Y = \beta_0 + \beta_i X_i + \beta_j Z_j + \beta_{ij} X_i Z_j + \varepsilon \dots\dots\dots (3a)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_j Z_j + \beta_{ij} X_i Z_j + \varepsilon \dots\dots\dots (3b)$$

$X_i Z_j$ = Interaction term between variable X_i ($i=1,2,3,4$) and moderating variable Z_j ($j=1,2,3$)

β_{ij} = Coefficient of interaction term .

3.9 Diagnostic Tests

In this study, tests conducted include linearity test, normality test, multicollinearity test and autocorrelation test. According to George & Mallery (2010), asymmetry and kurtosis values between -2 and +2 were accepted for demonstrating. The test will apply a comparison between the sample scores to set of scores with the same mean and standard deviation with normal distribution. If the test is non-significant ($p > .05$), the sample is most likely normally distributed. This indicates the sample distribution doesn't statistically differ from a normal distribution. This indicates that the distribution of the sample is not statistically different from a normal distribution. Autocorrelation measures the existence of relationship with the variables which may be more than two. Auto correlation test through time series assumption by use of Durbin Watson test. A value below 2 depicts that the variable is auto correlated. A value above 2 shows absence of autocorrelation

3.9.1 Test for Normality

For the results of the study to be conclusive, the dependent variable must be assumed to be normal. The Q-Q test was one technique utilized for verification. Royston (1982) describes a Q-Q test as a plot of the percentiles of a standard distribution against those of the observed data. The Q-Q test result should yield a straight line, with a positive slope, since normalcy evidence arises from the skewness and kurtosis. This means the distribution is approximately normally distributed. An additional examination was the shapiro-wilk and Kolmogorov smnrv test, per McHugh's (2013) recommendation.

3.9.2 Test for Autocorrelation

The connection between the elements of a set of observations arranged chronologically or spatially is known as autocorrelation. The values of Durbin-Watson statistics vary from 0 to 4. Non-autocorrelation is indicated by a number close to 2; positive correlation is indicated by a value closer to 0 and negative correlation is indicated by a value closer to 4.

3.9.3 Test for Multicollinearity

A statistical condition known as multicollinearity occurs when there is strong correlation across more predictor variables across several models. Robert, in 2007. Multicollinearity has the effect of influencing the dependent variable from the estimate of the variables. To check for multicollinearity, variance inflation analysis (VIF) was used, as noted by Robert (2007). Multicollinearity is indicated by a VIF of 5 or less than 10 and above, as well as a 0.20 or 0.01 measure. One of the variables must be eliminated from the regression model if two or more of them have VIF values of about or greater than five, as this suggests the presence of multicollinearity.

3.9.4 Test for Heteroscedasticity

In contrast to the case where the Ordinary Least Squares presume that the variance of the error term is constant, heteroscedasticity is the state in which the variance of the dependent variable varies throughout the data (Greene, 2012). Presence of heteroscedasticity might cause problems for analysis since it can invalidate statistical tests that rely on the assumption that modeling errors are normally distributed and uncorrelated. The study employed the scatter plots method, as

described by Greene (2012), to look for a systematic pattern of scatter points in the scatter plots in order to investigate heteroscedasticity.

3.10 Ethical Considerations

In the course of conducting this research, paramount importance on ethical principles and practices to ensure the well-being and rights of the participants was placed. Safeguarding the confidentiality of participants was fundamental ethical commitment. The researcher pledged to treat all personal information gathered during the study with the utmost discretion and care. Data collected, including names and any identifying details, was held in strict confidence and used exclusively for academic purposes. Thorough security measures were employed to protect both digital and physical records, including encryption and restricted access protocols. Ethical approval for the research was sought from Kenya Methodist University. Necessary permissions and authorization for the research, including a research license from NACOSTI was also secured.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

4.1 Introduction

The chapter presents the findings of the study on the influence of dynamic capabilities and moderating role of innovative behaviour on performance on State Corporations in Kenya. The chapter will first present the analysis of the response rate and the demographic characteristics of the respondents so that the overall insight is clear. It then presents descriptive statistics for the key study variables (structural adaptations, technology adoption, leadership styles, knowledge management, innovative behavior, and performance) highlighting trends and patterns. Inferential analyses are subsequently detailed, including regression and moderation tests, with results interpreted in light of the study objectives and hypotheses. Finally, the findings are discussed and compared with existing literature to identify consistencies, discrepancies, and implications for theory, policy, and practice.

4.2 Pilot Test Findings

This study carried out a pilot test whereby the questionnaire was administered to a few selected respondents who met the criteria for selecting the sampled respondents. A sample size of 10% was utilized in this study which consisted of 12 respondents. These were not included in the final study.

4.2.1 Reliability Results

Research instrument reliability scores show whether the items of the instrument are stable and consistent and whether they measure what they are supposed to measure. A dependable instrument produces the same results under similar situations according to Creswell and Creswell (2018). In social science research, we rely on a provided instrument. The reliability can be improved by using various items that measure the same concept in different ways, using a sample that is heterogeneous and standardizing administration procedures (Heale & Twycross, 2015).

In this study, the internal consistency was measured using Cronbach's Alpha, which is one of the most commonly used reliability test in social sciences (Tavakol & Dennick, 2011). The coefficient has values between 0 and 1. The higher the coefficient, the more internal consistency there is. A general rule of thumb is the acceptance of alpha levels from 0.70 to 0.79, 0.80 to 0.89 is good and above 0.90 is excellent internal consistency (Hair et al., 2019). On the other hand, if the value of

alpha is smaller than 0.70, this means the instrument is not sufficiently reliable and requires a revision and refinement. The reliability results were obtained, and the results were as indicated in Table 4.1.

Table 4.1

Reliability Results

Variable	Cronbach's alpha	Number of items	Comment
Structural Adaptations	0.914	15	Reliable
Technology Adoption	0.872	15	Reliable
Leadership Styles	0.933	21	Reliable
Knowledge Management	0.896	15	Reliable
Innovative Behavior	0.912	16	Reliable
Performance	0.961	15	Reliable

The pilot study showed the research tool was very reliable, and the results of the calculations obtained Cronbach's alpha of 0.914, 0.872, 0.933, 0.896, 0.912 and 0.961 for structural adaptations, technology adoption, leadership styles, knowledge management, innovative behaviour and performance respectively.

4.2.2 Validity Results.

The study used three ways to check for validity. The project supervisor used their expert judgement to ensure that content and face validity were acceptable. Construct validity was done using Kaiser-Meyer-Olkin (KMO). The KMO coefficient was evaluated for significance using a chi square test and critical probability value (p value) of 0.05. The Bartlett's test of sphericity assessed if the items/constructs in the variable were sufficiently correlated. If the items in a variable correlate significantly, it means that they can be factored into one variable and hence the items measuring a particular variable are valid. If items do not correlate, statements do not factor and are invalid. The value of Bartlett's Test of Sphericity depends on its p-value, which helps to determine the applicability of factor analysis for a dataset. If p value is less than 0.05, then you need to reject

null hypothesis which signifies that null correlation matrix is not identity matrix. Hence, factor analysis is appropriate. When p is greater than or equal to 0.05 we fail to reject the null hypothesis which shows that the correlation matrix is similar to an identity matrix. Thus, factor analysis is not acted upon in this case.

Table 4.2

Factorial Test Results for Construct Validity

Variable	KMO	Bartlett's test of sphericity		
		Approx. Chi-Square	df	Sig.
Structural Adaptations	0.667	137.340	55	0.000
Technology Adoption	0.690	156.484	55	0.000
Leadership Styles	0.620	129.276	55	0.000
Knowledge Management	0.595	109.258	55	0.000
Innovative Behavior	0.558	173.165	55	0.000
Performance	0.550	115.342	55	0.000

A chi-square coefficient ranging from 109.258 to 173.165, a degree of freedom ranging of 55, and a p-value of 0.000 implied that the coefficients were significant. These results further implied a significant correlation between structural adaptations elements, technology adoption elements, leadership styles elements, knowledge management elements, innovative behaviour elements and performance elements of State Corporations. The existence of significant correlation, as shown by Bartlett's test of sphericity, indicated that all elements of a particular construct converged on a certain factor, and hence the construct was factorable, and also possessed convergent validity, which is a type of construct validity.

4.3 Main Study Findings

This section presents the key findings of the study based on the data collected from the sampled State Corporations. It begins by detailing the response rate, which provides an overview of the level of participation and the representativeness of the data. Subsequent subsections will explore the descriptive statistics, reliability and validity assessments, and inferential analyses that together

illuminate the relationships between dynamic capabilities, innovative behavior, and organizational performance.

4.3.1 Response Rate

Response rate refers to the proportion of participants in a selected sample who successfully complete and return the data collection instrument, such as a questionnaire, relative to the total number distributed . The study's response rate is presented in Table 4.3.

Table 4.3

Response Rate

Response	Frequency	Percent
Returned	102	84%
Unreturned	20	16%
Total	122	100%

Out of 122 questionnaires administered to the chief executive officers (CEOs) of state corporations, 102 were duly filled and returned while 20 were not filled. This yielded a response rate of 84%. Having such a response is considered a good level of participation in organizational research, where often, the response from top-level executives is lower due to their limited availability. As observed by Babbie (2020), a response rate that is more than 70% level is considered very good. Mutonyi et al. (2022) also argues that high response rates strengthen the representativeness of the data and reduce non-response bias. Thus, the 84% response rate achieved in this study not only exceeds the lower limit of descriptive surveys but also offers some assurance of the reliability of the study findings as a majority of the target population was adequately represented. . Therefore, the achieved response rate of 84% surpasses the minimum acceptable threshold, indicating a robust level of participation. Dauerer (2025) also supports that response rates above 70% are considered excellent for survey-based studies, reflecting reliable data collection.

4.4 Demographic Characteristics

This section outlines the demographic profile of the respondents. Gathering demographic information is necessary to show the organizational and personal background of similar

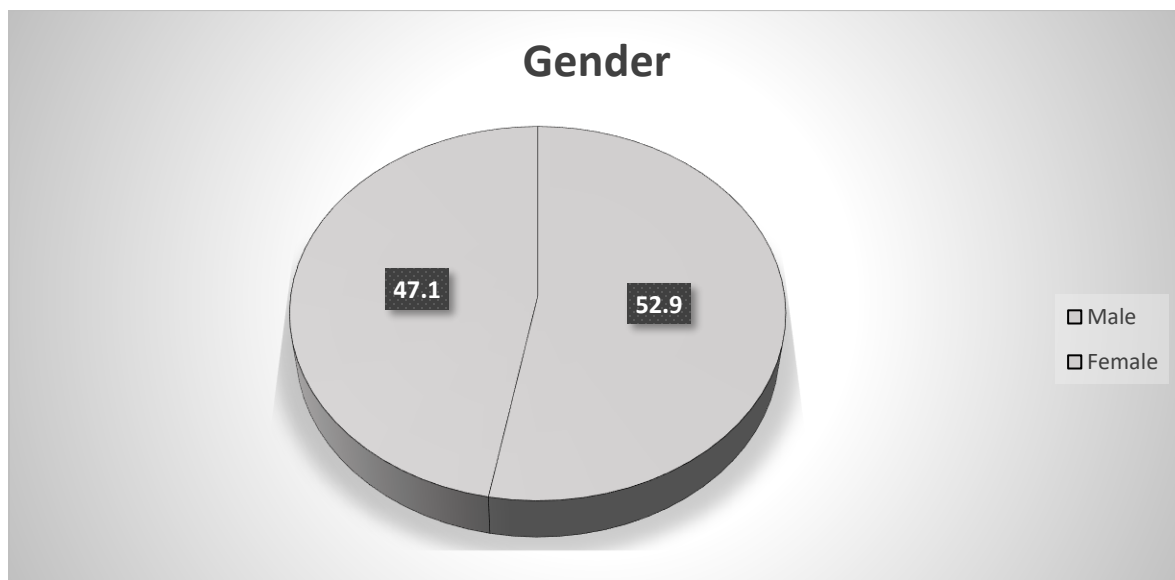
participants which links their traits with the broad objectives of the study. Bryman (2016) stresses that demographic data help interpret findings while also providing a means to assess the representativeness of the sample. Saunders et al. (2019) further opine that looking at respondents' background data can give the researcher a perspective on the diversity in the study pool and the extent to which such diversity can influence the overall reliability of the data. In this research paper, the demographic factors covering the respondents' gender, marital status, duration of work experience and level of educational attainment. The above categories were chosen because they help us understand participants' social and professional characteristics. These characteristics are relevant for viewing their perspectives and simultaneously for judging the legitimacy of their responses. Thus, they relate to the main focus of the study.

4.3.1 Gender of the Respondents

The respondents were asked to indicate their gender. The findings are presented in figure 4.1.

Figure 4.1

Gender of the Respondents



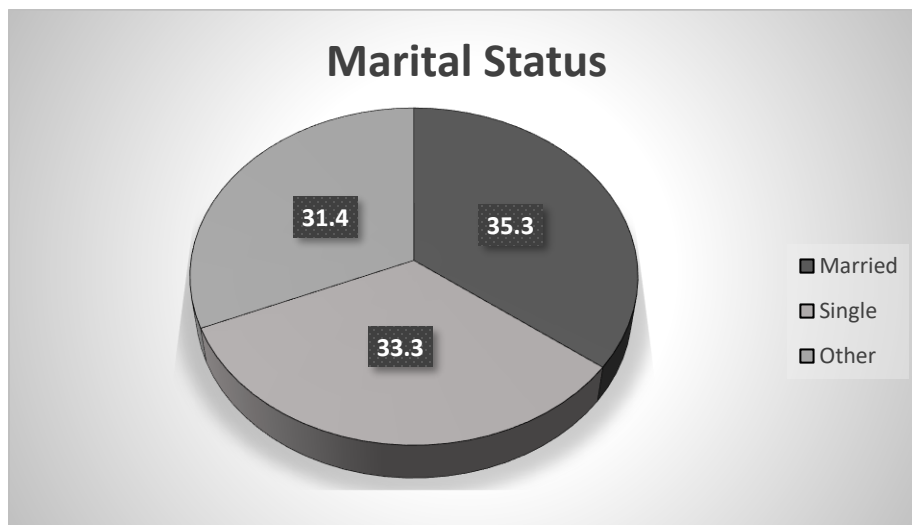
From the findings in Figure 4.1, majority of the respondents (52.9%) were males whereas 47.1% of the respondents were females. The results show that males hold a slight majority among CEOs of State Corporations. However, the relatively high proportion of female respondents indicates progress towards gender diversity in leadership positions, which aligns with global trends emphasizing gender inclusivity in organizational leadership . Gender composition is a relevant demographic variable because prior studies have shown that diverse leadership teams can enhance decision-making, innovation, and overall organizational performance (Nielsen & Huse, 2020).

4.3.2 Marital Status of the Respondents

The respondents were asked to indicate their marital status. The findings are presented in figure 4.2.

Figure 4.2

Marital Status of the Respondents



From the results in Figure 4.2, 35.3% of the respondents were married. On the other hand, 33.3% of the respondents were single, while 31.4% of the respondents indicated 'other' which may include divorced, widowed, or separated. Marital status is often used in leadership studies as a proxy for social stability and support systems, which can influence job commitment and decision-

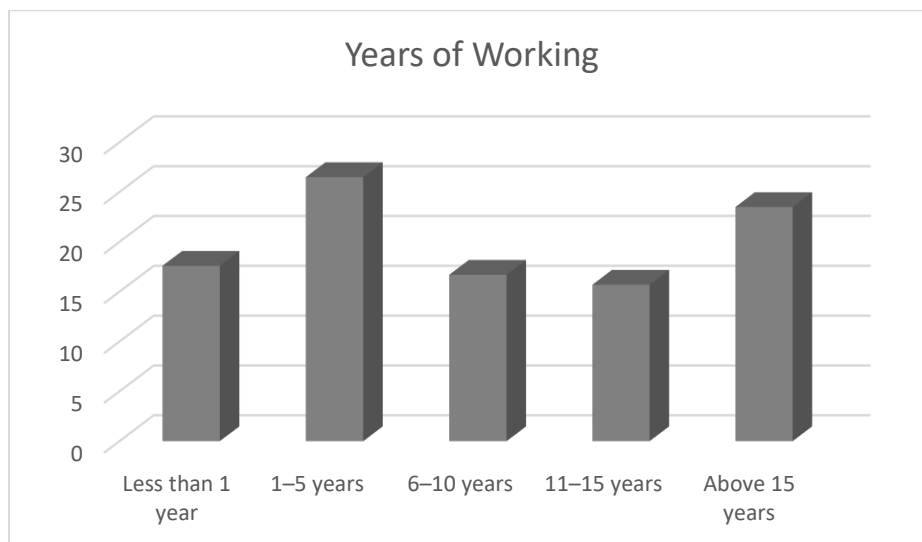
making capabilities. Understanding marital status helps contextualize work-life balance considerations that may affect leadership performance.

4.3.3 Years of Working Experience

The study sought to determine the years of working experience for the CEOs in State Corporations. The findings are presented in figure 4.3.

Figure 4.3

Years of Working



From the results in Figure 4.3, a higher proportion of the respondents (26.5%) had 1–5 years of experience, indicating that a significant portion of CEOs were relatively new in their role showing a trend of recent appointments in leadership roles. Those with above 15 years of experience form the second-largest group (23.5%), suggesting that a significant portion of CEOs have had longstanding careers, demonstrating stability and extensive expertise in their positions. A smaller proportion (17.6%) falls into the less than 1 year, 16.7% under 6–10 years, and 15.7% under 11–15 years categories. This distribution implies a balance between emerging and experienced leaders within the State Corporations. Years of experience is a key variable in leadership studies because it influences managerial competence, strategic decision-making, and the ability to navigate

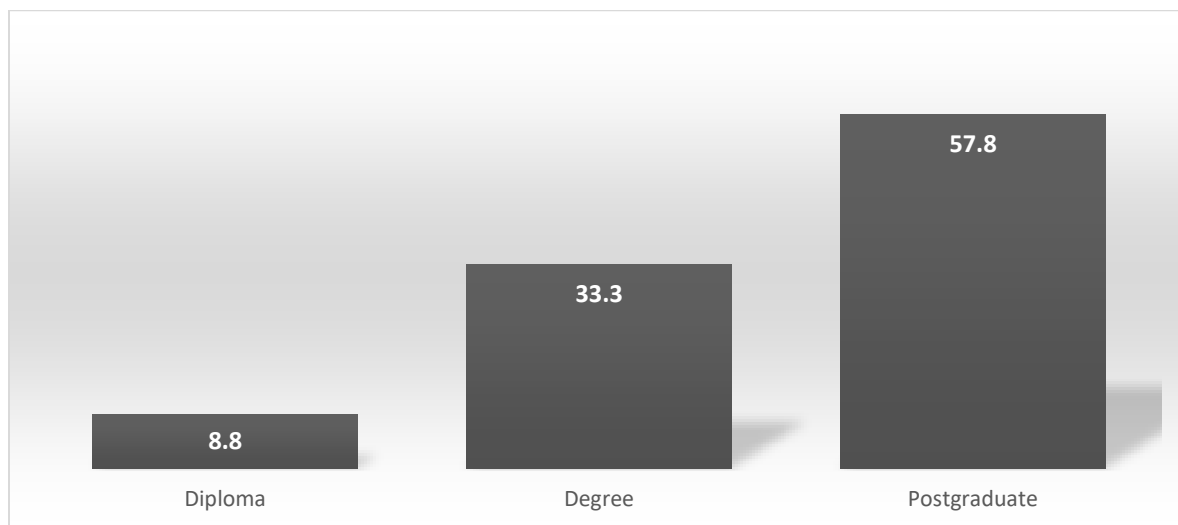
complex organizational environments (Yukl, 2019). Experienced leaders are often better positioned to implement dynamic capabilities that enhance organizational performance.

4.3.4 Academic Qualifications

The study sought to determine the academic qualifications of the respondents. The findings are presented in figure 4.4.

Figure 4.4

Academic Qualifications



From the results in Figure 4.4, majority (57.8%) hold postgraduate degrees, indicating a high level of advanced education among CEOs in State Corporations. A significant portion (33.3%) possess undergraduate degrees, reflecting strong foundational qualifications. Only a small percentage (8.8%) have diploma-level qualifications, suggesting that higher academic achievements are a key criterion for leadership roles in these organizations. This trend emphasizes the importance placed on advanced education in executive leadership positions. Academic qualifications are a critical demographic variable because educational background is closely linked to knowledge management, strategic thinking, and leadership effectiveness. Highly educated leaders are better equipped to implement innovative strategies, adopt technology, and drive organizational performance in complex and dynamic environments.

4.5 Descriptive Statistics

Descriptive statistics were employed in this study to summarize the results with respect to central tendency and variability. The mean is shown to show the average response for each variable. While the standard deviation helps in indicating how dispersed the responses were. Thus reflecting the consistency and variations in the responses.

4.5.1 Structural Adaptations and Performance

The respondents were asked to indicate their agreement or disagreement with the statements relating to structural adaptations which included perceptions of work specialization, formalization, and centralization within the corporation and their influence on organizational performance. Results are shown in Table 4.4.

Table 4.4

Descriptive Statistics on Structural Adaptations

Statement	N	Minimum	Maximum	Mean	Std. Dev
Within our corporation, we always emphasis on work specialization to improves our operational effectiveness.	102	1	5	3.91	0.857
In our departments, positions are clearly defined according to areas of expertise.	102	1	5	3.89	0.889
We put emphasis on specialized knowledge to remain competitive	102	1	5	3.94	0.865
In our company, specialization helps to expedite decision-making processes.	102	1	5	3.87	0.886
Specialization fosters skills and creativity in our corporation	102	1	5	4.01	0.862
Our operations are consistent and predictable due to formalized processes and procedures.	102	1	5	3.88	0.871
Formalization has helped minimize uncertainty and friction among employees.	102	1	5	3.98	0.832
Formalization has increased the level of responsibility and accountability.	102	1	5	3.88	0.859

Information flow and decision-making processes are facilitated by our formalized communication channels.	10 2	1	5	3.97	0.81 4
Formalization aids in risk management and regulatory compliance.	10 2	1	5	3.92	0.86 4
Across our corporation, centralized decision-making improves our strategic alignment.	10 2	1	5	3.9	0.83 9
Within our corporation, centralization speeds up the decision-making process.	10 2	1	5	3.91	0.85 7
Centralization has led to consistency in decision-making among departments	10 2	1	5	3.94	0.86 5
Resources are centralized to enhance usage and optimization	10 2	1	5	3.92	0.87 5
Centralization promotes transparent accountability and responsibility	10 2	1	5	3.93	0.83 6

Most respondents agreed that work specialization is emphasized to improve operational effectiveness, with a mean score of 3.91. Clear definition of roles (mean = 3.89) and reliance on specialized knowledge to maintain competitiveness (mean = 3.87) were strongly supported. Specialization was perceived to expedite decision-making (mean = 4.01) and foster skills and creativity (mean = 3.88). These high mean values indicated strong agreement on the benefits of specialization, and a relatively low standard deviation (0.857–0.889) suggested low variation in individual responses. These results are consistent with findings by Ali et al. (2022), who reported that structural realignment enables firms to maintain operational continuity and competitiveness.

Formalization is also viewed positively, with mean scores ranging from 3.88 to 3.98. Respondents agree that formalized processes improve consistency and predictability (mean = 3.94) and reduce uncertainty and friction among employees (mean = 3.98). Formalized communication channels are believed to facilitate decision-making (mean = 3.97), and formalization is associated with increased responsibility, accountability, and regulatory compliance (mean = 3.88). These findings emphasize the importance of formal structures in enhancing organizational efficiency and reducing ambiguity. These findings align with Kihara et al. (2016), who emphasized that structured processes minimize operational friction and enhance performance in large manufacturing organizations.

Centralization scores are among the highest, with means of 3.90 to 3.93. Respondents agree that centralization improves strategic alignment (mean = 3.90) and consistency in decision-making across departments (mean = 3.94). Centralized resources are seen to enhance usage and optimization (mean = 3.92), while centralization is linked to improved transparency and accountability (mean = 3.93). These results reflect a consensus on the advantages of centralized decision-making in fostering coherence and efficiency. This corroborates Sarfo et al. (2024), who found that centralized structures can enhance coherence and facilitate effective decision-making, particularly in resource-constrained organizations.

4.5.2 Technology Adoption and Performance

The respondents were asked to indicate their agreement or disagreement with the statements relating to technology adoption which included perceptions of service automation, new technology and process re-engineering within the corporation and their influence on organizational performance. Results are shown in Table 4.5.

Table 4.5*Descriptive Statistics on Technology Adoption*

Statement	N	Minimum	Maximum	Mean	Std. Dev
We provide adequate tools, machines and equipment	102	1	5	4.05	0.849
We have fully implemented Service Automation Technologies	102	1	5	4.00	0.844
Service Automation Technologies have streamlined internal processes and reduced costs	102	1	5	3.88	0.871
We use new technologies in the market	102	1	5	3.89	0.855
All departments are well equipped with appropriate technology	102	1	5	3.93	0.824
Our corporation stays updated with emerging technologies	102	1	5	3.94	0.854
Research & Development has promoted innovation within our corporation.	102	1	5	3.98	0.856
We have adequate budget for Research & Development (R &D)	102	1	5	4.08	0.841
We are quick to respond to the changes in technology in the market	102	1	5	3.93	0.859
We often and effectively integrate new technologies into our existing systems and processes.	102	1	5	3.97	0.838
We have adopted Artificial Intelligence (AI) in our operations	102	1	5	3.95	0.883
We are considering adopting Artificial Intelligence (AI) as part of innovative future technological needs in our corporation	102	1	5	3.91	0.88
Process re-engineering initiatives we undertake significantly improves our work	102	1	5	4.03	0.838
We regularly review and update our processes and procedures	102	1	5	3.97	0.884
We have an IT team or technology audit team that reviews the technology in use in our organization	102	1	5	4.01	0.838

The responses on provision of adequate tools, machines, and equipment received a mean score of 4.05, indicating that most respondents agreed these are sufficiently provided to support operations. Respondents agreed that service automation technologies are well-implemented (mean = 4.00) and perceived to streamline processes and reduce costs (mean = 3.88). Respondents also agreed that the corporation adopts new technologies (mean = 3.89) and equips departments appropriately (mean = 3.96). Staying updated with emerging technologies scored a mean of 3.93 corroborating findings by Omar et al. (2025), who demonstrated that technology adoption enhances operational performance and innovation outcomes in SMEs.

The role of R&D in promoting innovation (mean = 4.08) and the adequacy of budgets for R&D (mean = 3.93) were positively rated, reflecting a strong emphasis on fostering innovation. This demonstrates the corporation's commitment to advancing technological capabilities. Respondents agreed on AI being integrated into operations (mean = 3.95) and considered part of future plans (mean = 3.91). This indicates proactive efforts to leverage advanced technologies for operational and strategic benefits. Process re-engineering initiatives are seen as effective (mean = 3.98), and the presence of IT audit teams (mean = 4.03) underscores the corporation's focus on reviewing and updating technological systems. This aligns with Tian et al. (2025) and Alam et al. (2025), who argue that digital capabilities, when integrated with dynamic capabilities, improve organizational adaptability, innovation, and market responsiveness.

4.5.3 Leadership styles and Performance

This study adopted the standardized leadership style questionnaire as per Jun and Lee (2023) to test leadership styles of the State Corporations in Kenya. The respondents were asked to indicate their agreement or disagreement with the statements relating to leadership styles which included perceptions of transactional leadership, transformational leadership and passive avoidance leadership within the corporation and their influence on organizational performance. Results are shown in Table 4.6.

Table 4.6*Descriptive Statistics on Leadership Styles*

MLQ-6-S Leadership Styles (Standard Global Questionnaire)	N	Minimum	Maximum	Mean	Std Dev
I make employees feel good to be around me	102	1	5	4.05	0.813
I express in a few simple words what need to be done	102	1	5	3.90	0.873
I enable others to think about old problems in new ways	102	1	5	3.82	0.801
I help other employees to develop themselves	102	1	5	4.01	0.862
I tell employees what to do if they want to be rewarded for their work.	102	1	5	3.92	0.852
I am satisfied when employees meet the agreed targets	102	1	5	4.01	0.838
I am content to let others to continue working in the same ways always	102	1	5	3.91	0.869
Other people have complete faith in me	102	1	5	4.02	0.808
I use tools, images, stories and models to help other people understand	102	1	5	4.03	0.838
I provide employees with new ways of looking at complex or difficult issues	102	1	5	3.88	0.859
I give employees feedback to let them know how they are doing	102	1	5	3.95	0.883
I reward employees when they achieve their targets	102	1	5	3.98	0.808
As long as things are working, I do not try to change anything	102	1	5	3.97	0.802
I give employees freedom to do whatever they want	102	1	5	4.05	0.86
Other people are proud to be associated with me	102	1	5	4.01	0.814
I help the employees to find meaning in their work	102	1	5	3.91	0.846
I help employees to rethink about issues that they had never thought of or questioned before	102	1	5	3.91	0.846
I give personal attention to others when they are in need	102	1	5	3.97	0.85

I let employees to know what they are entitled to after achieving their targets	102	1	5	3.98	0.844
I remind employees the standards they need to maintain while doing their work	102	1	5	4.12	0.836
I do not ask anything more from others than what is absolutely necessary	102	1	5	4.02	0.856

Respondents perceived their leaders as supportive, as shown by high agreement on statements like “I make employees feel good to be around me” (mean = 4.05) and “I give personal attention to others when they are in need” (mean = 3.97). Leaders also emphasize helping employees find meaning in their work (mean = 3.91) and encourage innovative thinking (mean = 3.91). This is consistent with Bhawaj et al. (2015), who found that transformational leadership enhances motivation, trust, and performance. Leaders are seen as providing clear expectations, such as using tools and models to aid understanding (mean = 4.01) and reminding employees of work standards (mean = 4.12). Feedback and rewards for achieving targets are also emphasized (mean = 3.95 and 3.98, respectively). These findings highlight a transactional leadership element that reinforces performance through structured communication and rewards.

Statements about minimal intervention when things are working (mean = 3.97) and not asking for more than what is necessary (mean = 4.02) suggest a leadership tendency to maintain stability and avoid unnecessary disruption. However, leaders also challenge employees to rethink issues (mean = 3.91), balancing stability with strategic innovation. Leaders give employees freedom to work independently (mean = 4.05) and support them in developing new ways to solve problems (mean = 3.82). This reflects an empowering leadership approach, allowing autonomy while ensuring alignment with organizational goals. These findings support the literature indicating that effective leaders balance employee autonomy with structured oversight to optimize performance (Yukl & Gardner, 2019). The combination of leadership styles suggests that State Corporations are adopting blended approaches to drive organizational effectiveness.

4.5.4 Knowledge Management and Performance

Respondents rated knowledge creation, acquisition, and sharing impacts on organizational performance. Results are shown in Table 4.7.

Table 4.7*Descriptive Statistics on Knowledge Management*

STATEMENT	N	Minimum	Maximum	Mean	Std Dev
Knowledge creation processes are well-defined and encouraged within our corporation.	102	1	5	3.84	0.841
Our corporation actively promotes a culture of innovation and idea generation among employees.	102	1	5	3.96	0.843
Employees are provided with adequate resources and tools to develop new knowledge and skills.	102	1	5	4.04	0.867
Our corporation fosters collaboration and interdisciplinary approaches to foster new knowledge.	102	1	5	4.03	0.895
We have established mechanisms to capture and document knowledge generated by employees.	102	1	5	4.01	0.838
Our corporation actively seeks out external knowledge sources to enhance our internal capabilities.	102	1	5	4.06	0.818
We invest in training and development programs to enhance employee knowledge and skills.	102	1	5	3.96	0.832
Our corporation encourages employees to attend conferences, seminars, and workshops to gather new knowledge.	102	1	5	3.95	0.872
We have a structured process for evaluating and selecting relevant knowledge sources for our corporation.	102	1	5	4.07	0.836
Our corporation actively monitors industry trends and competitor activities to acquire new knowledge.	102	1	5	4.12	0.871
Our corporation encourages open communication channels for sharing knowledge among employees.	102	1	5	4.04	0.855
We have platforms or systems in place to facilitate easy sharing and dissemination of knowledge.	102	1	5	3.92	0.864
Employees are recognized and rewarded for sharing valuable knowledge with their colleagues.	102	1	5	3.96	0.843

Our corporation encourages mentorship programs to facilitate knowledge transfer between experienced and new employees.	102	1	5	3.85	0.849
Knowledge sharing is considered a priority in our corporation's strategic objectives.	102	1	5	3.95	0.905

From the results, knowledge creation processes are viewed as well-defined and encouraged, with a mean score of 3.84. Additionally, the corporation is seen as promoting a culture of innovation and idea generation among employees (mean = 3.96). These findings highlight the organization's commitment to fostering an environment that values creativity and the continuous development of knowledge. Respondents agree that adequate resources and tools are provided to develop knowledge and skills (mean = 4.04), while training and development programs (mean = 4.03) and opportunities to attend external events like seminars and workshops (mean = 4.01) further reinforce this commitment. The corporation also seeks external knowledge sources to enhance internal capabilities (mean = 4.06), reflecting a proactive approach to staying competitive.

The corporation actively fosters collaboration and interdisciplinary approaches to generate knowledge (mean = 3.96). Mechanisms to capture and document employee-generated knowledge (mean = 3.95) and structured processes for evaluating knowledge sources (mean = 3.96) are also in place. Open communication channels (mean = 4.07) and platforms for knowledge sharing (mean = 4.12) indicate efforts to streamline information exchange. Employees are recognized for sharing knowledge (mean = 4.04), and mentorship programs are encouraged to transfer knowledge between experienced and new employees (mean = 3.96). These initiatives demonstrate a focus on leveraging employee expertise to achieve strategic objectives (mean = 3.95). These findings indicate that knowledge management is a central strategy for sustaining organizational capabilities and aligns with Nonaka's (1994) theory on knowledge creation as a driver of competitive advantage. The results suggest that knowledge management in Kenyan State Corporations enhances innovation, learning, and decision-making, contributing to improved performance outcomes.

4.5.5 Innovative Behavior and Performance

The respondents were asked to indicate their agreement or disagreement with the statements relating to innovative behavior which included perceptions of service automation, new technology

and process re-engineering within the corporation and their influence on organizational performance. Results are shown in Table 4.8.

Table 4.8

Descriptive Statistics on Innovative Behavior

STATEMENT	N	Minimum	Maximum	Mean	Std Dev
Innovativeness is encouraged at all levels in our corporation	102	1	5	3.82	0.776
Innovations have led to measurable improvements in our service delivery	102	1	5	3.95	0.837
We have structured systems to reward innovative ideas that improve service delivery.	102	1	5	4.00	0.867
Innovative thinking is always a part of our organizational culture.	102	1	5	3.96	0.867
Service delivery problems are typically solved through our innovative processes.	102	1	5	3.93	0.824
The willingness to innovate correlates with higher customer satisfaction in our services.	102	1	5	3.94	0.842
We regularly train our staff to be creative and innovative	102	1	5	3.91	0.88
Managers often lead by example by embracing change and demonstrating a willingness to try new approaches.	102	1	5	4.01	0.85
We always provide tools, platforms and resources that support innovative ideas.	102	1	5	3.94	0.83
Our corporation regularly facilitates brainstorming sessions and idea creation workshops to stimulate innovation.	102	1	5	3.90	0.862
We often communicate the importance of innovation to the long-term success of the corporation.	102	1	5	3.94	0.865
We always ensure that our structure and processes support innovation rather than stifle it.	102	1	5	4.12	0.824
Our company encourages cross-functional collaboration to facilitate the exchange of innovative ideas and approaches.	102	1	5	3.94	0.865
We actively seek out emerging trends and technologies that could positively impact our business.	102	1	5	3.86	0.821
We involve employees in decision-making processes	102	1	5	3.91	0.822
We are open to criticisms	102	1	5	3.93	0.87

From the results, innovation is encouraged at all levels (mean = 3.82) and is embedded in the organizational culture (mean = 3.96). Employees are provided with tools and platforms to support innovation (mean = 3.94), and brainstorming sessions are regularly facilitated to stimulate creative thinking (mean = 3.90). These findings suggest a proactive approach to fostering a culture of innovation. Respondents agree that innovations have led to measurable improvements in service delivery (mean = 3.95) and correlate with higher customer satisfaction (mean = 3.94). Service delivery problems are often solved through innovative processes (mean = 3.93), reflecting the practical application of new ideas to address challenges and improve outcomes.

From the responses, the corporation has structured systems to reward innovative ideas (mean = 4.00), highlighting the value placed on employee contributions. Managers lead by example by embracing change and demonstrating a willingness to try new approaches (mean = 4.01), further reinforcing a leadership-driven commitment to innovation. Additionally, the corporation ensures that its structure and processes support rather than stifle innovation (mean = 4.12). Cross-functional collaboration is encouraged to facilitate the exchange of ideas (mean = 3.94), and employees are actively involved in decision-making processes (mean = 3.91), fostering inclusivity and shared ownership of innovative initiatives.

These results confirm the findings of Wafula et al. (2025) who demonstrated that innovative behavior, combined with dynamic capabilities, enhances organizational problem-solving and customer satisfaction. The emphasis on structured innovation processes indicates that State Corporations are actively pursuing creative solutions to improve performance.

4.5.6 Performance

The respondents were asked to indicate their agreement or disagreement with the statements relating to performance which included perceptions of service delivery, ROI and surplus within the corporation. Results are shown in Table 4.9.

Table 4.9*Descriptive Statistics on Performance*

PERFORMANCE STATEMENT	N	Minimum	Maximum	Mean	Std Dev
During this period, we have performed better year after year	102	1	5	3.95	0.883
We have been meeting our financial goals and targets	102	1	5	3.80	0.912
We have provided high-quality services/products to the public.	102	1	5	3.85	0.894
We are transparent in financial reporting and operations.	102	1	5	3.94	0.854
Our corporation has positively contributed to the overall economic development of Kenya.	102	1	5	3.79	0.86
We have been efficiently managing our total costs and expenses	102	1	5	4.00	0.89
We are accountable for our performance and decisions.	102	1	5	3.92	0.919
The number of employees has increased significantly in the last five years	102	1	5	3.79	0.883
Our customers have increasingly been satisfied by our services/products within this period	102	1	5	4.02	0.923
Our market share has significantly expanded within the last five years	102	1	5	3.82	0.906
We have been reporting profit/surplus in the last five years	102	1	5	3.88	0.882
We have been able to expand and finance our activities/operations well because we have experienced positive Returns on Investment (ROI) in the last five years	102	1	5	3.85	0.927
Our Return on Expenditure has been positive in the last five years	102	1	5	3.84	0.887
Improved performance has been a key indicator in every employee/ department and section within our corporation in the last five years	102	1	5	3.91	0.902
We have done well in the market relative to our competitors in the last five years	102	1	5	4.02	0.912

Respondents perceive their corporations as financially stable, with high agreement on meeting financial goals and targets (mean = 3.80), reporting profits or surpluses (mean = 3.88), and achieving positive Returns on Investment (ROI) (mean = 3.85). Cost management is also viewed positively, with a mean of 4.00. These findings suggest that the corporations are effectively managing its finances and achieving sustainable growth. The corporations are also seen as

providing high-quality services or products (mean = 3.85), contributing to increased customer satisfaction during the period (mean = 4.02). This reflects a strong commitment to maintaining service excellence and responding to customer needs, which is a key driver of performance and market success.

Additionally, respondents agree that their corporations have expanded their market share (mean = 3.82) and performed well relative to competitors (mean = 3.95). These results indicate that strategic efforts to enhance competitiveness and grow market presence have been effective. The corporations are perceived as transparent in financial reporting (mean = 3.94) and accountable for their decisions (mean = 3.92). Additionally, they are recognized for positively contributing to Kenya's economic development (mean = 3.79), demonstrating their broader impact on society. Improved performance across employees and departments (mean = 3.91) highlights the role of individual and team contributions to overall organizational success.

These findings indicate that State Corporations are not only achieving operational and financial objectives but also contributing to national economic development. The results align with Onyango et al. (2015), who reported that leadership, knowledge management, and resource capabilities enhance organizational performance in State corporations.

4.6 Diagnostic Tests

The regression is run only after the tests of assumptions or diagnostics tests. Tests for multicollinearity, normality, and autocorrelation were conducted before and after estimation.

4.6.1 Multicollinearity Test.

We measured multicollinearity in this study through VIF. Field, (2009) states that a VIF value over 10 shows the presence of multicollinearity. Table 4.10 shows the results of this study.

Table 4.10

Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Structural adaptations	0.628	1.593
	Technology adoption	0.418	2.393

Leadership Styles	0.854	1.171
Knowledge Management	0.422	2.370
Innovative Behavior	0.694	1.441

The VIF results were established to be less than 10. Field (2009) states that VIF values less than 10 indicate no multicollinearity.

4.6.2 Normality Test

Before further analysis can be conducted, the data was tested for normality to see if the variables are normally distributed. The Kolmogorov–Smirnov and Shapiro–Wilk tests and the graphical method were used to assess normality through Q-Q plots. According to Razali and Wah (2011), Q-Q plot is obtained by plotting quantiles of the sample against quantiles of theoretical distribution, usually normal distribution. If the points in the plot are close to a diagonal line with a positive slope, the data is approximately normal. Also, the skewness and kurtosis values were evaluated as additional evidence to confirm the distribution of the data.

Table 4.11

Normality Test (Centered)

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Structural Adaptations (X1)	0.079	102	0.114	0.976	102	0.055
Technology Adoption (X2)	0.088	102	0.051	0.98	102	0.114
Leadership Styles (X3)	0.084	102	0.074	0.976	102	0.061
Knowledge Management (X4)	0.135	102	0.000	0.964	102	0.007
Innovative Behavior (Z)	0.084	102	0.074	0.976	102	0.061
Performance (Y)	0.079	102	0.114	0.976	102	0.055

a. Lilliefors Significance Correction

The following null (H0) and alternative (H1) hypotheses were used to test whether the data is normally distributed using the following criteria

H0: The data is normally distributed ($p > 0.05$)

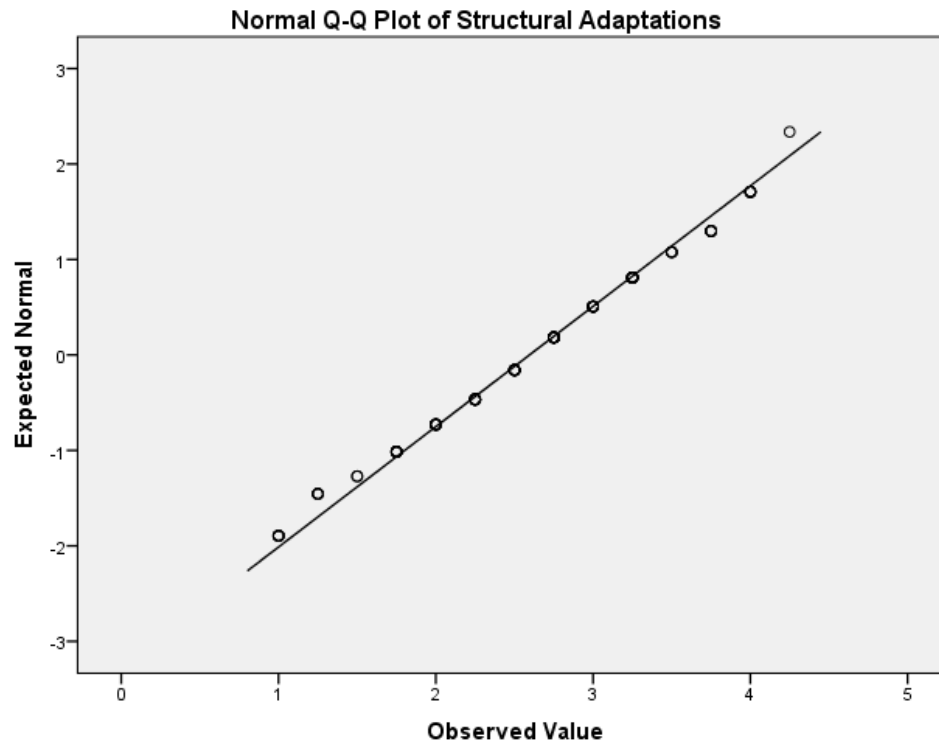
H1: The data is not normally distributed ($p < 0.05$)

Using Kolmogorov-Smirnov and Shapiro-Wilk test for large sample, it can be concluded that data for this study is normally distributed for all variables except X4 (Knowledge Management) since

the p-values are greater than 0.05. Therefore, we fail to reject H_0 and conclude that data is normally distributed. This can be further be observed from the QQ plots and box plots for each variable as shown below.

Figure 4.5

Structural Adaptations Q-Q plot



The Figure 4.5 showed that structural adaptations variable demonstrated good adherence to normality. The Q-Q plot for Structural Adaptations shows data points closely aligning along the reference line. This straight-line alignment, with minimal deviation, implies that the distribution of the Structural Adaptations variable approximates a normal distribution well. This visual assessment is supported by the Kolmogorov-Smirnov (K-S) test ($p = 0.114$) and Shapiro-Wilk test ($p = 0.055$), both above the 0.05 threshold, indicating failure to reject the null hypothesis of normality.

Figure 4.6

Technology Adoption Q-Q plot

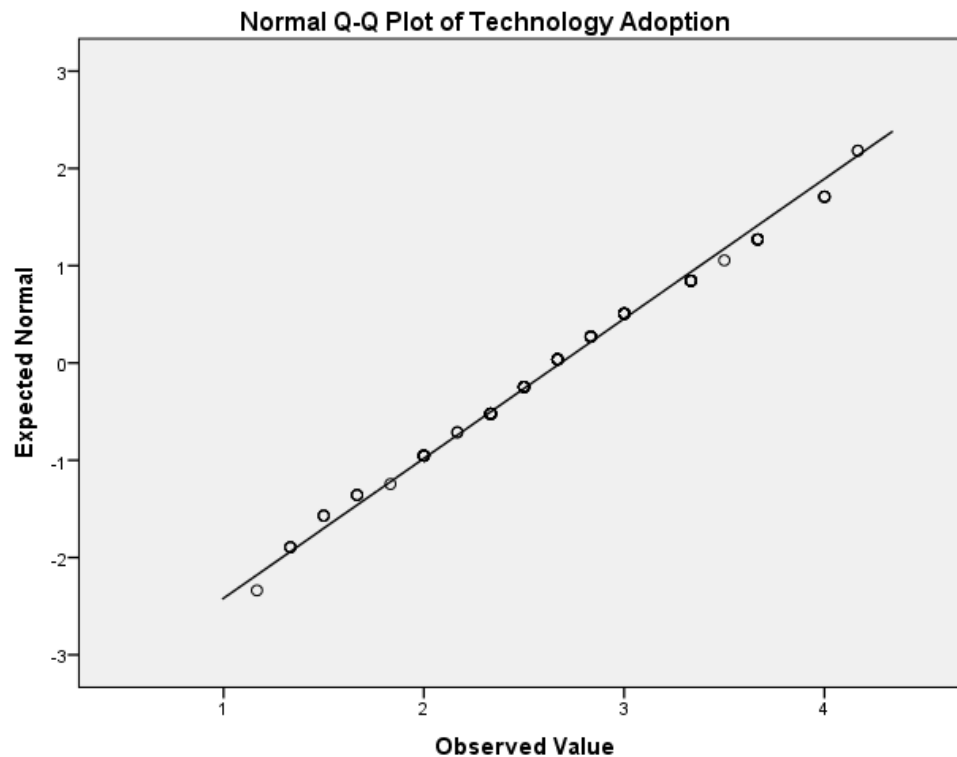


Figure 4.6 showed that Technology adoption variable followed a normal distribution. The Q-Q plot for Technology Adoption reveals a linear pattern of data points along the reference line, with only slight deviations at the tails. Such a pattern is generally consistent with a normal distribution. Statistically, the K-S test ($p = 0.051$) and Shapiro-Wilk test ($p = 0.114$) support this conclusion, both being just above the 0.05 threshold.

Figure 4.7

Leadership Styles Q-Q plot

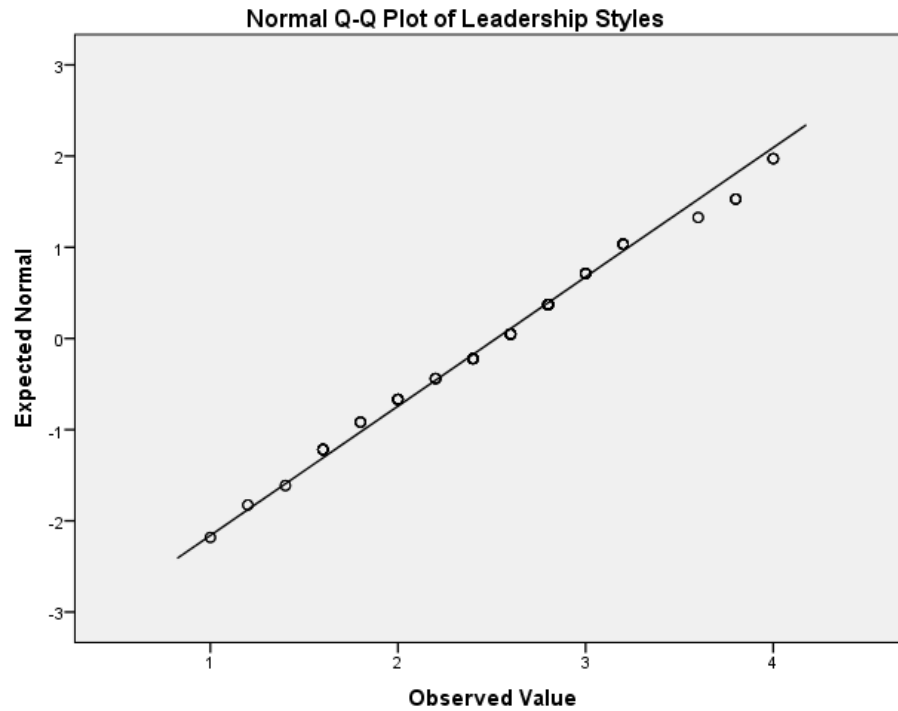


Figure 4.7 showed that Leadership styles variable followed a normal distribution. The Q-Q plot for Leadership Styles indicates that the points lie quite close to the diagonal reference line with very little deviation, particularly in the central values. Slight divergence at the tails is natural and acceptable in large samples. The K-S test ($p = 0.074$) and Shapiro-Wilk test ($p = 0.061$) reinforce this by yielding p-values above 0.05, indicating normality.

Figure 4.8
Knowledge Management Q-Q plot

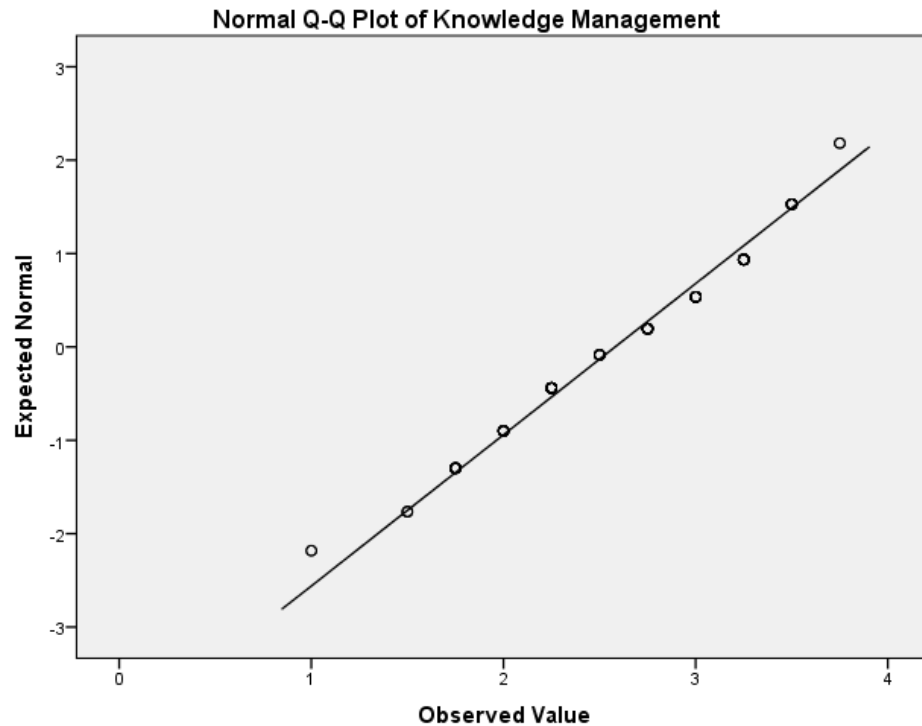


Figure 4.8 showed that Knowledge management variable appeared approximately non-normal, with some deviations. The Q-Q plot for Knowledge Management shows noticeable deviation from the reference line, especially at the tails, suggesting that the data are not normally distributed. This observation is statistically confirmed: K-S test $p = 0.000$ and Shapiro-Wilk test $p = 0.007$, both less than 0.05, leading to rejection of the null hypothesis of normality.

Figure 4.9

Innovative Behavior Q-Q plot

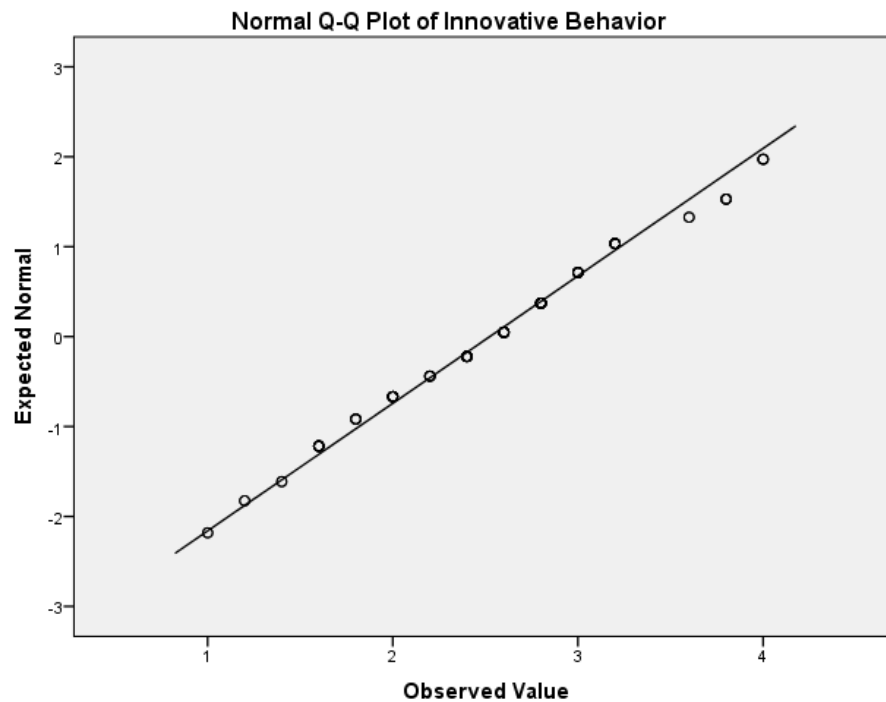


Figure 4.9 showed that Innovative Behavior variable followed a normal distribution. Innovative Behavior's Q-Q plot suggests that most data points lie close to the reference line, with minor deviation at the extremes. This is expected in real-world datasets and does not invalidate normality. The statistical tests support this with K-S $p = 0.074$ and Shapiro-Wilk $p = 0.061$, both greater than 0.05.

Figure 4.10

Performance Q-Q plot

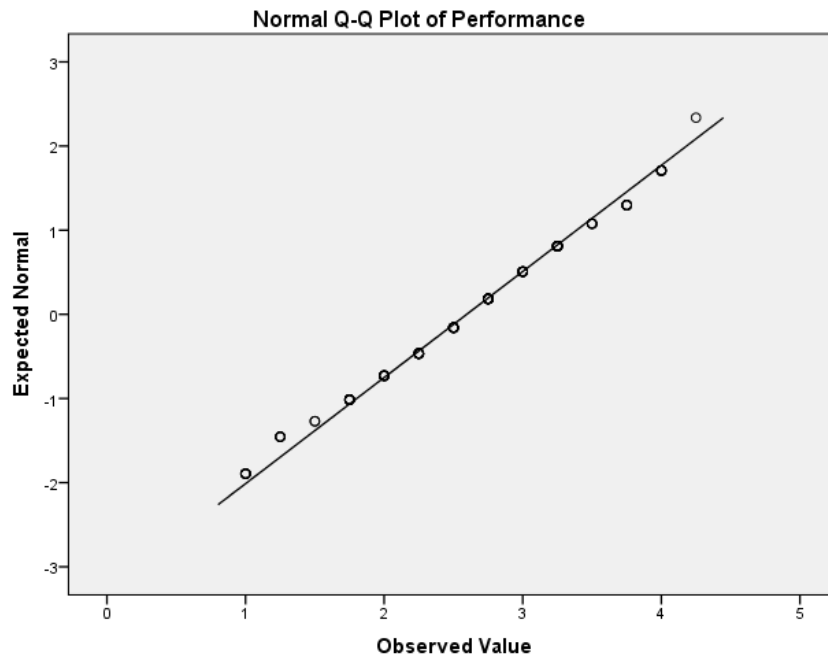


Figure 4.10 showed that Performance variable followed a normal distribution. The Q-Q plot shows a good linear trend, confirming that the Performance variable follows a normal distribution. Any minor deviation at the tails is minimal and within acceptable bounds. Both K-S ($p = 0.114$) and Shapiro-Wilk ($p = 0.055$) tests yield p -values > 0.05 , allowing us to retain the null hypothesis of normality.

4.6.3 Autocorrelation Test

Auto correlation test was conducted by use of Durbin Watson test. The values of Durbin-Watson statistics vary from 0 to 4. Non-autocorrelation is indicated by a number close to 2; positive correlation is indicated by a value closer to 0 and negative correlation is indicated by a value closer to 4.

Table 4.12

Autocorrelation Test

Model	Durbin-Watson
1	1.886

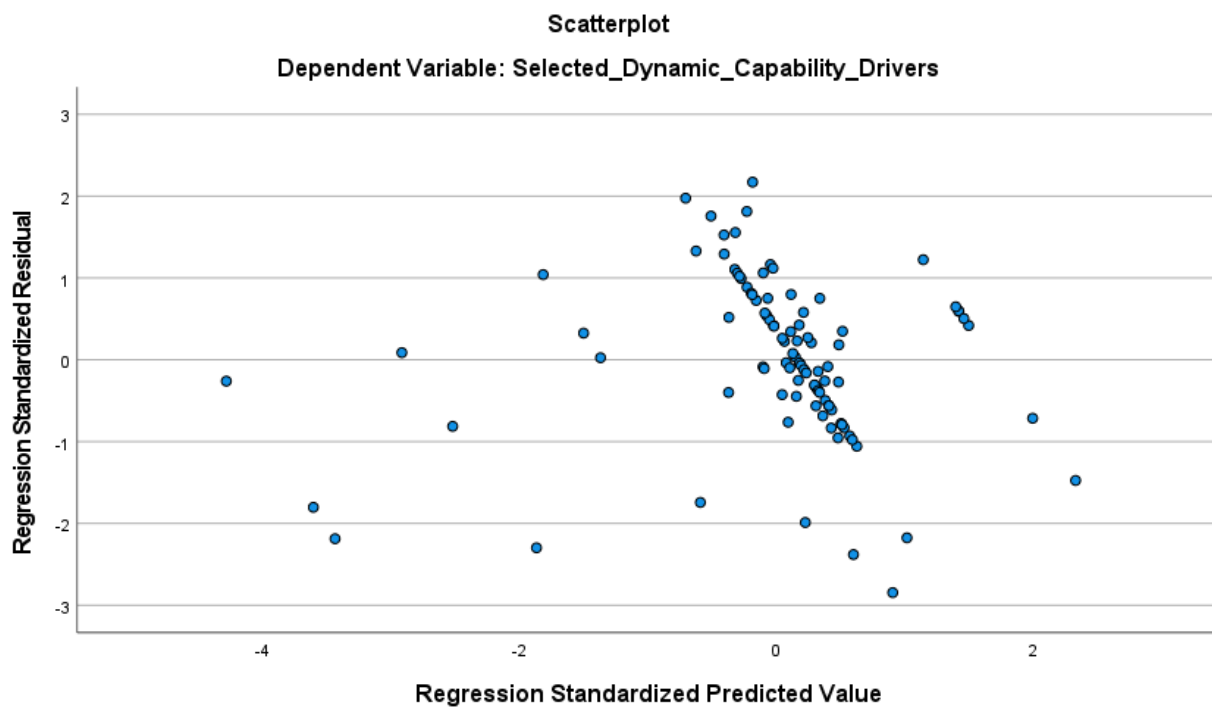
From the results in Table 4.18, a Durbin Watson of 1.886 indicated that this study suffered from slight autocorrelation between the variables. However, this issue was minimized by centering the data variables around the mean.

4.6.4 Heteroscedasticity Test

Homoscedasticity was tested using scatterplot generated by SPSS alongside multiple linear regression analysis. The scatterplot is generated by plotting the standardized predicted values in X-Axis against the standardized regression residuals in Y-Axis and the results are presented in Figure 4.11.

Figure 4.11

Test for Homoscedasticity

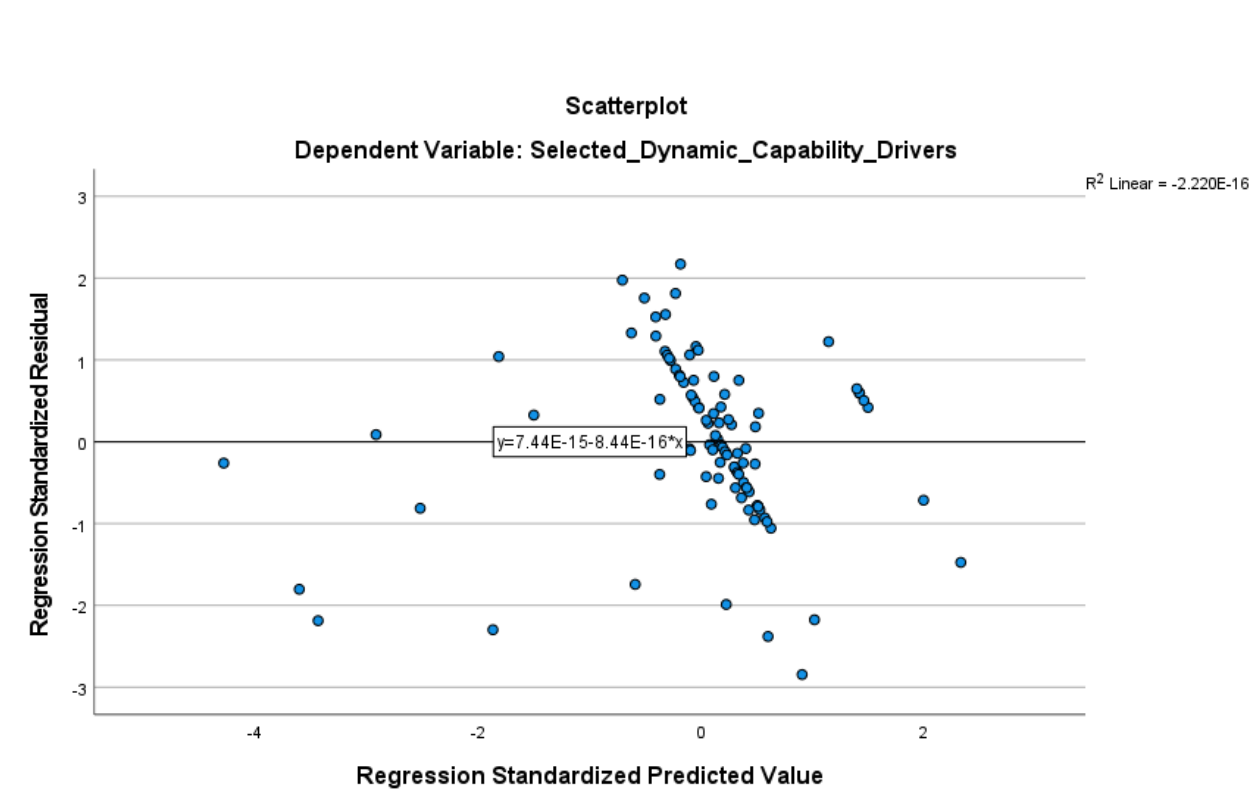


To determine whether the study data suffered from heteroscedasticity, we observe whether there is a prevailing pattern present in the scatterplot. The scatterplot in Figure 4.11 showing selected dynamic capability drivers versus performance of State Corporations does not have an observable

pattern present. The results show absence of heteroscedasticity in the data that leads to a conclusion that the collected for analysis in this study data shows evidence of homoscedasticity. To further ascertain that heteroscedasticity is absent a line is fitted in the scatterplot as shown in Figure 4.12.

Figure 4.12

Test of Homoscedasticity: Scatterplot Predicted Linear Line



The observations made in Figure 4.12 after inserting the linear line in the scatterplot is that there is no prevailing pattern and the values scatter along the linear line and does not deviate much from the linear line. This led to the conclusion that data is homoscedastic. In addition to this scatterplot test Breusch-Pagan test was done as a confirmatory that the data did not suffer heteroscedasticity. The results are presented in Table 4.13.

Table 4.13:

<i>Breusch-Pagan Test for Heteroscedasticity</i>
Breusch-Pagan Test for Heteroskedasticity^{a,b,c}

Chi-Square	df	Sig.
0.539	1	0.463

a. Dependent variable: Selected Dynamic, Capability Drivers

b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.

c. Predicted values from design: Intercept + X₁ + X₂ + X₃ + X₄ + X₁ * X₂ + X₁ * X₃ + X₁ * X₄ + X₂ * X₃ + X₂ * X₄ + X₃ * X₄ + X₁ * X₂ * X₃ + X₁ * X₂ * X₄ + X₁ * X₃ * X₄ + X₂ * X₃ * X₄ + X₁ * X₂ * X₃ * X₄

A null and an alternative Hypotheses are set for this test as follows:

H₀: There is presence of heteroscedasticity in the data: P<0.05

H₁: The data is homoscedastic: P>0.05

Results from Table 4.13 indicated that the p-Value for the data is 0.463 which is greater than 0.05. This led to the rejection of null hypothesis (H₀) stating that there is heteroscedasticity in the data in favour of H₁ and a conclusion was arrived at that the data was homoscedastic.

4.6.5 Linearity Test

A linearity test was executed to assess if the connection between predicted and predictor parameters is best represented by a straight line. The Pearson correlation was employed to evaluate linearity. The linearity assessment was conducted, and outcomes are displayed in Table 4.14.

Table 4.14

Results of Pearson's Correlation Linearity Test

		Performance Mean	Conclusion
Structural adaptations Mean	Pearson Correlation	.517**	Linear
	Sig. (2-tailed)	0.000	
	N	102	
Technology adoption Mean	Pearson Correlation	.468**	Linear
	Sig. (2-tailed)	0.000	
	N	102	
Leadership Styles Mean	Pearson Correlation	.531**	Linear
	Sig. (2-tailed)	0.000	
	N	102	
Knowledge Management Mean	Pearson Correlation	.564**	Linear
	Sig. (2-tailed)	0.000	

Innovative Behavior Mean	N	102	Linear
	Pearson Correlation	.567**	
	Sig. (2-tailed)	0.000	
	N	102	

The results in Table 4.14 demonstrate a statistically significant linear association between the structural adaptations, technology adoption, leadership styles, knowledge management, innovative behavior and performance at a significance level of $P < 0.05$.

4.7 Correlation Analysis

Correlation analysis is central to determining the strength and direction of connection between dynamic capabilities and the performance of the organization in State Corporations. In this study, the correlation was evaluated using Pearson's correlation coefficient r , using the formula. An r value of 1 indicates a correlational relationship between variables meaning that as one variable increases the other will also increase in equal proportion (Pallant, 2020). An r value of -1 is a perfect negative correlation. This means that as one variable increases, the other one will decrease. A value of r equal to 0 means the two variables have no linear relationship at all.

Table 4.15

Correlation Analysis

		X ₁	X ₂	X ₃	X ₄	Z _j	Y
Structural adaptations (X ₁)	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	102					
Technology adoption (X ₂)	Pearson Correlation	.316**	1				
	Sig. (2-tailed)	0.001					
	N	102	102				
Leadership Styles (X ₃)	Pearson Correlation	-0.013	-0.054	1			
	Sig. (2-tailed)	0.895	0.592				
	N	102	102	102			
Knowledge Management	Pearson Correlation	.242*	.714**	.221*	1		

(X4)	Sig. (2-tailed)	0.014	0.000	0.026			
	N	102	102	102	102		
Innovative Behavior	Pearson Correlation	.516**	-0.014	0.072	0.005	1	
(Zj)	Sig. (2-tailed)	0.000	0.893	0.474	0.958		
	N	102	102	102	102	102	
Performance	Pearson Correlation	.517**	.468**	.531**	.564**	.567**	1
(Y)	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
	N	102	102	102	102	102	102

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

According to Table 4.15, structural changes significantly affected the performance of State Corporations in Kenya ($r = 0.517$, $p < 0.05$). As organizations improved their structural arrangements, their performance improved as well, with a positive coefficient. Flexible decisions as well as revised reporting lines make the operations efficient. Donaldson (2021) presented similar evidence, stating that structural alignment is crucial in tapping into organisational design, which in turn leads to superior performance. The findings also reveal a significant positive relationship with performance ($r = 0.468$, $p < 0.05$). As such, technology adoption was significantly associated to performance.

In other words, the higher the technology integration, the better the outcome. Really, technology helps create new things, works quick and saves money. Baskaran et al. (2020) noted that investments in advanced technology lead to superior growth and competitiveness in firms. This is largely due to better decision making and resource optimization as a result of digital tools.

Leadership style is also significantly related to performance ($r = 0.531$, $p < 0.05$). Such a positive relationship shows that leadership practices shape the performance of State Corporations. Supportive and transformational practices were the most useful. According to Northouse (2019), empowered leaders encourage their employees to be more motivated. Furthermore, motivated employees help to enhance organizational performance.

There is a strong and positive relationship between knowledge management and performance ($r = 0.564, p < 0.05$). The success of an organization, as shown above, largely depended on their ability to capture, share and use knowledge. As stated by Akhavan knowledge management practices enhance innovation and decision-making processes which ensure an organization remains sustainable in the long run and also leads to better results.

The findings revealed that innovative behaviour was positively correlated with organizational performance ($r = 0.567, p < 0.05$). This means when staff members generated new ideas and created solutions to problems, their organization improved. According to Otioma (2023), the higher level of innovative behaviors of employee may facilitate company adaptability and competitiveness. Consequently, the performance will also improve.

4.8 Bivariate Regression Analysis

Bivariate regression analysis was conducted to establish the independent variables influence on the dependent variable. The resultant beta coefficient and significance levels were used to evaluate the hypothesis associated with each objective.

4.8.1 Test of Hypothesis One (Structural Adaptations and Performance)

A bivariate regression analysis was conducted to establish the relationship between structural adaptations and performance. The results were presented in Table 4.16.

Table 4.16*Bivariate Regression Analysis of Structural Adaptations on Performance*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.517a	0.267	0.26	0.61584		
a Predictors: (Constant), Structural adaptations						

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.846	1	13.846	36.508	.000b
	Residual	37.926	100	0.379		
	Total	51.772	101			
a Dependent Variable: Performance						
b Predictors: (Constant), Structural adaptations						

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.101	0.466		2.363	0.020
	Structural adaptations	0.712	0.118	0.517	6.042	0.000

a Dependent Variable: Performance

The results indicated an R^2 of 0.267 which implied that structural adaptations explained 26.7% of the total variation in performance. This also implied that 73.3% of the variation in performance was explained by other factors other than structural adaptations.

The ANOVA results show a statistically valid regression model ($F(1,100) = 36.508$, $p < 0.05$), confirming that structural adaptations contribute significantly to explaining variations in State Corporations' performance. The regression coefficients further support this, with structural adaptations having a significant positive effect ($B = 0.712$, $p < 0.05$), implying that for every one-unit increase in structural adaptations, performance improves by 0.712 units. Overall, these findings suggest that structural adaptations significantly and positively influence performance.

The resultant regression model was;

$$\text{Performance} = 1.101 + 0.712 \text{ Structural Adaptations}$$

The null hypothesis on structural adaptations variable stated that:

H₀₁: Structural adaptations of a State Corporation do not have a significant influence on performance.

This hypothesis was tested using the bivariate linear regression ($Y = \beta_0 + \beta_1 X_1 + \epsilon$). The null hypothesis stated that structural adaptations of a State Corporation do not have a significant influence on performance, while the alternative hypothesis was that structural adaptations of a State Corporation have a significant influence on performance. Both the correlation and regression results ($r = 0.517$; $\beta = 0.712$, $p < 0.05$) show that structural adaptations has a significant relationship on the firm's performance. Therefore, the null hypothesis (H_{01}) was rejected in favour of the alternative hypothesis (H_1) and the study concluded that structural adaptations of a State Corporation have a significant influence on its performance.

This finding aligns closely with the Dynamic Capabilities View (DCV), which posits that organizations must continuously adapt their internal structures to respond effectively to environmental changes (Teece et al 2007). Similarly, Ali et al. (2022) emphasize that structural flexibility enables public institutions to improve service delivery and operational efficiency. The result confirms previous empirical research by Kapucu and Garayev (2016), who argued that decentralized and flatter structures enhance responsiveness in public sector organizations. Thus, the study reinforces the importance of adaptive structural frameworks as critical enablers of improved performance in Kenyan State Corporations.

4.8.2 Test of Hypothesis Two (Technology Adoption and Performance)

A bivariate regression analysis was conducted to establish the influence of technology adoption on State Corporations' performance. The results are presented in Table 4.17.

Table 4.17

Bivariate Regression Analysis of Technology Adoption on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.468a	0.219	0.211	0.6359
a Predictors: (Constant), Technology adoption				

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.335	1	11.335	28.032	.000b
	Residual	40.437	100	0.404		
	Total	51.772	101			

a Dependent Variable: Performance
b Predictors: (Constant), Technology adoption

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.804	0.587		1.37	0.174
	Technology adoption	0.779	0.147	0.468	5.295	0.000

a Dependent Variable: Performance

The results indicated an R^2 of 0.219 which implied that technology adoption alone explained 21.9% of the total variation in performance. This also implied that 78.1% of the variation in performance was explained by other factors other than technology adoption.

The ANOVA results demonstrate that the regression model is statistically valid ($F = 28.032$, $p < 0.05$), indicating that technology adoption significantly predicts State Corporations' performance. The regression coefficients further support this conclusion. The unstandardized coefficient ($B = 0.779$, $p < 0.05$) implies that a one-unit increase in technology adoption is associated with a 0.779 increase in performance.

The resultant regression model was;

$$\text{Performance} = 0.804 + 0.779 \text{ Technology Adoption}$$

The null hypothesis two stated that:

H₀₂: Technology adoption in a State Corporation does not significantly influence performance.

This hypothesis was tested using the bivariate linear regression ($Y = \beta_0 + \beta_2 X_2 + \epsilon$). Both the correlation and regression results ($r = 0.468$; $\beta = 0.779$, $p < 0.05$) show that technology adoption has a significant relationship on the State Corporations' performance. Therefore, the null hypothesis (H_{02}) was rejected in favour of alternative hypothesis (H_2) and concluded that technology adoption in a State Corporation significantly influences its performance.

The positive and statistically significant influence of technology adoption corroborates findings from the literature that underscore technology as a driver of efficiency and innovation (Vial, 2019). The adoption of new digital tools and process reengineering aligns with the Diffusion of Innovation Theory (Rogers, 1995), highlighting how the spread of new technologies enhances organizational

capability. This outcome supports Ramdani et al. (2022), who documented that digital transformation initiatives significantly improve public sector responsiveness. The Kenyan context, as reflected in this study, mirrors these global trends, affirming that technology adoption is indispensable for modernizing State Corporations. These findings are also consistent with those of Otiso (2017), who investigated the role of technological capabilities in Nzoia Sugar Company and found that technological improvements directly enhanced operational efficiency and output. Similarly, studies by Brynjolfsson and Baskaran et al. (2020) the importance of digital transformation in improving productivity and innovation in organizations.

4.8.3 Test of Hypothesis Three (Leadership Styles and Performance)

A bivariate regression analysis was conducted to establish the influence of leadership styles on State Corporations' performance. The results are presented in Table 4.18.

Table 4.18

Bivariate Regression Analysis of Leadership Styles on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.531a	0.282	0.275	0.6096		
a Predictors: (Constant), Leadership Styles						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.611	1	14.611	39.317	.000b
	Residual	37.161	100	0.372		
	Total	51.772	101			
a Dependent Variable: Performance						
b Predictors: (Constant), Leadership Styles						
Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta		
1	(Constant)	0.519	0.542		0.959	0.340
	Leadership Styles	0.849	0.135	0.531	6.27	0.000

a Dependent Variable: Performance

The results in Table 4.18 indicates an R^2 of 0.282 which implies that leadership styles explains 21.9% of the total variation in State Corporations' performance. This also implies that 71.8% of

the total variation in State Corporations' performance is explained by other factors other than leadership styles.

The ANOVA results show that the regression model is statistically valid ($F = 39.317$, $p < 0.05$), indicating that leadership styles significantly predicts State Corporations' performance. The regression coefficients further support this conclusion. The unstandardized coefficient ($B = 0.849$, $p < 0.05$) implies that a one-unit increase in leadership styles is associated with a 0.849 increase in State Corporations' performance.

The resultant regression model was;

$$\text{Performance} = 0.519 + 0.849 \text{ Leadership Styles}$$

The null hypothesis on leadership styles variable stated that:

H₀₃: Leadership styles in a State Corporation has no significant influence on performance.

This hypothesis was tested using bivariate linear regression ($Y = \beta_0 + \beta_3 X_3 + \epsilon$). Both the correlation and regression results ($r = 0.531$; $\beta = 0.849$, $p < 0.05$) show that leadership styles has a significant influence on State Corporations' performance. Therefore, the null hypothesis (H_{03}) was rejected in favour of the alternative hypothesis (H_3) and the study concluded that leadership styles in a State Corporation has a significant influence its performance.

The significant positive effect of leadership styles on performance echoes the Resource-Based View (RBV), which recognizes leadership as a vital intangible resource contributing to competitive advantage (Barney, 1991). The results align with Nguyen et al. (2021), who demonstrated that transformational leadership positively impacts employee engagement and organizational outcomes in the public sector

These findings are in agreement with Okwurume and Igwe (2024), who established that transformational leadership fosters organizational justice, motivation, and productivity in multinational firms. Similarly, Elegba, et al. (2024) transformational leadership theory supports the idea that leaders who inspire and challenge employees drive higher performance outcomes.

According to what was said by the authors Elegba et al. (2024) the variable leadership styles (X_3) was differentiated into 4 distinct leadership styles. The originally employed equation of $Y = 0 + 1X_3 + 0$ was thus altered in order to capture the impacts of such styles of leadership. It gave a new equation of $Y = 8.45 + 0.04X_{31} + 0.03X_{32} + 0.07X_{33} + 8.1$. Where $Y = \text{Performance}$, $b_0 =$

Intercept, b_1 , b_2 , b_3 = slope coefficients indicating the association between the independent variable and the dependent variable, X_{31} = Transformational leadership style, X_{32} =Transactional leadership style, X_{33} = Passive/avoidant leadership style and e = error term. A bivariate correlation to these leadership styles was obtained following the specifications of Elegba et al. (2024).

Table 4.19*Specific Leadership Styles Bivariate Correlations Coefficients*

		X₃₁	X₃₂	X₃₃	Y
Transformational Leadership (X₃₁)	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	102			
Transactional Leadership (X₃₂)	Pearson Correlation	.620**	1		
	Sig. (2-tailed)	.000			
	N	102	102		
Passive-Avoidant Leadership (X₃₃)	Pearson Correlation	.726**	.493**	1	
	Sig. (2-tailed)	.000	.000		
	N	102	102	102	
Performance (Y)	Pearson Correlation	.501**	.415**	.456**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	102	102	102	102

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

The bivariate correlation in Table 4.19 indicates that the transformational, transactional and Passive-Avoidant leadership style have a significant and positive influence on the performance ($r = .501^{**}$, $P = .000$; $r = .415^{**}$, $P = .000$; $r = .456^{**}$, $P = .000$).

The combined effect of the three specific leadership styles on the performance of the SME's firm was further tested using multiple regression.

Table 4.20*Multiple Regression Analysis for Specific Leadership Styles*

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.533a	0.284	0.262	0.61488		
a Predictors: (Constant), X33, X32, X31						
Mode l		Sum of Square s	df	Mean Square	F 12.97	Sig. .000
1	Regression	14.721	3	4.907	9	b
	Residual	37.051	98	0.378		
	Total	51.772	101			
a Dependent Variable: Performance						
b Predictors: (Constant), X33, X32, X31						
Mode l		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	0.504	0.548		0.92	0.36
	Transformational Leadership	0.420	0.213	0.272	1.968	0.052
	Transactional Leadership	0.193	0.134	0.157	1.435	0.155
	Passive-Avoidant Leadership	0.241	0.165	0.182	1.456	0.149
a Dependent Variable: Performance						

a Dependent Variable: Performance

The regression results indicate that leadership styles collectively accounted for 28.4% of the variation in the performance of State Corporations in Kenya ($R^2 = .284$). As reported in Table 4.20, the overall model was statistically significant ($F(3, 101) = 12.979$, $p = .000$), suggesting that the three leadership dimensions jointly serve as meaningful predictors of organizational performance outcomes.

The constant term of the model ($\beta_0 = 0.504$, $p = .36$) shows that even in the absence of the specific leadership approaches considered, a baseline level of leadership practices persists within State Corporations. Among the styles examined, transformational leadership ($\beta_1 = .420$, $p = .052$) demonstrated a positive and near-significant relationship with performance, reinforcing the view that leaders who inspire, motivate, and intellectually stimulate their teams contribute to improved

organizational outcomes. This aligns with Yukl (2013), who emphasized the critical role of transformational practices in enhancing effectiveness across public institutions.

On the other hand, transactional leadership ($\beta_2 = .193$, $p = .155$) and passive/avoidant leadership ($\beta_3 = .241$, $p = .149$) displayed positive but statistically insignificant coefficients. This indicates that while these approaches may contribute marginally, they are not decisive drivers of performance in this context. Transactional leadership tends to focus on exchanges and compliance, which may not generate long-term organizational improvements, while passive/avoidant styles often undermine accountability. As argued by Antonakis and House (2014), excessive reliance on transactional or passive forms of leadership limits organizational adaptability and sustainability.

The findings summarized in Table 4.20 were subsequently applied to test the study's null hypotheses, which were developed in line with Avolio and Bass's (2004) theoretical conceptualization of leadership styles.

H_{03a}: *Transformational leadership style does not significantly influence the performance State Corporations in Kenya*

H_{03b}: *Transactional leadership style does not significantly influence the performance of State Corporations in Kenya*

H_{03c}: *Passive/avoidant leadership style does not significantly influence the performance of State Corporations in Kenya*

The evidence from Table 4.19 and Table 4.20 shows that transformational leadership (X_{31}) demonstrated a significant and positive contribution to the performance of State Corporations ($r = .501^{**}$, $p = .000$; $\beta_1 = .420$, $p = .052$). On this basis, the null hypothesis (H_{03a}) is rejected, and the alternative (H_{3a}) accepted. The implication is that the application of transformational leadership practices enhances organizational effectiveness, as leaders who motivate, inspire, and engage employees create conditions that support improved performance outcomes. According to Bass and Riggio (2006), transformational leadership fosters innovation, commitment, and high levels of achievement, which are consistent with the results of this study.

In contrast, the findings indicate that transactional leadership (X_{32}) had no statistically significant effect on the performance of State Corporations ($\beta_2 = .193$, $p = .155$). Therefore, the null hypothesis (H_{03b}) is retained, confirming that transactional leadership—focused on exchange processes and

compliance—did not significantly contribute to performance improvement in this context. Similarly, passive or avoidant leadership (X_{33}) was also found to be statistically insignificant ($\beta_3 = .241$, $p = .149$). As such, the null hypothesis (H_{03c}) is upheld, leading to the conclusion that passive leadership behaviors do not foster positive organizational outcomes.

Overall, the results suggest that transformational leadership is the most effective style for enhancing performance in Kenya's State Corporations, while transactional and avoidant approaches appear less influential. This aligns with the argument by Avolio, Walumbwa, and Weber (2009), who contend that transformational leaders positively influence organizational change and performance by encouraging trust, shared vision, and proactive behavior, unlike transactional or passive leadership styles that fail to sustain long-term success.

4.8.4 Test of Hypothesis Four (Knowledge Management and Performance)

A bivariate regression analysis was conducted to establish the influence knowledge management has on State Corporations' performance. The results are presented in Table 4.21.

Table 4.21 Bivariate Regression Analysis of Knowledge Management on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.564a	0.318	0.311	0.59418		
a Predictors: (Constant), Knowledge Management						

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.467	1	16.467	46.642	.000b
	Residual	35.305	100	0.353		
	Total	51.772	101			
a Dependent Variable: Performance						
b Predictors: (Constant), Knowledge Management						

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.430	0.511		0.843	0.401
	Knowledge Management	0.869	0.127	0.564	6.83	0.000
a Dependent Variable: Performance						

The results indicates an R^2 of 0.318 which implies that knowledge management explains 31.8% of the total variation in State Corporations' performance. This also implies that 68.2% of the total variation in State Corporations' performance was explained by other factors other than knowledge management.

The ANOVA results indicates that the regression model is statistically valid ($F = 46.642$, $p < 0.05$), indicating that knowledge management significantly predicts State Corporations' performance. The regression coefficients further support this conclusion. The unstandardized coefficient ($B = 0.869$, $p < 0.05$) implies that a one-unit increase in knowledge management is associated with a 0.869 increase in performance.

The resultant regression model was;

$$\text{Performance} = 0.430 + 0.869 \text{ Knowledge Management}$$

The null hypothesis on knowledge management states that:

H₀₄: Knowledge management in a State Corporation has no significant influence on its performance.

The hypothesis was tested using bivariate linear regression ($Y = \beta_0 + \beta_4 X_4 + \epsilon$). The null hypothesis states that knowledge management in a State Corporation has no significant influence on its performance. Both the correlation and regression results ($r = 0.564$; $\beta = 0.869$, $p < 0.05$) show that knowledge management has a significant relationship on the State Corporations' performance. Therefore, the null hypothesis (H_{04}) was rejected in favour of the alternative hypothesis (H_4) and the study concludes that knowledge management in a State Corporation has a significant influence on its performance.

These findings support Nonaka and Takeuchi's (1995) foundational work on knowledge creation and sharing as drivers of organizational learning and innovation. This aligns with Akhavan, et al. (2022), who found that robust knowledge management practices improve efficiency in public organizations. This also aligns with the work of Mardani et al. (2020), who established that knowledge creation, integration, and application significantly contribute to organizational performance. Their study demonstrated that organizations that actively manage knowledge enhance their innovation capabilities and decision-making processes.

4.9 Multiple Linear Regression Analysis (All Variables)

Multiple linear regression was conducted to evaluate the moderation effects of innovative behavior on the relationship between independent and dependent variables. The multiple regression coefficients, standard errors, p values and, R squared as well as F statistic values were obtained.

Table 4.22

Model Summary for Hierarchical Multiple Regression Analysis

Model	R	R Square	R Squared Change	Std. Error of the Estimate
1	.833a	0.694		0.404179
2	.919a	0.845	0.151	0.289238
3	.927a	0.859	0.014	0.281831

a. Predictors: (Constant), Knowledge Management, Leadership Styles, Structural adaptations, Technology adoption

b. Predictors: (Constant), Innovative Behavior, Knowledge Management, Leadership Styles, Structural adaptations, Technology adoption

c. Predictors: (Constant), X4_Z, Leadership Styles, Technology adoption, Structural adaptations, Innovative Behavior, X1_Z, Knowledge Management, X3_Z, X2_Z

Table 4.22 presents the model summary for the multiple linear regression analysis, showing how the introduction of additional predictors affected the variance explained in State Corporations' performance. Model 1 includes only the four independent variables: structural adaptations, technology adoption, leadership styles, and knowledge management. The R-square value is 0.694, meaning that these variables explain 69.4% of the variation in State Corporations' performance. This indicates a strong predictive ability of the model. The adjusted R-square value of 0.681 suggests that the model is stable and generalizable.

Model 2 introduces the moderator, innovative behavior, to the regression equation. The R-square increases to from 0.694 to 0.845, indicating that addition of innovative behavior to the original model improves variability, now it explains 84.5% of the total variation in State Corporations' performance. The adjusted R-square also improves to 0.837, demonstrating that innovative behavior is a significant predictor of performance.

Model 3 includes the interaction terms $\beta_{ij}X_iZ_j$ to test the moderation effect of innovative behavior on the relationship between dynamic capabilities and performance of State Corporations. The R-

square further increases to 0.859, meaning that 85.9% of the variation in performance is now explained by the modified model. However, the adjusted R-square only increases slightly to 0.845, suggesting that some of the interaction terms may not contribute significantly to the model. The reduction in the adjusted R-square compared to the increase in R-square suggests that while the inclusion of interaction terms slightly improves the model, their effect may not be very strong.

Table 4.23 presents the ANOVA results, which indicates the overall validity of each model.

Table 4.23*ANOVA for Hierarchical Multiple Regression Analysis*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.926	4	8.982	54.979	.000b
	Residual	15.846	97	0.163		
	Total	51.772	101			
2	Regression	43.741	5	8.748	104.57	.000b
	Residual	8.031	96	0.084		
	Total	51.772	101			
3	Regression	44.465	9	4.941	62.201	.000b
	Residual	7.307	92	0.079		
	Total	51.772	101			

a Dependent Variable: Performance

b Predictors: (Constant), Knowledge Management, Leadership Styles, Structural adaptations, Technology adoption

c Predictors: (Constant), Innovative Behavior, Knowledge Management, Leadership Styles, Structural adaptations, Technology adoption

d Predictors: (Constant), X4_Z, Leadership Styles, Technology adoption, Structural adaptations, Innovative Behavior, X1_Z, Knowledge Management, X3_Z, X2_Z

Model 1 has an F-value of 54.979 ($p < 0.001$), indicating that structural adaptations, technology adoption, leadership styles, and knowledge management together significantly predict State Corporations' performance.

Model 2 shows a much higher F-value of 104.57 ($p < 0.001$) after adding innovative behavior. The increase in the F-value suggests that innovative behavior significantly improves the model's predictability of the total variation in State Corporations' performance.

Model 3, which includes the interaction terms ($\beta_{ij}X_iZ_j$) is statistically significant with an F-value of 62.201 ($p < 0.001$). However, the decrease in the F-value compared to Model 2 indicates that while the moderation effects add some explanatory power, they do not contribute as strongly as when the moderating variable (β_jZ_j) is included as an independent variable in model two ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_jZ_j + \epsilon$).

Table 4.24 provides detailed regression coefficients, showing the strength and significance of each predictor in the hierarchical regression models.

Table 4.24*Coefficients of Regression for Hierarchical Multiple Regression Analysis*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.211	0.566		-7.437	0.000
	Structural adaptations	0.557	0.081	0.405	6.834	0.000
	Technology adoption	0.39	0.143	0.234	2.721	0.008
	Leadership Styles	0.812	0.097	0.508	8.387	0.000
	Knowledge Management	0.287	0.133	0.186	2.155	0.034
2	(Constant)	-6.025	0.447		-13.493	0.000
	Structural adaptations	0.186	0.07	0.135	2.662	0.009
	Technology adoption	0.522	0.103	0.314	5.047	0.000
	Leadership Styles	0.755	0.07	0.472	10.853	0.000
	Knowledge Management	0.309	0.095	0.2	3.238	0.002
	Innovative Behavior	0.732	0.076	0.466	9.665	0.000
3	(Constant)	-4.553	6.756		-0.674	0.502
	Structural adaptations	0.468	0.201	0.34	2.332	0.022
	Technology adoption	1	1.903	0.601	0.525	0.601
	Leadership Styles	2.745	0.986	1.716	2.784	0.007
	Knowledge Management	-2.635	1.535	-1.709	-1.717	0.089
	Innovative Behavior	0.5	1.7	0.319	0.294	0.769
	X1_Z	-0.065	0.055	-0.239	-1.175	0.243
	X2_Z	-0.141	0.471	-0.492	-0.3	0.765
	X3_Z	-0.522	0.259	-1.885	-2.016	0.047
	X4_Z	0.742	0.383	2.752	1.939	0.056

a Dependent Variable: Performance

b Predictors: (Constant), Knowledge Management, Leadership Styles, Structural adaptations, Technology adoption

c Predictors: (Constant), Innovative Behavior, Knowledge Management, Leadership Styles, Structural adaptations, Technology adoption

d Predictors: (Constant), X4_Z, Leadership Styles, Technology adoption, Structural adaptations, Innovative Behavior, X1_Z, Knowledge Management, X3_Z, X2_Z

In the first model, all four independent variables significantly influence State Corporations' performance: Leadership styles ($B = 0.812$, $p < 0.001$, $\beta = 0.508$) has the strongest positive impact on performance, suggesting that State Corporations with strong leadership styles will always achieve higher performance. Structural adaptations ($B = 0.557$, $p < 0.001$, $\beta = 0.405$) also significantly contribute to corporations' performance. Technology adoption ($B = 0.390$, $p = 0.008$, $\beta = 0.234$) has a positive influence, but its effect is smaller compared to leadership styles and structural adaptations. Knowledge management ($B = 0.287$, $p = 0.034$, $\beta = 0.186$) has the least influence but remains significant. The constant term ($B = -4.211$, $p < 0.001$) suggests that without these factors, performance would be significantly lower.

The first model was;

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

The final estimated model is;

$$Y = -4.211 + 0.557X_1 + 0.390X_2 + 0.812X_3 + 0.287X_4$$

In the second model, the inclusion of innovative behavior as a predictor variable ($B = 0.732$, $p < 0.001$, $\beta = 0.466$) significantly increases the explanatory power of the model, showing that organizations that embrace innovation significantly improves their overall performance. Additionally: Leadership styles ($B = 0.755$, $p < 0.001$, $\beta = 0.472$) remains the most influential predictor variable. Technology adoption ($B = 0.522$, $p < 0.001$, $\beta = 0.314$) sees an increase in its coefficient, suggesting that innovation strengthens the impact of technology adoption on performance. Knowledge management ($B = 0.309$, $p = 0.002$, $\beta = 0.200$) becomes slightly more significant. Structural adaptations ($B = 0.186$, $p = 0.009$, $\beta = 0.135$) influence slightly reduces with the introduction of innovative behavior confirming Michael Porter (1980) assertion that structure will always follow strategy. As innovative behavior improves in these organizations they definitely have to restructure to reduce the size of the workforce. The constant term ($B = -6.025$, $p < 0.001$) remains negative, further confirming that without these factors, performance would be negative. Thus, a negative constant confirms the model's logic: without any strategic capabilities, State Corporations would not function effectively.

The second model was;

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

The final estimated model is;

$$Y = -6.025 + 0.186X_1 + 0.522X_2 + 0.755X_3 + 0.309X_4 + 0.732Z$$

The final model incorporates interaction terms ($\beta_{ij}X_iZ_j$) to establish whether innovative behavior moderates the relationships between the independent variables and performance. Notably, innovative behavior emerges as a critical antecedent to leadership styles, as evidenced by the significant interaction effect of leadership styles ($X3_Z$: $B = -0.522$, $p = 0.047$). This suggests that while leadership styles positively influence performance, its role diminishes in the presence of innovative behavior. This finding implies that when organizations prioritize innovation, transaction and passive-avoidant leadership styles may become less effective, because the two styles limit continued innovation. As the study found out it is only transformational leadership styles that is relevant in a situation where innovation is to suffice and take precedent. Transformational leaders are very effective in enabling their organization innovate and attain higher levels of performance. This explains why leadership styles has a negative beta value ($B = -0.522$, $p < 0.01$) in presence of innovation and the influence and interaction (X_3Z) is statistically significant (0.047). Knowledge management ($X4_Z$: $B = 0.742$, $p = 0.056$) is approaching significance, indicating that innovative behavior may enhance the effect of knowledge management on performance.

The third model was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_jZ_j + \beta_{ij}X_iZ_j + \varepsilon$$

The final estimated model is;

$$Y = -4.553 + 0.468X_1 + 1X_2 + 2.745X_3 + -2.635X_4 + 0.5Z + -0.065 X_1*Z + -0.141 X_2*Z + -0.522X_3*Z + 0.742X_4*Z$$

4.9.1 Test of Hypothesis Five (Moderating Influence of Innovative Behavior on the Relationship between Dynamic Capabilities and State Corporations' Performance)

H₀₅: Innovative behavior of a State Corporation does not significantly moderate the relationship between dynamic capabilities and performance of State Corporations in Kenya.

This hypothesis was tested using the hierarchical linear regression. The null hypothesis (H_{05}) indicates that innovative behavior does not significantly moderate the relationship between

dynamic capabilities and State Corporations' performance. The interaction term for leadership styles (X3_Z: $\beta = -0.522$, $p = 0.047$) is significant. Therefore, the null hypothesis was rejected in favour of the alternative hypothesis (H₅) and conclude that although innovative behavior did not have a full moderation influence on all variables, it had a partial moderation influence on the relationship between leadership styles and performance of State Corporations in Kenya.

4.10 Summary of the Hypotheses

Hypothesis	Criteria	Decision	Conclusion
H ₀₁ Structural adaptations of a State Corporation do not have a significant influence on performance.	$P < 0.05$, $t > 1.96$	Reject H ₀₁	Structural adaptations of a State Corporation have a significant influence on performance.
H ₀₂ Technology adoption in a State Corporation does not significantly influence performance.	$P < 0.05$, $t > 1.96$	Reject H ₀₂	Technology adoption in a State Corporation significantly influences performance.
H ₀₃ Leadership styles in a State Corporation has no significant influence on performance.	$P < 0.05$, $t > 1.96$	Reject H ₀₃	Leadership styles in a State Corporation has a significant influence on performance.
H ₀₄ Knowledge management in a State Corporation has no significant influence on performance.	$P < 0.05$, $t > 1.96$	Reject H ₀₄	Knowledge management in a State Corporation has a significant influence on performance.
H ₀₅ Innovative behavior of a State Corporation does not significantly moderate the relationship between dynamic capabilities and performance of State Corporations in Kenya.	$P < 0.05$, $t > 1.96$	Reject H ₀₅	Innovative behavior of a State Corporation (Z _j) has a significant partial moderation influence between leadership styles and its performance.

4.11 Discussion of Results

This section provides an in-depth interpretation and critical analysis of the study's key findings presented in the preceding sections. The discussion contextualizes the empirical results within existing theoretical frameworks and prior research literature, highlighting consistencies and

discrepancies. Particular attention is given to explaining the relationships between dynamic capabilities, innovative behavior, and organizational performance in Kenyan State Corporations.

4.11.1 Structural Adaptations and Performance

The study established a positive and significant relationship between structural adaptations and the performance of State Corporations ($r = 0.517$, $p < 0.05$; $\beta = 0.712$, $p < 0.05$), with structural adaptations explaining 26.7% of the variance in performance. This finding aligns closely with the Dynamic Capabilities View (DCV), which posits that organizations must continuously adapt their internal structures to respond effectively to environmental changes (Teece, 2014). Similarly, Ali et al. (2022) emphasize that structural flexibility enables public institutions to improve service delivery and operational efficiency. The result confirms previous empirical research by Kapucu and Garayev (2016), who argued that decentralized and flatter structures enhance responsiveness in public sector organizations. Thus, the study reinforces the importance of adaptive structural frameworks as critical enablers of improved performance in Kenyan State Corporations.

These findings also align with previous research by Herbert and Agwor, (2021) who examined the relationship between ownership structure and corporate performance among Italian firms. Their study indicated that structural configurations, particularly ownership concentration, significantly influence corporate valuation and performance. Similarly, studies by Yegon (2023) have long argued that "structure follows strategy," meaning that structural modifications within an organization should align with strategic imperatives to drive performance. However, unlike this study, previous research has primarily focused on private-sector organizations rather than public-sector corporations.

Additionally, a deviation from past studies is the context-specific nature of this research. While most prior studies have investigated structural adaptations in developed economies, the current study provides a developing-country perspective, particularly within Kenya's public sector. Given the unique challenges faced by State Corporations, including bureaucratic inefficiencies and political influences, this study's findings reinforce the argument that structural modifications remain critical for performance enhancement. This is consistent with the work of Thompson (1967), who argued that in complex organizations like State Corporations, structural changes must be designed to manage both external pressures and internal dynamics to enhance performance. In

the context of Kenya, these structural adaptations enable State Corporations to overcome inefficiencies and remain responsive to both political and market demands.

Furthermore, the study's findings suggest that while structural modifications are crucial, they must also be continuously evaluated and adjusted as part of an ongoing strategy to ensure sustainable performance. As suggested by Songa et al. (2023) organizations need to be flexible in adapting their structure to new challenges and opportunities. In public-sector entities, where external factors such as regulatory changes and political shifts are prevalent, continuous structural adaptation becomes a key mechanism for maintaining high performance over time. This underscores the importance of not just one-time structural changes but ongoing reviews and adjustments based on performance feedback.

4.11.2 Technology Adoption and Performance

The results demonstrated that technology adoption has a significant positive effect on performance ($r = 0.468$, $p < 0.05$; $\beta = 0.779$, $p < 0.05$), with technology adoption explaining 21.9% of the variation in State Corporations' performance. The positive and statistically significant influence of technology adoption corroborates findings from the literature that underscore technology as a driver of efficiency and innovation (Vial, 2019). The adoption of new digital tools and process reengineering aligns with the Diffusion of Innovation Theory (Rogers, 1995), highlighting how the spread of new technologies enhances organizational capability. This outcome supports Ramdani et al. (2022), who documented that digital transformation initiatives significantly improve public sector responsiveness. The Kenyan context, as reflected in this study, mirrors these global trends, affirming that technology adoption is indispensable for modernizing State Corporations. These findings are also consistent with those of Otiso (2017), who investigated the role of technological capabilities in Nzoia Sugar Company and found that technological improvements directly enhanced operational efficiency and output. Similarly, studies by Mutembei and Kithae (2023) highlight the importance of digital transformation in improving productivity and innovation in organizations.

The findings also corroborate the resource-based view (RBV) theory, which posits that technological resources serve as strategic assets that provide a competitive advantage (Barney, 1991). However, compared to private-sector firms, public-sector organizations often lag in technology adoption due to budgetary constraints and regulatory hurdles. This study confirms that

even in resource-constrained environments, technology remains a key driver of performance, reinforcing the need for strategic investments in technological infrastructure. Moreover, this study supports the findings of Mokaya (2023), who emphasized that the successful adoption of new technologies not only requires capital investment but also the development of a digital culture within organizations. This aligns with the need for State Corporations to foster a mindset of innovation and adaptability to fully leverage technological advancements.

The study also highlights that technology adoption can enhance the capabilities of public organizations to manage large-scale data, streamline operations, and improve public service delivery. As digital technologies continue to evolve, organizations like State Corporations that embrace innovation can achieve higher operational efficiencies and provide better services. This is in line with the work of Wanyoike and Were (2020), who noted that public-sector organizations leveraging technology are better positioned to address the complexities of governance and improve citizen engagement and satisfaction. This reinforces the idea that technology adoption, though initially challenging, can have long-term positive effects on organizational performance, even within the public sector.

4.11.3 Leadership Styles and Performance

The study found that leadership styles significantly influenced the performance of State Corporations ($r = 0.531$, $p < 0.05$; $\beta = 0.849$, $p < 0.05$), with leadership styles explaining 28.2% of the variance in performance. The significant positive effect of leadership styles on performance echoes the Resource-Based View (RBV), which recognizes leadership as a vital intangible resource contributing to competitive advantage (Barney, 1991). The results align with Nguyen et al. (2021), who demonstrated that transformational leadership positively impacts employee engagement and organizational outcomes in the public sector.

These findings are in agreement with Okwurume and Igwe (2024), who established that transformational leadership fosters organizational justice, motivation, and productivity in multinational firms. Similarly, Alves et al. (2025) transformational leadership theory supports the idea that leaders who inspire and challenge employees drive higher performance outcomes.

However, the multiple regression analysis in this study revealed that while transformational leadership was positively and significantly associated with performance ($\beta = 0.420$, $p = 0.052$),

transactional ($\beta = 0.193$, $p = 0.155$) and passive-avoidant leadership styles ($\beta = 0.241$, $p = 0.149$) had an insignificant impact.

4.11.4 Knowledge Management and Performance

The findings revealed a strong positive association between knowledge management and performance ($r = 0.564$, $p < 0.05$; $\beta = 0.869$, $p < 0.05$), explaining 31.8% of the variance in performance supporting Nonaka and Takeuchi's (1995) foundational work on knowledge creation and sharing as drivers of organizational learning and innovation. This aligns with Akhavan, et al. (2022), who found that robust knowledge management practices improve efficiency in public organizations. This aligns with the work of Mardani et al. (2020), who established that knowledge creation, integration, and application significantly contribute to organizational performance. Their study demonstrated that organizations that actively manage knowledge enhance their innovation capabilities and decision-making processes.

Furthermore, these findings resonate with the knowledge-based view (KBV) of the firm, which posits that knowledge is a fundamental strategic resource that determines an organization's competitive advantage. Unlike some previous studies that have primarily focused on knowledge management in private-sector firms, this research extends the discussion to State Corporations, reinforcing the idea that effective knowledge management practices are equally essential in public organizations. The study further confirms the findings of Nonaka (1994), who emphasized that organizations with robust knowledge management systems are better positioned to innovate and adapt to changes in the external environment. For State Corporations, the ability to manage knowledge efficiently enhances their capacity to deliver public services and achieve performance goals.

In addition, the study's findings highlight the importance of not just managing knowledge, but also creating an environment that encourages continuous learning and knowledge sharing among employees. As suggested by Hock-Doepgen et al. (2021), organizations that promote knowledge sharing and collaboration among their workforce experience higher levels of innovation and better performance. For State Corporations, fostering such an environment could lead to more effective problem-solving, greater responsiveness to public needs, and improved service delivery, ultimately enhancing their overall performance.

4.11.5 Moderating Role of Innovative Behavior on the Relationship between Dynamic Capabilities and State Corporations' Performance

One of the key contributions of this study is its examination of the moderating role of innovative behavior in the relationship between dynamic capabilities and performance. The findings indicate that innovative behavior significantly moderates the relationship between leadership styles and performance ($X3_Z: \beta = -0.522, p = 0.047$), but does not fully moderate the relationships between structural adaptations, technology adoption, and knowledge management with performance.

These results support the arguments of García-Morales et al (2007), who found that organizations with strong innovation cultures achieve higher performance levels. However, the finding that innovative behavior weakens the influence of leadership styles on performance deviates from previous studies. Typically, transformational leadership has been linked to higher innovation yet this study suggests that as organizations become more innovative, leadership styles (particularly transactional and passive-avoidant) may become less relevant. This implies that State Corporations should prioritize fostering innovation alongside transformational leadership to achieve sustained performance improvements. The study's findings align with the work of Jansen et al. (2006), who found that in highly innovative environments, leadership styles that focus on empowerment and creativity have a greater impact on performance than more directive approaches. Therefore, innovation-driven State Corporations may need to adopt leadership styles that are more flexible and less transactional.

Furthermore, the study suggests that innovation, once embedded in the organizational culture, could diminish the effectiveness of traditional leadership approaches, as employees become more autonomous and proactive in their problem-solving. This supports the notion that innovative organizations often rely on decentralized leadership and self-directed teams to foster continuous improvement. The findings suggest that State Corporations should focus on building a strong innovation culture that empowers employees to drive change, which, in turn, enhances performance. This aligns with the concept of leadership as a facilitator rather than a controller in innovation-driven organizations.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter will include the summary of major findings, conclusions and recommendations according to the objectives of the study. The study determined how dynamic capabilities impact the performance of State Corporations in Kenya and the innovative behaviour was tested as a moderating factor. Also, the chapter identifies the constraints of the research and future research areas.

5.2 Summary of Findings

The summary of results is presented according to the five research objectives that guided the study.

5.2.1 Structural Adaptations and Performance of State Corporations

The first objective was to determine whether structural adaptations influence the performance of State Corporations. The hypothesis (H01) stated that structural adaptations have no significant effect on performance. The results revealed a strong and positive relationship between structural changes and organizational outcomes. Correlation analysis showed ($r = 0.517$, $p = 0.000 < 0.05$), while regression results confirmed significance ($\beta_1 = 0.712$, $p = 0.000$). Hence, the null hypothesis was rejected in favor of the alternative. This indicates that corporations which restructure functions, processes, and reporting mechanisms are more likely to achieve improved results. Similar arguments are made by Donaldson (2021), who noted that organizational structures that evolve with environmental demands enhance operational performance.

5.2.2 Technology Adoption and Performance of State Corporations

The second objective examined the role of technology adoption. The null hypothesis (H02) stated that technology adoption has no influence on performance. Findings demonstrated otherwise: correlation analysis produced ($r = 0.468$, $p = 0.000 < 0.05$), and regression results showed

technology adoption significantly predicted performance ($\beta_1 = 0.779$, $p = 0.000$). Accordingly, the null hypothesis was rejected. The evidence suggests that organizations integrating modern technologies achieve higher efficiency, innovation, and competitiveness. This supports the view of Brynjolfsson and McAfee (2014), who argue that investment in digital tools and automation substantially improves organizational productivity.

5.2.3 Leadership Styles and Performance of State Corporations

The third objective focused on leadership styles. The null hypothesis (H03) predicted no significant effect. Results showed a clear positive association between leadership styles and performance: correlation analysis revealed ($r = 0.531$, $p = 0.000 < 0.05$), while regression confirmed significance ($\beta_1 = 0.849$, $p = 0.000$). The null hypothesis was rejected. These results imply that leadership approaches—particularly transformational and participatory styles—contribute to higher organizational effectiveness. Northouse (2019) supports this perspective, explaining that leaders who inspire, motivate, and involve employees create environments that foster improved results.

5.2.4 Knowledge Management and Performance of State Corporations

The fourth objective assessed knowledge management practices. The null hypothesis (H04) stated that knowledge management has no significant effect. Findings revealed a significant relationship with performance: correlation analysis indicated ($r = 0.564$, $p = 0.000 < 0.05$), while regression showed significance ($\beta_1 = 0.869$, $p = 0.000$). Consequently, the null hypothesis was rejected. These findings highlight that practices such as knowledge sharing, documentation, and utilization improve decision-making and innovation, thereby enhancing performance. Akhavan et al. (2022) similarly emphasize that effective knowledge management creates a culture of learning that drives organizational success.

5.2.5 Innovative Behavior as a Moderator

The fifth objective assessed whether innovative behavior moderates the relationship between dynamic capabilities and performance. The null hypothesis (H05) assumed no significant moderating effect. Results indicated otherwise: correlation analysis showed ($r = 0.567$, $p = 0.000 < 0.05$), and regression confirmed the moderating role of innovative behavior. Specifically, the interaction term for leadership styles was significant (X_3_Z : $B = -0.522$, $p = 0.047$), while knowledge management approached significance (X_4_Z : $B = 0.742$, $p = 0.056$). Thus, the null hypothesis was rejected. These findings imply that organizations encouraging innovative thinking strengthen the impact of dynamic capabilities on performance. Akpa et al. (2020) likewise observed that innovative behavior enhances adaptability, competitiveness, and long-term success.

5.3 Conclusions

5.3.1 Structural Adaptations on the Performance of State Corporations

The study concludes that structural adaptations positively and significantly influence the performance of State Corporations in Kenya. These adaptations, encompassing specialization, formalization, and centralization, are essential in enhancing operational efficiency. By fostering expertise through specialization, ensuring consistency and predictability via formalized processes, and enhancing strategic alignment through centralized decision-making, State Corporations can achieve significant improvements in their operational and strategic outcomes. The results clearly demonstrate that structural adaptations not only streamline processes and enhance resource utilization but also facilitate timely and consistent decision-making, ultimately leading to superior performance. Organizations that prioritize these adaptations position themselves to mitigate uncertainty, foster accountability, and promote a culture of responsibility and innovation.

In addition, structural adaptations enhance organizational flexibility by enabling corporations to respond to unforeseen challenges with agility. With specialized roles and clear hierarchies, State Corporations can efficiently navigate complex environments, ensuring a higher level of responsiveness to external shifts, such as regulatory changes or economic crises. Furthermore, these structural improvements often lead to better alignment of departmental goals with overall corporate objectives, making it easier for State Corporations to achieve synergy across different units and optimize their performance across various levels of operations.

5.3.2 Technology Adoption on the Performance of State Corporations

The study concludes that there is a positive and significant association between technology adoption and performance. This relationship demonstrates that increased adoption of technological solutions directly contributes to enhanced operational efficiency, cost reduction, and overall performance improvements in State Corporations. Technology adoption emerged as a critical factor, illustrating its transformative potential in streamlining internal processes and fostering innovation. The presence of dedicated technology teams and the use of modern technologies, including artificial intelligence, were highlighted as pivotal in enhancing the capability of State Corporations to remain competitive and responsive to changing market dynamics. Moreover, the proactive integration of technology and regular updates of processes and procedures underscore the importance of technological agility in driving performance.

As technology adoption continues to evolve, State Corporations are better equipped to integrate cutting-edge tools, such as data analytics and cloud computing, which enable faster decision-making and more accurate forecasting, further strengthening their competitive edge. Additionally, adopting digital solutions improves not only internal processes but also enhances the corporation's customer-facing functions, allowing for more efficient service delivery and an improved stakeholder experience. This technological upgrade is essential for maintaining relevance in a rapidly changing digital landscape.

5.3.3 Leadership Styles on the Performance of State Corporations

The study concludes that there is a significant and positive influence of leadership styles on the performance of State Corporations in Kenya. Leadership styles, characterized by practices such as motivating employees, encouraging innovative thinking, providing constructive feedback, and fostering a sense of purpose, have been shown to enhance overall performance. Additionally, the findings suggest that employees' perception of their leaders' behavior, such as providing guidance, support, and recognition, is crucial for achieving organizational targets. Leaders who inspire confidence, promote open communication, and enable employees to approach problems creatively are more likely to drive better outcomes. The data also suggest that leadership behaviors that prioritize adaptability, vision-sharing, and employee empowerment have a transformative effect on organizational effectiveness.

Furthermore, leadership that embraces a coaching style, focusing on mentoring employees and providing growth opportunities, can help foster long-term engagement, which is vital for retaining top talent and ensuring sustainable performance improvements. The ability of leaders to make strategic decisions that are inclusive and empathetic also promotes a collaborative work culture, where employees are encouraged to contribute their ideas and are more likely to remain committed to the organization's success.

5.3.4 Knowledge Management on the Performance of State Corporations

The study concludes that knowledge management positively and significantly influences the performance of State Corporations in Kenya. Knowledge management practices, such as promoting collaboration, providing resources for skill development, and fostering a culture of innovation, emerged as critical factors contributing to improved organizational outcomes. The data reveal that corporations that prioritize knowledge sharing, mentorship programs, and external knowledge acquisition tend to exhibit higher performance levels.

In addition, effective knowledge management systems enable better decision-making by ensuring that accurate and relevant information is accessible to all levels of the organization. This leads to more informed choices, which, in turn, drive operational efficiency and enhanced service delivery. Moreover, a focus on continuous learning within State Corporations promotes adaptability, ensuring that the organization can rapidly adjust to new challenges and capitalize on emerging opportunities in its sector, ultimately leading to long-term success and competitive advantage.

5.3.5 Innovative Behavior on the Relationship between Dynamic Capabilities and State Corporations' Performance

The study concludes that innovative behavior plays a critical role as an antecedent rather than merely a moderator in the relationship between dynamic capabilities (structural adaptations, technology adoption, leadership styles, and knowledge management) and performance. While innovative behavior interacts with multiple dynamic capabilities, its most significant influence is observed in shaping the effectiveness of leadership styles. The results indicate that as innovative behavior increases, the positive impact of leadership styles on performance weakens, suggesting that in highly innovative environments, traditional leadership approaches may become less effective. This highlights the need for organizations to prioritize innovation as a driving force that

shapes leadership effectiveness, ensuring that leadership remains flexible and adaptive to innovation-driven contexts.

Although the interaction between knowledge management and innovative behavior approaches significance, the findings suggest that innovation may enhance the role of knowledge management in improving performance by creating a more dynamic knowledge-sharing environment. However, the effects of innovative behavior on other dynamic capabilities, such as structural adaptations and technology adoption, were less conclusive in the final model. While these variables contribute to performance, their interaction with innovative behavior did not yield consistently significant effects.

Additionally, the fostering of innovative behavior encourages a growth mindset among employees, which in turn enhances the corporation's ability to experiment, learn from failures, and continuously improve its practices. This iterative cycle of innovation promotes long-term competitive advantages and drives sustainable performance in the face of evolving industry demands. Finally, while leadership styles and knowledge management play essential roles in performance, the combination of innovative behavior and these dynamic capabilities fosters a more resilient and forward-thinking organization that can thrive even in highly competitive and uncertain environments.

This study contributes to the existing body of knowledge by providing empirical evidence on the influence of dynamic capabilities and innovative behavior on the performance of State Corporations in Kenya, a context that has been largely under-researched. The research extends the application of the Dynamic Capabilities View (DCV) and Resource-Based View (RBV) to public sector organizations, demonstrating how structural adaptations, technology adoption, leadership styles, and knowledge management drive efficiency, accountability, and service delivery. Empirically, the study validates that innovative behavior enhances the effect of these capabilities on performance, offering insights into the mechanisms through which public organizations can achieve strategic objectives. Methodologically, the study employs a rigorous survey design with senior managers and CEOs, using validated scales and inferential analyses to model complex relationships, providing a replicable framework for future research. Practically, the findings inform policymakers and managers on strategies for digital transformation, structural reforms, leadership development, and knowledge management, linking organizational capabilities to measurable

performance improvements. Overall, the study bridges the gap between theory and practice, advancing understanding of how public sector entities can leverage capabilities and innovation to achieve sustainable performance.

5.4 Recommendations

Based on the findings of this study, several strategic and policy actions are recommended to enhance the performance of State Corporations in Kenya through the effective application of dynamic capabilities and the institutionalization of innovative behavior.

Firstly, State Corporations should continuously assess and refine their structural frameworks to ensure alignment with evolving strategic goals. This requires investing in specialized training and management development programs to strengthen both technical and leadership capacities. Policies should be revised or introduced to standardize procedures, eliminate redundancies, and support consistent decision-making across departments. Centralized decision-making can be enhanced through the deployment of data-driven tools and integrated digital systems. At the policy level, the Public Service Commission and the State Corporations Advisory Committee (SCAC) should update governance guidelines to encourage flatter organizational structures and selective decentralization, thereby improving agility, reducing bureaucratic bottlenecks, and enhancing responsiveness across all public sector operations.

To address entrenched bureaucratic practices that hinder service delivery, digitization of workflows should be prioritized. This will minimize operational delays, enhance transparency, and improve efficiency. National policy frameworks should mandate that each State Corporation develops and implements a digital transformation roadmap aligned with the national Digital Economy Blueprint. Leadership development and change management programs should be reinforced and embedded into national leadership curricula through the Kenya School of Government, ensuring that leaders are equipped to manage organizational reforms effectively.

Organizations should also allocate resources toward building dedicated technology and innovation teams responsible for driving digital transformation initiatives. Strategic investments in emerging technologies such as artificial intelligence, automation, and real-time data analytics will optimize operations and enhance institutional responsiveness. National ICT policies should incorporate mandatory technology capability benchmarking for all public institutions, coupled with annual

audits to track digital maturity. Performance contracts and budgeting frameworks should include provisions that incentivize continuous technological upgrades and proactive innovation adoption.

Leadership in State Corporations must prioritize innovation as a core organizational value rather than a reactive adjustment. Leaders should champion innovation, foster a culture of experimentation, and integrate creative thinking into strategic decision-making. Policy reforms should revise leadership development programs to include modules on adaptive leadership, systems thinking, and innovation management. Competency frameworks for appointments and promotions should include innovation-specific skills, ensuring that leaders are capable of supporting organizational creativity. Performance reviews and recruitment strategies should institutionalize open communication, calculated risk-taking, and collaborative problem-solving.

Knowledge management systems should be strengthened to facilitate collaboration, skill development, and continuous learning. Organizational policies should formalize mentorship programs, knowledge-sharing platforms, and strategic partnerships with academic and research institutions. At the policy level, knowledge management units should be integrated into State Corporation governance frameworks and linked to service delivery reporting mechanisms, ensuring that learning and innovation are systematically captured and applied.

Finally, innovative behavior should be institutionalized as a foundational cultural norm and strategic priority. State Corporations should establish formal platforms for idea generation, peer feedback, and cross-departmental innovation labs, ensuring that generated ideas inform strategic planning. Public sector human resource policies should mandate the creation of reward and recognition systems that incentivize innovation across all organizational levels. These systems should be linked to both individual and team performance assessments and aligned with national innovation and productivity objectives, thereby embedding innovation within the broader framework of public sector reform and national development goals.

5.5 Suggestions for Further Study

This study was confined to State Corporations in Kenya, which limits the generalizability of the findings to other organizational contexts. Future research could extend the investigation to other sectors, including private enterprises, non-governmental organizations, and international corporations, in order to identify sector-specific variations in the influence of dynamic capabilities and innovative behavior on performance. Examining different organizational types would provide

a more comprehensive understanding of how contextual factors shape the effectiveness of dynamic capabilities in driving performance outcomes.

While this study focused specifically on the moderating effect of innovative behavior on the relationship between dynamic capabilities and organizational performance, future research could explore additional moderating variables. Factors such as organizational culture, employee engagement, and market conditions may also play significant roles in influencing the strength and direction of these relationships. Incorporating these factors would offer a broader and more nuanced understanding of the dynamics that affect organizational performance and provide practical insights for managers seeking to enhance competitiveness and adaptability.

In terms of analytical approaches, subsequent studies could employ advanced techniques such as structural equation modeling (SEM). This approach would allow researchers to model complex and dynamic relationships among multiple variables simultaneously, capturing both direct and indirect effects. Using SEM would enhance the precision and robustness of empirical findings and provide a more detailed understanding of the mechanisms through which dynamic capabilities and innovation influence performance.

Longitudinal research designs are also recommended to capture the evolution of the relationship between dynamic capabilities and organizational performance over time. Tracking organizations across multiple periods would allow for the assessment of the long-term effects of structural adaptations, technology adoption, leadership styles, and knowledge management practices on performance outcomes. Longitudinal studies would also provide insights into how organizations respond to changing internal and external conditions, thereby contributing to theory development and practical guidance for sustaining organizational effectiveness.

Finally, further research could examine the interaction between external environmental factors and organizational capabilities. Regulatory changes, economic fluctuations, and competitive pressures may significantly affect how dynamic capabilities and innovation translate into performance. Understanding these external influences would help organizations develop more effective strategies to adapt to their operating environments and maintain sustainable performance. Incorporating external contextual variables in future research would therefore deepen the theoretical and practical understanding of organizational performance drivers.

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APPENDIX I: QUESTIONNAIRE

DYNAMIC CAPABILITIES, INNOVATIVE BEHAVIOR AND PERFORMANCE OF STATE CORPORATIONS IN KENYA

Serial NO _____

DEAR RESPONDENT

My name is Ms. Leah Miano, a Ph.D candidate at Kenya Methodist University and I am conducting an academic research titled **“Dynamic Capabilities, innovative behavior and performance of State Corporations in Kenya”**. You have been selected as one of the respondents in this study.

In the set questions below, please provide accurate responses to the best of your knowledge. Information you provide will be treated with strict confidentiality and will used **only** for the purpose of this study and will not disclosed to any other party.

Thank You.

Please do not indicate your identity anywhere in this questionnaire.

PART A: BIO -DATA

1. Your gender

Male ☐ Female ☐ Any Other ☐

2. Marital Status Single ☐ Married ☐ Other ☐

3. Name and Sector of the State Corporation you work in (OPTIONAL)

Name _____ Sector _____

4. Your current Position/Title

CEO ☐ Other (Specify) _____

5. How many years have you been in your current position?

Less than 1yr ☐

1-5 yrs ☐

6-10 yrs ☐

10-15 yrs ☐

Above 15 yrs ☐

6. Indicate your core business _____

7. Indicate your highest qualification

Primary [] Secondary []
 Diploma [] Degree []
 Postgraduate [] Any other []

8. Do you have a documented Strategic Plan in your Corporation? Yes [] No [] No idea []

PART B:

9. Organization's Structural Management

Below are several statements on Structural adaptations. Please indicate your level of agreement with the following statements with a tick (✓) using the Likert scale. **Strongly Disagree (1) - Disagree (2) - Neutral (3) - Agree (4) - Strongly Agree (5)**

#	Statement	1	2	3	4	5
1	Within our corporation, we always emphasis on work specialization to improves our operational effectiveness.					
2	In our departments, positions are clearly defined according to areas of expertise.					
3	We put emphasis on specialized knowledge to remain competitive					
4	In our company, specialization helps to expedite decision-making processes.					
5	Specialization fosters skills and creativity in our corporation					
6	Our operations are consistent and predictable due to formalized processes and procedures.					
7	Formalization has helped minimize uncertainty and friction among employees.					
8	Formalization has increased the level of responsibility and accountability.					
9	Information flow and decision-making processes are facilitated by our formalized communication channels.					
10	Formalization aids in risk management and regulatory compliance.					
11	Across our corporation, centralized decision-making improves our strategic alignment.					
12	Within our corporation, centralization speeds up the decision-making process.					
13	Centralization has led to consistency in decision-making among departments					
14	Resources are centralized to enhance usage and optimization					
15	Centralization promotes transparent accountability and responsibility					

9 (b). In your opinion,

a) Do you align your structure when strategizing? Yes [] No [] I don't know []

b) While developing strategies, do you consider organizational structure? Yes []

No [] I don't know []

c) Do you think a balance in human resources needs help you implement your strategies better?
Yes [] No [] I don't know []

PART C

10. Our Technology in Use

Below are several statements on Technology adoption as a determinant of performance in State Corporations. Rate how applicable these statements are to your firm.

Please indicate your level of agreement with the following statements with a tick (✓) using the Likert scale.
Strongly Disagree (1) - Disagree (2) - Neutral (3) - Agree (4) - Strongly Agree (5)

#	Statement	1	2	3	4	5
1	We provide adequate tools, machines and equipment					
2	We have fully implemented Service Automation Technologies					
3	Service Automation Technologies have streamlined internal processes and reduced costs					
4	We use new technologies in the market					
5	All departments are well equipped with appropriate technology					
6	Our corporation stays updated with emerging technologies					
7	Research & Development has promoted innovation within our corporation.					
8	We have adequate budget for Research & Development (R &D)					
9	We are quick to respond to the changes in technology in the market					
10	We often and effectively integrate new technologies into our existing systems and processes.					
11	We have adopted Artificial Intelligence (AI) in our operations					
12	We are considering adopting Artificial Intelligence (AI) as part of innovative future technological needs in our corporation					
13	Process re-engineering initiatives we undertake significantly improves our work					
14	We regularly review and update our processes and procedures					

15	We have an IT team or technology audit team that reviews the technology in use in our organization					
----	--	--	--	--	--	--

10 (bi) In your opinion, describe how fast your organization is able to adapt to new technology in the market: **Fast enough** [] **Fast** [] **Average** [] **Poor** [] **Rarely** [] **No idea** []

10 (bii) What is/are the main obstacle (s) experienced when you want to quickly respond to technology changes in the market?

PART D

11. Leadership styles

Below are several statements on Leadership Styles as a determinant of Performance. Please describe your style of leadership using the constructs provided below. Please indicate your level of agreement with the following statements with a tick (✓) using the following Likert scale. **Strongly Disagree (1) - Disagree (2) - Neutral (3) - Agree (4) - Strongly Agree (5)**

#	MLQ-6-S Leadership Styles (Standard Global Questionnaire)	1	2	3	4	5
1	I make employees feel good to be around me					
2	I express in a few simple words what need to be done					
3	I enable others to think about old problems in new ways					
4	I help other employees to develop themselves					
5	I tell employees what to do if they want to be rewarded for their work.					
6	I am satisfied when employees meet the agreed targets					
7	I am content to let others to continue working in the same ways always					
8	Other people have complete faith in me					
9	I use tools, images, stories and models to help other people understand					
10	I provide employees with new ways of looking at complex or difficult issues					
11	I give employees feedback to let them know how they are doing					
12	I reward employees when they achieve their targets					
13	As long as things are working, I do not try to change anything					

14	I give employees freedom to do whatever they want					
15	Other people are proud to be associated with me					
16	I help the employees to find meaning in their work					
17	I help employees to rethink about issues that they had never thought of or questioned before					
18	I give personal attention to others when they are in need					
19	I let employees to know what they are entitled to after achieving their targets					
20	I remind employees the standards they need to maintain while doing their work					
21	I do not ask anything more from others than what is absolutely necessary					

11. In your opinion,

b(i) Does your corporation encourage managers to develop the best in themselves?

Yes [] No [] I don't know []

b(ii) Our organization empowers the leaders to perform well. Yes [] No [] I don't know []

PART E

12. How we management Knowledge in our Corporation

Below are several statements on Knowledge Management . Please indicate your level of agreement with the following statements with a tick (✓) using the Likert scale

Strongly Disagree (1) - Disagree (2) - Neutral (3) - Agree (4) - Strongly Agree (5)

#	STATEMENT	1	2	3	4	5
1	Knowledge creation processes are well-defined and encouraged within our corporation.					
2	Our corporation actively promotes a culture of innovation and idea generation among employees.					
3	Employees are provided with adequate resources and tools to develop new knowledge and skills.					

4	Our corporation fosters collaboration and interdisciplinary approaches to foster new knowledge.					
5	We have established mechanisms to capture and document knowledge generated by employees.					
6	Our corporation actively seeks out external knowledge sources to enhance our internal capabilities.					
7	We invest in training and development programs to enhance employee knowledge and skills.					
8	Our corporation encourages employees to attend conferences, seminars, and workshops to gather new knowledge.					
9	We have a structured process for evaluating and selecting relevant knowledge sources for our corporation.					
10	Our corporation actively monitors industry trends and competitor activities to acquire new knowledge.					
11	Our corporation encourages open communication channels for sharing knowledge among employees.					
12	We have platforms or systems in place to facilitate easy sharing and dissemination of knowledge.					
13	Employees are recognized and rewarded for sharing valuable knowledge with their colleagues.					
14	Our corporation encourages mentorship programs to facilitate knowledge transfer between experienced and new employees.					
15	Knowledge sharing is considered a priority in our corporation's strategic objectives.					

12(b) In your opinion, kindly explain problems you experience while managing knowledge in your organization

PART F

13. Our Innovative Behavior

Below are several statements that describe Innovative behavior within an organization. To what extent do you agree with these statements? Please indicate your level of agreement with the following statements with a tick (✓) using the Likert scale.

Strongly Disagree (1) - Disagree (2) - Neutral (3) - Agree (4) - Strongly Agree (5)

	STATEMENT	1	2	3	4	5
1	Innovativeness is encouraged at all levels in our corporation					
2	Innovations have led to measurable improvements in our service delivery					
3	We have structured systems to reward innovative ideas that improve service delivery.					
4	Innovative thinking is always a part of our organizational culture.					
5	Service delivery problems are typically solved through our innovative processes.					
6	The willingness to innovate correlates with higher customer satisfaction in our services.					
7	We regularly train our staff to be creative and innovative					
8	Managers often lead by example by embracing change and demonstrating a willingness to try new approaches.					
9	We always provide tools, platforms and resources that support innovative ideas.					
10	Our corporation regularly facilitates brainstorming sessions and idea creation workshops to stimulate innovation.					
11	We often communicate the importance of innovation to the long-term success of the corporation.					
12	We always ensure that our structure and processes support innovation rather than stifle it.					
13	Our company encourages cross-functional collaboration to facilitate the exchange of innovative ideas and approaches.					
14	We actively seek out emerging trends and technologies that could positively impact our business.					
15	We involve employees in decision-making processes					
16	We are open to criticisms					

13(b) In your opinion

Indicate ways on how the innovative behaviour in your corporation can be enhanced and improved

PART G

14. Organizational Performance (Five Years Period)

These are statements regarding State Corporations' performance in the last five years (2020-2024).

Please indicate how you agree with the following statements using the Likert Scale provided.

Please indicate your level of agreement with the following statements with a tick (✓) using the Likert scale.

Strongly Disagree (1) - Disagree (2) - Neutral (3) - Agree (4) - Strongly Agree (5)

#	PERFORMANCE STATEMENT	1	2	3	4	5
1	During this period, we have performed better year after year					
2	We have been meeting our financial goals and targets					
3	We have provided high-quality services/products to the public.					
4	We are transparent in financial reporting and operations.					
5	Our corporation has positively contributed to the overall economic development of Kenya.					
6	We have been efficiently managing our total costs and expenses					
7	We are accountable for our performance and decisions.					
8	The number of employees has increased significantly in the last five years					
9	Our customers have increasingly been satisfied by our services/products within this period					
10	Our market share has significantly expanded within the last five years					
11	We have been reporting profit/surplus in the last five years					
12	We have been able to expand and finance our activities/operations well because we have experienced positive Returns on Investment (ROI) in the last five years					
13	Our Return on Expenditure has been positive in the last five years					
14	Improved performance has been a key indicator in every employee/department and section within our corporation in the last five years					
15	We have done well in the market relative to our competitors in the last five years					

END OF QUESTIONNAIRE: THANK YOU FOR YOUR PARTICIPATION

APPENDIX II: List of the State Corporations in Kenya

	Sector	Enterprise Name
1	Ministry of Agriculture and Irrigation	Agricultural Development Corporation
2	Ministry of Agriculture and Irrigation	Agricultural, Fisheries and Food Authority
3	Ministry of Agriculture and Irrigation	Agro-Chemical and Food Company
4	Ministry of Agriculture and Irrigation	Coffee Research Foundation
5	Ministry of Agriculture and Irrigation	Bukura Agricultural College
6	Ministry of Agriculture and Irrigation	Coffee Development Fund
7	Ministry of Agriculture and Irrigation	Commodities Fund
8	Ministry of Agriculture and Irrigation	National Biosafety Authority
9	Ministry of Agriculture and Irrigation	Chemelil Sugar Company Limited
10	Ministry of Agriculture and Irrigation	Miwani Sugar Company Ltd.
11	Ministry of Agriculture and Irrigation	Nzoia Sugar Company
12	Ministry of Agriculture and Irrigation	Muhoroni Sugar Company Ltd
13	Ministry of Agriculture and Irrigation	Kenya Agricultural and Livestock Research Organization (KALRO)
14	Ministry of Agriculture and Irrigation	Kenya Animal Genetic Resources Centre (KAGRC)
15	Ministry of Agriculture and Irrigation	Kenya Dairy Board (KDB) Limited
16	Ministry of Agriculture and Irrigation	Kenya Meat Commission (KMC) Limited
17	Ministry of Agriculture and Irrigation	Kenya Plant Health Inspectorate Service (KEPHIS) Limited
18	Ministry of Agriculture and Irrigation	Kenya Seed Company (KSC) Limited
19	Ministry of Agriculture and Irrigation	Kenya Sugar Board (KSB) Limited
20	Ministry of Agriculture and Irrigation	Kenya Tsetse and Trypanosomiasis Eradication Council
21	Ministry of Agriculture and Irrigation	Kenya Marine and Fisheries Research Institute
22	Ministry of Agriculture and Irrigation	Kenya Veterinary Vaccines Production Institute
23	Ministry of Agriculture and Irrigation	National Cereals and Produce Board (NCPB) Ltd
24	Ministry of Agriculture and Irrigation	National Irrigation Board (NIB) Limited
25	Ministry of Agriculture and Irrigation	Nyayo Tea Zones Development Corporation (NTZDC) Limited

26	Ministry of Agriculture and Irrigation	Pest Control Products Board
27	Ministry of Agriculture and Irrigation	South Nyanza Sugar Company (SONY) Limited
28	Ministry of Education, Science and Technology	Chuka University
29	Ministry of Education, Science and Technology	Commission for University Education
30	Ministry of Education, Science and Technology	Higher Education Loans Board
31	Ministry of Education, Science and Technology	Jomo Kenyatta Foundation
32	Ministry of Education, Science and Technology	Jomo Kenyatta University of Agriculture and Technology (JKUAT)
33	Ministry of Education, Science and Technology	Cooperative University College
34	Ministry of Education, Science and Technology	Kenya Institute of Curriculum Development (KICD)
35	Ministry of Education, Science and Technology	Kenya Literature Bureau (KLB)
36	Ministry of Education, Science and Technology	Kenya National Commission for UNESCO
37	Ministry of Education, Science and Technology	Kenya National Examination Council (KNEC)
38	Ministry of Education, Science and Technology	Dedan Kimathi University
39	Ministry of Education, Science and Technology	Kibabii University College
40	Ministry of Education, Science and Technology	Kisii University College
41	Ministry of Education, Science and Technology	Egerton University
42	Ministry of Education, Science and Technology	Garissa University
43	Ministry of Education, Science and Technology	Maasai Mara University (MMU)
44	Ministry of Education, Science and Technology	Jaramogi Oginga Odinga University of Science and Technology

45	Ministry of Education, Science and Technology	Karatina University
46	Ministry of Education, Science and Technology	Machakos University College (MUC)
47	Ministry of Education, Science and Technology	Masinde Muliro University of Science and Technology (MMUST)
48	Ministry of Education, Science and Technology	Meru University of Science and Technology (MUST)
49	Ministry of Education, Science and Technology	Moi University (MU)
50	Ministry of Education, Science and Technology	Multimedia University of Kenya (MMU)
51	Ministry of Education, Science and Technology	Kenya Universities and Colleges Central Placement Services
52	Ministry of Education, Science and Technology	Pwani University
53	Ministry of Education, Science and Technology	Rongo University
54	Ministry of Education, Science and Technology	Kenyatta University
55	Ministry of Education, Science and Technology	Technical University of Kenya
56	Ministry of Education, Science and Technology	Technical University of Mombasa
57	Ministry of Education, Science and Technology	School of Equipment Production Unit
58	Ministry of Education, Science and Technology	South Eastern Kenya University - SEKU
59	Ministry of Education, Science and Technology	Maseno University
60	Ministry of Education, Science and Technology	Kirinyaga University
61	Ministry of Education, Science and Technology	University of Eldoret
62	Ministry of Education, Science and Technology	University of Embu
63	Ministry of Education, Science and Technology	University of Kabianga

64	Ministry of Education, Science and Technology	University of Nairobi
65	Ministry of Education, Science and Technology	Laikipia University
66	Ministry of Education, Science and Technology	Moringa University College
67	Ministry of Education, Science and Technology	National Commission for Science, Technology and Innovation
68	Ministry of Energy	Geothermal Development Company Limited
69	Ministry of Energy	Kenya Electricity Generating Company (KenGen)
70	Ministry of Energy	Kenya Electricity Transmission Company (KETRACO)
71	Ministry of Energy	Kenya Nuclear Electricity Board (KNEB)
72	Ministry of Energy	Kenya Pipeline Company (KPC)
73	Ministry of Energy	Kenya Power and Lighting Company (KPLC) Ltd
74	Ministry of Energy	National Oil Corporation of Kenya (NOCK) Limited
75	Ministry of Energy	Rural Electrification Authority (REA) Limited
76	Ministry of Energy	Energy Regulatory Commission
77	Ministry of Health	Kenya Medical Research Institute (KEMRI) Limited
78	Ministry of Health	Kenya Medical Supplies Authority (KEMSA) Ltd
79	Ministry of Health	Moi Teaching and Referral Hospital (MTRH) Limited
80	Ministry of Health	National AIDS Control Council (NACC) Limited
81	Ministry of Health	National Hospital Insurance Fund (NHIF) Limited
82	Ministry of Health	National Quality Control Laboratory (NQCL) Ltd
83	Ministry of Health	Kenya Medical Laboratory Technician and Technologists Board
84	Ministry of Health	Kenya Medical Training College
85	Ministry of Health	Kenyatta National Hospital
86	Ministry of Health	Kenyatta University Teaching, Referral and Research Hospital
87	Ministry of Information and Communication Technology	Kenya Institute of Mass Communication
88	Ministry of Information and Communication Technology	Kenya Yearbook Editorial Board (KYEB)

89	Ministry of Information and Communication Technology	Konza Technopolis Development Authority
90	Ministry of Information and Communication Technology	Postal Corporation of Kenya
91	Ministry of Information and Communication Technology	Communications Authority of Kenya
92	Ministry of Information and Communication Technology	Kenya Broadcasting Corporation
93	Ministry of Justice and Legal Affairs	National Cohesion and Integration Commission (NCIC) Ltd
94	Ministry of Justice and Legal Affairs	National Council for Law Reporting (NCLR) Ltd
95	Ministry of Justice and Legal Affairs	National Gender and Equality Commission (NGEC) Limited
96	Ministry of Labour and Social Protection	National Security Fund
97	Ministry of Labour and Social Protection	National Social Security Assistance Authority
98	Ministry of Labour and Social Protection	National Council for Persons with Disabilities
99	Ministry of Labour and Social Protection	National Industrial Training Authority
100	Ministry of Lands	National Construction Authority
101	Ministry of Lands	National Housing Corporation
102	Ministry of National Treasury	Kenya Accountants and Secretaries National Examinations Board (KASNEB)
103	Ministry of National Treasury	Privatization Commission
104	Ministry of National Treasury	Kenya Investment Authority
105	Ministry of National Treasury	Insurance Regulatory Authority
106	Ministry of National Treasury	Kenya Reinsurance Corporation
107	Ministry of National Treasury	Kenya Revenue Authority
108	Ministry of National Treasury	Kenya Trade Network Agency
109	Ministry of National Treasury	Competition Authority of Kenya
110	Ministry of National Treasury	Public Procurement Oversight Authority
111	Ministry of National Treasury	Capital Market Authority
112	Ministry of National Treasury	Deposit Protection Fund

113	Ministry of National Treasury	National Bank of Kenya
114	Ministry of National Treasury	Kenya Post Office Savings Bank
115	Ministry of National Treasury	Consolidated Bank of Kenya
116	Ministry of National Treasury	Retirements Benefit Authority
117	Ministry of Sports and Heritage	Kenya National Library Service
118	Ministry of Sports and Heritage	National Museums of Kenya
119	Ministry of Sports and Heritage	National Youths Council
120	Ministry of Sports and Heritage	Sports Kenya
121	Ministry of Sports and Heritage	Kenya Academy of Sports
122	Ministry of Sports and Heritage	Kenya Film Classification Board
123	Ministry of Sports and Heritage	Kenya Film Commission
124	Ministry of Tourism and Wildlife	Bomas of Kenya
125	Ministry of Tourism and Wildlife	Brand Kenya Board
126	Ministry of Tourism and Wildlife	Kenya Safari Lodges and Hotels
127	Ministry of Tourism and Wildlife	Kenya Tourist Development Corporation
128	Ministry of Tourism and Wildlife	Kenyatta International Conference Centre
129	Ministry of Tourism and Wildlife	Tourism Fund
130	Ministry of Tourism and Wildlife	Kenya Tourism Board
131	Ministry of Tourism and Wildlife	Kenya Utalii College (KUC) Limited
132	Ministry of Tourism and Wildlife	Catering and Tourism Development Levy Trustee
133	Ministry of Tourism and Wildlife	Tourism Regulatory Authority
134	Ministry of Transport and Infrastructure Development	Kenya School of Government
135	Ministry of Transport and Infrastructure Development	National Drought Management Authority
136	Ministry of Transport and Infrastructure Development	National Coordinating Agency for Population and Development
137	Ministry of Transport and Infrastructure Development	Youth Enterprise Development Fund (YEDF) Ltd
138	Ministry of Transport and Infrastructure Development	Kenya Institute of Public Policy Research and Analysis
139	Ministry of Transport and Infrastructure Development	Kenya National Bureau of Statistics

140	Office of Attorney General	Kenya School of Law (KSL)
141	Office of Attorney General	Council of Legal Education
142	Office of Attorney General	Kenya Copyright Board
143	Office of Attorney General	Kenya Law Reform Commission
144	Office of Attorney General	National Crime Research Centre
145	Office of Attorney General	Nairobi Centre for International Arbitration
146	Office of Attorney General	National Council for Law Reporting
147	Planning, National and Regional Development	Kenya Institute of Public Policy Research and Analysis (KIPPRA) Limited
148	Planning, National and Regional Development	Kenya Vision 2030 Delivery Secretariat (VDS) Ltd
149	Planning, National and Regional Development	National Council for Population and Development (NCPD) Limited
150	Planning, National and Regional Development	State Corporations Advisory Committee (SCAC) Limited
151	Planning, National and Regional Development	Coast Development Authority
152	Planning, National and Regional Development	Ewaso Ng'iro North Development Authority
153	Planning, National and Regional Development	Ewaso Ng'iro South Development Authority
154	Planning, National and Regional Development	Kerio Valley Development Authority (KVDA) Limited
155	Planning, National and Regional Development	Lake Basin Development Authority (LBDA) Limited
156	Planning, National and Regional Development	Tana and Athi Rivers Development Authority (TARDA) Limited
157	Planning, National and Regional Development	Zambezi River Authority (ZRA) Limited
158	Water and Sanitation	Coast Water Services Board
159	Water and Sanitation	Kenya Water Institute (KEWI) Limited
160	Water and Sanitation	Kiambu Water and Sewerage Company (KWSC) Limited
161	Water and Sanitation	Kikuyu Water Company (KIKUWASCO) Limited

162	Water and Sanitation	Kilifi Mariakani Water and Sewerage Company (KIMAWASCO) Limited
163	Water and Sanitation	Kisumu Water and Sewerage Company (KIWASCO) Limited
164	Water and Sanitation	Lake Victoria North Water Services Board (LVNWSB) Limited
165	Water and Sanitation	Lake Victoria South Water Services Board (LVSWSB) Limited
166	Water and Sanitation	Lamu Water and Sewerage Company (LAWASCO) Limited
167	Water and Sanitation	Malindi Water and Sewerage Company (MAWASCO) Limited
168	Water and Sanitation	Mombasa Water Supply and Sanitation Company (MOWASCO) Limited
169	Water and Sanitation	Mzima Springs Water Company (MSWACO) Limited
170	Water and Sanitation	Nairobi City Water and Sewerage Company (NCWSC) Limited
171	Water and Sanitation	Nakuru Rural Water and Sanitation Company (NARUWASCO) Limited
172	Water and Sanitation	Nakuru Water and Sanitation Services Company (NAWASSCO) Limited
173	Water and Sanitation	National Water Conservation and Pipeline Corporation (NWCPC) Limited
174	Water and Sanitation	Thika Water and Sewerage Company (THIWASCO) Limited
175	Water and Sanitation	Uasin Gishu Water Services Company (UGWASCO) Limited
176	Water and Sanitation	Water Services Regulatory Board (WASREB) Limited
177	Water and Sanitation	Water Services Trust Fund (WSTF) Limited

Source: National Treasury <https://www.treasury.go.ke/state-corporations/>

APPENDIX III: NACOSTI PERMIT

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 450096	Date of Issue: 23/October/2024
RESEARCH LICENSE	
	
This is to Certify that Ms. Leah Wanjiku Ng'ang'a Miano of Kenya Methodist University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev:2014) in Nairobi on the topic: DYNAMIC CAPABILITIES, INNOVATIVE BEHAVIOR AND PERFORMANCE OF STATE CORPORATIONS IN KENYA for the period ending : 23/October/2025.	
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