ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 12, Issue 1, pp: (70-76), Month: January - March 2024, Available at: www.researchpublish.com

Effect of Strategic Management Practices on the Performance of State Corporations in Kenya

Dr. Uzel Jean Mutindi Mzera

Technical University of Mombasa, P.O. Box 90420-80100, Mombasa

DOI: https://doi.org/10.5281/zenodo.10572173

Published Date: 26-January-2024

Abstract: **The study investigated the effect of strategic management practices on the performance of State corporations in Kenya. Specifically, the study investigated the effects of strategic planning, technological competitiveness, corporate governance practices, Total quality Management practices, Human resource management practices and Customer relationship management practices on the performance of State corporations in Kenya. The study adopted quantitative research with a survey design and Primary data was gathered by the use of closed ended questionnaires which were self-administered. Secondary data was obtained from the Corporations' performance annual reports and manuals, textbooks, review articles and statistical databases. The theories that were used in the study were The competitive Advantage theory, the Stakeholders theory, Resource based Theory and the Agency theory. The target population was all the State Corporations in Kenya. The study used stratified random sampling technique and Multiple regression to determine the relationship between the Strategic Management practices and Performances of State Corporations in Kenya. Analysis of inferential statistics was performed through bivariate correlation analysis in order to confirm if there was a relationship between the research variables. Results of analysis showed that strategic competitive positioning practice, strategic Technology Adoption, strategic Corporate Governance Practice and strategic Total Quality Management Practice were all strongly correlated to performance of state corporations in Kenya. The research concluded that Corporate level managers should formulate policies that guide the development of strategic competitive positioning and ensure involvement of stakeholders in the strategic management process. Management of the state corporations should also ensure that proper scanning of the environment is undertaken in order to enhance the ability of the organization to optimize and leverage on strategic choices. In addition, all the state corporations' stakeholders should be adequately facilitated to efficiently and effectively execute their corporate obligations both individually and collectively.**

Keywords: **Strategic Management Practices, Performance, State Corporations.**

1. INTRODUCTION

Strategic Management practices is a part of a complex and challenging field that has attracted a lot of debate from scholars who seek to gain an adequate knowledge of the field, given the wealth of information and knowledge available (Namada & bagire, 2018). David (2013) views Strategic management practices as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Strategic Management practices include environmental scanning, strategy formulation, strategy implementation, and evaluation and control, which influence the long-term performance of an organization (Cherunilam, 2016).Choosing an effective strategy that take place in the context of carefully integrated strategy formulation and implementation efforts result in positive performance (Hitts *et. al.,* 2017).

Persaud, Woodhouse, & Scriven (2016) argue that the Strategic Management practices fundamentally involve effective combination of a corporations' management process with the other business processes in the company's value chain to optimize financial success and strategic competitiveness. Strategic management practices can promote performance in an organization because Corporations that apply strategic management practices are more successful than firms that have not yet acquired strategy-making skills (Selvan, Jayapal, *et.al*.,2017). Application of strategic management practices is thus critical to a firm's performance because it enables firms to understand their strategic position and identify how to make strategic choices for future actions (Njeru, 2015). The main aim of the formation of State Corporations was not to be a profit-making body and therefore profit maximization ought not to be used as a sole measure of their efficiency but they were supposed to put into consideration the importance of providing quality products and services to the public (Mugo, 2018). Corporations have continually become a liability to the government due to the high registration of loses forcing the treasurer to go a step higher and finance and facilitate them in accomplishing their mandate (Kibui, 2015).

Managers of such organizations have therefore to think constantly about future strategies for their organizations (Ibrahim & Stephen, 2017). The infamous corporate failures like Mumias Sugar, Uchumi Supermarkets, the recently revamped Kenya Railways Corporation, the Numerical Machining Complex and the Kenya Meat Commission amongst many others have reflected lack of application and enforcement of strategic management practices (Koech, Namusonge & Mugambi, 2016). For State Corporations in Kenya to maintain a global leadership position, and establish themselves in emerging markets, engaging strategic management practices is a key pillar which they must domesticate (Nzuki, 2017). Makanga & Paul (2017) acknowledge that strategic management practices provide a competitive advantage and enabling organizations to perform better. Though strategic management practices in States corporations have invariably been difficult to employ due to the rigidity of the management mechanism, once strategic management practices are skillfully applied, they help to increase the Corporation's value (Nartisa et al., 2012). State corporations are faced with a lot of problems ranging from financial, human resource, governance issues among others. Applications of strategic management practices will help to turnaround non performing state corporations to bring them back to performance.

Theoretical review

The theories that were used in the study were The competitive Advantage theory, the Stakeholders theory, Resource based Theory and the Agency theory.

Competitive Advantage Theory

The ultimate objective of the strategic management process is to enable a firm to choose and implement a strategy that generates a competitive advantage (Barney & Hesterly, 2015). Strategic management is concerned with defining organizational performance, variables of strategic choice and competitive advantage (Wang, 2014). When a firm sustains profits that exceed the average for its industry the firm is said to possess competitive advantage over its rivals. Thus, the goal of State corporations' strategies is to achieve a sustainable competitive advantage. Smit (2010) identified two basic types of competitive advantage which are cost and differentiation advantage. Cost Advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost.

Porter (2008) developed a framework for analyzing the nature and extent of competition within an industry. He suggested that there are five competitive forces which determine the degree of competition within an industry. Understanding the nature and strength of each of the five forces within an industry assists managers in developing competitive strategies for the state corporations. The five forces are competitive rivalry, threat of substitute products, the bargaining power of suppliers, the bargaining power of buyers and the threat of new entrants.

Strategists must assess the forces affecting competition in their industry and identify their company's strengths and weaknesses before devising a plan of action. The plan of action may include positioning the organization to ensure its capabilities provides the best defense against the competitive force; influencing the balance of the forces through strategic moves with a view to improving the company's position; and anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it (Simba, 2015).

The Stakeholders Theory

The Stakeholder theory states that a firm should create value for all stakeholders, not just shareholders (Freeman, 2012). The stakeholder theory suggests that those external and internal players whose lives are affected by the State Corporation have a right to contribute in management and take part in corporate decision making (Sasaka 2016). It is a modern influential

approach to strategic management and business ethics which presupposes that there are groups and individuals who have a stake in the success or failure of a business (Valentinov, Roth& Will, 2019). It is based on the assumption that businesses can only be considered successful when they deliver value to the majority of their stakeholders which means that profit alone cannot be considered the only measure of business success (Wright, 2018). The theory suggests that managers have a network of stakeholders that they must serve. Stakeholders are the individuals, groups, and organizations that can affect the firm's vision and mission, are affected by the strategic outcomes achieved, and have enforceable claims on the firm's performance (Hitt, 2017). The stakeholders include suppliers, employees, customers, business partners and the local community. Each of these groups should not be treated as a means to an end but must participate in determining the future direction of the firm in which they have a stake (Njeri, 2017). Stakeholder theory has cast itself as a practical and useful theory associated with strategic management (Boucher & Rendtorf, 2016).

Resource Based View Theory (RBV)

The Resource Based View (RBV) of the firm states that a firm delivers added value through the strategic development of the organizations rare, hard to imitate and hard to substitute resources. T Resources that qualify to be sources of competitive advantage must be rare, strategic, inimitable, non-substitutable, appropriate and immobile (Ling & Jaw, 2011). Answering the above three questions as part of the evaluations process. The RBV also postulates that organizations should prioritize rapid and unpredictable changes and plan on how to handle them leading to the need to develop dynamic capabilities (Saleh, 2017). The RBV remains one of the most dominant approaches in strategic management and it has expanded the body of knowledge of determinants of differential firm performance and enhanced the understanding of strategic management as a whole. Despite the shortcomings of the framework, notably its static view of the firm's competitive advantage, it is complementary to leading theoretical frameworks in strategic management practices which also focus both on firm's internal strengths and weaknesses, as well as their external opportunities and threats (Akpobe, 2017). The resource-based theory has also been linked to technological advancement as a strategic management practice in this study because it suggests that a firm's resources are extremely important for the firm's performance, and that human capital is a key resource of a firm (Imran, 2014). States Corporation can gain sustained competitive advantage by attaching priority to the human resource contribution in achieving competitive advantage (Mweru & Maina, 2016).

Agency theory

Agency theory describes the relationships between agents and principals due to the fact that agents and principals always have very different motivations twhich can lead to conflicts (Teeboom, 2018). The theory helps in implementing the various governance mechanisms to control agents' action in the jointly held corporations (Panda &Leepsa, 2017). Mishra (2018) argues that the agency problems manifest themselves on a regular basis from information asymmetry or a situation where one party to the exchange such as the agent has more information than the principal. The incompatible desires may drive a wedge between each stakeholder and result to poor performance. Mwithi (2016) postulates that most organizations operate under conditions of incomplete information and uncertainty which expose businesses to two agency problems; adverse selection and moral hazard, where the principal cannot find out whether an agent precisely represents his or her ability to do the work and the principal is not sure if the agent has put utmost effort, respectively. The agency theory is mainly applied by boards of profit-making organizations to align the interests of management with those of shareholders. Through the Agency theory, Corporate Governance practices have over the years checked the actions of the allegedly self-centered managers against the principal's interest hence creating the Agency problem (Mbo, 2017). Agency theory can be used in State corporations to design incentives appropriately by considering what interests motivate the agent to act. Incentives encouraging the wrong behavior must be removed, and rules discouraging moral hazard must be in place.

2. EMPIRICAL REVIEW

Strategic Competitive advantage has been debated differently by diverse authors but all of them settle that it relates to strategy formulation and implementation in organizations (Kanyora&Okello, 2015). In 1979, Michael E Porter identified five forces affecting the competitive position of a company and which determine firms' abilities to position and compete in an industry such as the public sector (Magretta, 2016). They are; the entry into the market of new competitors, the threat of substitutes, the bargaining power of buyers or customers, the bargaining power of suppliers, the level of competition from existing competitors. The Porter's model was designed to assist corporations to decide on the most favorable strategy for their businesses. Kanyora and Okello (2015) further suggest that Porter also identified three generic strategies: competing on price; differentiating products and services by offering something not offered by competitors, or focusing on

a niche market; later he went on to consider the role of diversification as a strategy and the impact of the Internet. Faiz (2014), suggested that in order for State corporations to be successful, they must identify and build on some core competencies because building core competence becomes essential to competitive advantage. Most studies on state corporations have attributed their poor performance to corporate governance malpractices (Wanyama & Olweny 2013, Karanja, 2015). Corporate governance broadly describes the processes, customs, policies, laws and institutions that direct the corporations in the way they act, administer and control their operations (Njeri, 2017). The global financial scandals and the collapse of some multi-national corporations were stimulated by unethical accounting practices like earnings manipulations, which is against corporate governance practices, thus the need for course of action by State corporations' boards (Bala&Yahaya, 2014). Statutory responsibility for the performance of organizations rests with the board of directors, implying that an important role of the board is to influence business outcomes (Crow, 2016). The board's active engagement in strategic management process especially strategy development, strategic decision-making and monitoring of strategy implementation is important in organizational performance (Crow, 2016). A firm's performance is a function of how well managers use quality management practices to improve the quality of products and services (Keinan & Karugu, 2019). Keinan and Karugu further posit that Quality management practices have been used by manufacturing firms in Kenya to improve on performance. Total Quality Management practices (TQM) is a strategy that is essentially aimed to establish and deliver high quality products and services that cover all customers' demands and achieve a high level of customer satisfaction (Qahtani, Alshehri, &Abdaziz, 2015).

It aims at a firm-wide management philosophy of continuously improving the quality of the products/services/processes by focusing on the customers' needs and expectations to enhance customer satisfaction and firm performance (Sadikoglu & Olcay, 2014).

The purpose of applying strategic management practices is to gain, as efficiently as possible, a sustainable edge over the competitors and Total Quality Management (TQM) is necessary to help an organization enhance and sustain its competitiveness (Cherunilam, 2016). Qahtani (2015), argues that there is a positive relationship between total quality management practices and the performance of organizations.

3. RESEARCH METHODOLOGY

This research applied quantitative research design because its purpose was to investigate the effect of strategic Management practices on the performance of State corporations in Kenya. According Leavy, (2017), Quantitative research values breadth, statistical descriptions, and relies on deductive designs aimed at refuting or building evidence in favor of specific theories and hypotheses. The choice of this design was guided the Positivism research philosophy because of the preferred scientific quantitative methods that were applied.

4. RESEARCH FINDINGS AND DISCUSSION

The researcher used bivariate correlation analysis to investigate the relationship between strategic management practices and performance of state corporations. Bivariate correlation analysis was conducted using Statistical Package for Social Sciences (SPSS) to measure the degree of relatedness of the four dimensions of strategic management practices and performance. The results of product moment correlation analysis are presented in Table1.

Table1: Pearson Correlation Matrix

		Strategic Competitive Positioning Practice	Strategic Technology Adoption	Strategic Corporate Governance Practice	Strategic Total Quality Management Practice	Performance
Strategic Competitive Positioning Practice	**Pearson Correlation**	1	.800**	.867**	.719**	**.820****
	Sig.(2-tailed)		.000	.000	.000	**.000**
	N	49	49	49	49	**49**
Strategic Technology Adoption	**Pearson Correlation**	.800**	1	.683**	.781**	**.784****
	Sig.(2-tailed)	.000		.000	.000	**.000**
	N	49	49	49	49	**49**

Strategic Corporate Governance Practice	**Pearson Correlation**	.867**	.683**	1	.755**	**.728****
	Sig.(2-tailed)	.000	.000		.000	**.000**
	N	49	49	49	49	**49**
Strategic Total Quality Management Practice	**Pearson Correlation**	.719**	.781**	.755**	1	**.837****
	Sig.(2-tailed)	.000	.000	.000		**.000**
	N	49	49	49	49	**49**
Performance	**Pearson Correlation**	**.820****	**.784****	**.728****	**.837****	1
	Sig.(2-tailed)	**.000**	**.000**	**.000**	**.000**	
	N	**49**	**49**	**49**	**49**	49

.Correlationis significantatthe0.01 level (2-tailed).**

The results in Table 1 show the Pearson product moment correlation coefficient for the various pairs of variables tha twere of center of focus in this study. The correlation coefficient for strategic competitive positioning practice and performance was 0.820 at a level of significance of 0.000 for two tailed tests. This correlation coefficient demonstrates that there is statistically significant strong positive linear relationship between strategic competitive positioning practice and performance. Similarly, the correlation coefficient for strategic technology Adoption and performance was 0.784 ata level of significance of 0.000.The correlation coefficient and the significance level confirm that there is statistically significant strong positive linear relationship between Strategic Technology Adoption and performance. he Pearson product moment correlation coefficient for strategic Corporate Governance Practice and performance was 0.728 ata level of significance of 0.000fortwotailedtests.Thevalue of correlation coefficient coupled with its calculated probability demonstrates that there is strong positive linear relationship between strategic Corporate Governance Practice and performance and that this relationship is statistically significant. In addition, the reported correlation coefficient and level of significance for strategic Total Quality Management Practice and performance were 0.837 and 0.000 respectively. This correlation coefficient and calculated probability confirm that there is a statistically significant strong positive line a relationship between strategic Total Quality Management Practice and performance.

5. CONCLUSIONS

Corporate performance is dominant theme in both theoretical and empirical studies and is a central concern for practitioners in modern business organizations. Indeed, corporate performance emphasizes attainment of certain outcomes that are of interesttothemanagementandotherstakeholders.Itisforthisreasonthatthisstudysoughtto investigate the effect of strategic management practices on performance of State corporations in Kenya. The results of analysis of quantitative data provide an empiricalbasisfordrawingimportantconclusionsoneachofthespecificobjectiveofthisstudy. The first specific objective sought to establish the effect of strategic competitive positioning practice on performance. The results of statistical analysis demonstrated that strategic competitive positioning practice has a positive effect on performance. The conclusion of the study therefore is that strategic competitive positioning practice positively affects performance of state corporations in Kenya.

The focus of the second specific objective was to establish the effect Strategic Technology Adoption on performance of state corporations in Kenya. The findings from statistical analysis showed that Strategic Technology Adoption has an effect on performance. Therefore, the researcher infers and concludes that Strategic Technology Adoption positively affects performance of State corporations in Kenya.

In the third specific objective, the study aimed at determining the effect of Strategic Corporate Governance on performance of State Corporations in Kenya. This was necessary because empirical literature strongly demonstrates that strategic management mainly fails at the governance phase. The results of statistical analysis showed that Strategic Corporate Governance affects performance. The therefore conclusion informed by these statistical results is that Strategic Corporate Governance positively affects performance of state corporations in Kenya.

Finally, the last specific objective sought to establish the effect of Strategic Total Quality Management Practice on performance of State Corporations in Kenya. The findings deriving from statistical analysis indicated that Strategic Total Quality Management Practice has a positive contribution to performance. The conclusion of the study is that Strategic Total Quality Management Practice positively affects performance of State corporations in Kenya.

6. RECOMMENDATIONS FOR POLICY AND PRACTICE

Strategic competitive positioning was found to have a positive effect on performance of State corporations in Kenya. In this case, it's important for management of State Corporations to entrench and foster activities and practices associated establishing strategic competitive positioning practices for the organization. These activities and practices revolve around formulation of focus strategies. Corporate level managers should formulate policy that guide the development of strategic competitive positioning practices and ensure involvement of stakeholders in the strategic management process. The study demonstrated that strategic Technology Adoption has a positive effect on performance. It is therefore necessary for management of State Corporations to ensure that proper scanning of the environment is undertaken in order to enhance the ability of the organization to optimize and leverage on strategic choices. Sound practices on environmental analysis would aid the State Corporations in Kenya in establishinga good match amongst the strategic choiceand allits institutional factors.

The study confirmed that strategic corporate governance practice has a positive effect on performance. Therefore, it is crucial for management of state corporations in Kenya to enhance the activities and practices that would en sure governance is efficiently undertaken. Governance should beenhanced to provide prompt and sufficient information to all stakeholders as per the strategic choices made by state corporations. All the stakeholders should beadequately facilitated to efficiently and effectively execute their corporate obligations both individually and collectively. In addition, the study found that Strategic Total Quality Management Practice has a positive contribution to performance. Management of state corporationsshouldfosteractivitiesandpracticesonparticipatorytargetsetting,stand ard practices, performance emeasurement, feed back Andre medial measures.

REFERENCES

[1] Akpobi, T.C. (2017). Dynamic Capabilities and Strategic Management: Explicating the Multi-Level Nature of Dynamic Capabilities – Insights from the Information Technology Security Consulting Industry. Unpublished PhD thesis, University of Stirling, United Kingdom.

[2] Bala, H. &Yahaya, A. (2014). Does audit committee size and independence affect earnings management? Accounting Frontier journal. 16. 124-151.

[3] Barney, J.B. &Hesterly, W.S (2015). Strategic Management and Competitive Advantage. (5th ED). Edinburgh Gate Harlow. Pearson Education Limited

[4] Cherunilam, F. (2016). Strategic Management. (4th ED). g, Girgaon, Mumbai, India.imalaya Publishing House.

[5] Crow, P.R. (2016). Understanding corporate governance, strategic management and firm Performance: As evidenced from the boardroom. Unpublished PhD, thessis Massey University, Manawatu, New Zealand.

[6] David, F. R. (2013). Strategic management: Concepts and cases. (13th Ed.). Essex, England: Pearson Education Limited.

[7] Hitt, M. A., Ireland, R. D., &Hoskisson, R. (2017). Strategic Management: Concepts and Cases, Competitiveness & Globalization. Boston, MA, USA: Cengage Learning.

[8] Ibrahim A. I & Stephen M.A. (2017). Strategic Management Practices and Performance of Public Health Institutions in Public Health Institutions in Modern County, Kenya. 5(12), 156 –168.

[9] Keinan, A.S &Karugu, J. (2018). Total quality management practices and performance of manufacturing firms in Kenya: case of Bamburi cement limited. International Academic Journal of Human Resource and Business Administration 3(1), 81-99.

[10] Koech, P., Namusonge, G.S. &Mugambi F.M. (2016). Legal and Regulatory Framework as a Determinant of Effectiveness of Corporate Governance in State Corporations in Kenya. European Journal of Business and Management. 8(12), 109-116.

[11] Ling, Y.H. & Jaw, B.J. (2011). Entrepreneurial Leadership, Human Capital Management and Global Competitiveness. Journal of Chinese Human Resource Management. 2(2), 117-135.

[12] Makanga, R. O. & Paul, S.N. (2017). Influence of Strategic Management Practices On Performance of Kenya Power and Lighting Company Ltd, Nairobi County, Kenya. The Strategic Journal of Business & Change Management, 4(4), 289-302.

[13] Mbo, M. &Adjasi, C. (2017). Drivers of organizational performance in state owned Enterprises. International Journal of Productivity and Performance Management.66 (3), 405-423.

[14] Mishra, D.P. (2018). “Agency Relationships and Governance Mechanisms in Service Delivery: A Theoretical Analysis”. Problems and Perspectives in Management journal. 206-215.

[15] Mugo, I.N. (2018). Strategic management determinants of organizational performance in the insurance industry in Kenya. Unpublished PhD thesis, Jomo Kenyatta University of Agriculture and Technology, Kenya.

[16] Mwith, M.J. (2016). Effect of leadership competencies on performance of state corporations in Kenya. Unpublished PhD thesis, Jomo Kenyatta University of Agriculture and Technology, Kenya.

[17] Namada, J.M. &Bagire, V.A. (2018). Strategic Management in Africa: Tracing Gaps in Sustainable Business Development. Journal of Marketing Development and Competitiveness, 5(7), 72-76.

[18] Namusonge, G.S. (2012). Entrepreneurship, a global perspective. Nairobi; Kenhill Consultants.

[19] Narikae, P.O. &Lewa, M. L. (2017). The Origins and Development of Strategic.European Journal of Business and Strategic Management. 2(6), 1 – 15.

[20] Njeri, W.C. (2017). Corporate Governance for State Corporations: A Case for the two Tier Board Structure. Unpublished BA thesis, Strathmore University Law School, Nairobi, Kenya.

[21] Njeru, E. (2015). Strategic management practices and performance of small and medium Sized enterprises in Kenya.

[22] Persaud, N., Woodhouse, M., Scriven, M. (2016). Enhancing the Strategic Management Process Through the Use of Professional Evaluation Methods and the Logic of Evaluation. Journal of Multi-Disciplinary Evaluation 12(26), 2-3.

[23] Qahtani, N. D., Alshehri, S.S.&Abdaziz, A. (2015). The impact of Total Quality Management on organizational performance. European Journal of Business and Management. 7(36).

[24] Saleh, A. (2017). The Role of Dynamic Capabilities in Strategic Management. Retrieved June 3, 2019 from https://ayatsaleh.com/2017/01/05/dynamic-capabilities-in-strategic-management/

[25] Sasaka, P.S. (2016). Effect of Strategic Management Practices on the Performance of Corporate Social Responsibility of State Parastatals in Kenya. Unpublished University thesis, Jomo Kenya University of Agriculture and Technology, Kenya.

[26] Smit, A.J (2010). The competitive advantage of nations: is Porter’s Diamond Framework a new theory that explains the international competitiveness of countries? *Southern African Business Review,* 14, (1), 105-130.

[27] Valentinov, V., Roth, S. & Will, M. (2019). Stakeholder Theory: A Luhmannian Perspective. Administration & Society. 51(5), 828-849.

[28] Wright, T. (2018). The Benefits of Applying the Stakeholder Theory. Retrieved June 20, 2019 from https://www.executestrategy.net/blog/stakeholder-theory.