

Revisiting Link between Strategic Management Practices and Operational Performance: The Moderating Role of Corporate Governance in Kenya's Commercial State Corporations

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Abstract

This study sought to determine the moderating effect of corporate governance on the relationship between Strategic Management Practices and the operational performance of commercial State Corporations in Kenya. The target population of the study consisted of 317 respondents in top and middle-level management within the five key departments. Our sample size was 177 respondents selected using the Yamane sampling technique and distributed to the various management strata using the Neyman allocation formula to ensure proportionality. Quantitative data were collected using a five-point Likert-scale structured questionnaire. Both descriptive and inferential statistical tools were applied to analyse the data. Statistics revealed that while the direct effects of strategic management ($\beta = -0.670$, $p = 0.062$) and corporate governance ($\beta = -0.439$, $p = 0.042$) became negative, the interaction term was significantly positive (Unstandardised $\beta=0.328$, $p= 0.002$, standardised $\beta = 1.203$, $p = 0.002 < 0.05$), confirming the moderating role of corporate governance on the strategy-performance nexus. These findings provide new insights into why organisations with similar strategic initiatives may realise varied performance results, revealing that this could be due to the quality of their governance structures and reaffirming the importance of an integrated approach to strategic management and corporate governance. It has also provided invaluable insights expected to inform the revitalisation of public strategy, realignment of corporate governance, and enhancement of performance.

Key terms: Corporate governance, operational performance, state corporations, strategic management practices.

INTRODUCTION

Commercial State corporations play a pivotal role in driving economic growth and socio-economic development, and further make a significant contribution to the progress of the country through varied sectors. However, their ability to achieve and maintain high performance has been a notable challenge over the last three decades, especially when reviewed against such metrics as profitability, cost management, service delivery, and annual financial reporting. The efficacy of these entities is contingent upon the effective alignment between their Strategic Management Practices and operational performance. SMPs touch on the formulation, implementation, evaluation, and control of long-term plans aimed at achieving key objectives, whereas operational performance reflects the ability of these entities to efficiently deliver goods and services to satisfy public needs.

Despite the recognised importance of SMPs in the success of organisations, the role of corporate governance in moderating the relationship with operational performance remains unclear, particularly within the context of Commercial SCs. This glaring knowledge gap, therefore, hampers efforts to improve the operational performance and accountability of these entities and further limits their optimal contribution to the national development agenda.

Previous studies have pointed to the existence of a positive relationship between corporate governance and organisational performance (Akbar et al., 2016; Haß et al., 2016; Khamis et al., 2015; Mishra & Mohanty, 2014). Other studies have also shown that there is a causal relationship between SMPs and organisational performance as well as corporate governance and performance (Ahid & Augustine, 2012; Cadez & Guilding, 2012; Christine et al., 2011; Kaymak & Bektas, 2008; Nicholson & Kiel, 2007).

This study was therefore focused on establishing the complex interactions among SMPs, corporate governance, and operational performance in one model to amplify our comprehension. The study strived to bring out their nexus, providing better theoretical grounding and useful insights on the

subject that would add value to the body of knowledge and fill the existing knowledge gaps.

Corporate Governance

Alongside the push for enhanced SMPs in the public sector, various studies have shown that corporate governance has equally occupied an integral role in the public sector, which is characterised by service delivery and customer-centricity. This prominent role of corporate governance in public sector organisations has been further affirmed by various scholars, researchers, and practitioners (Almashhadani & Almashhadani, 2023; Ahmed et al., 2020; Alabdullah & Mohamed, 2023; Alabdullah & Zobun, 2023). The renewed attention to corporate governance frameworks in the public sector stems from the realisation of their fundamental role in enhancing operational performance and complementing strategic management approaches and practices.

Claessens and Yurtoglu (2013) argued that the financial crisis of 2008 and 2012 involving Greece, Italy, and Spain revealed that corporate governance failures in financial institutions and corporations led to far-reaching systemic consequences. Furthermore, two major scandals involving Enron, 2001 and WorldCom, 2001 in the United States of America informed the enactment of the Sarbanes-Oxley Act of 2002 as a measure to ensure financial order, improve corporate governance, and restore investors' confidence (Petra & Spieler, 2020). Other notable global corporate scandals that also ignited the push for enhanced corporate governance in the private and public sectors encompass those touching on Vivendi, 2002; Adelphia, 2002; Swissair, 2001; Global Crossing, 2002; Washington Mutual, 2009; Bear Stearns, 2008, and Lehman Brothers, 2008 (James, 2009).

All these public and private corporate scandals solidified the push for enhanced corporate governance reforms worldwide that subsequently impacted much of the corporate board's operations, their composition, the conduct of business, as well as legal and regulatory dimensions, a view supported by Duppati and Scrimgeour (2014).

Currently, corporate governance in the public sector has therefore gained momentum both in literature and practice as governments continue to introduce leadership styles and control methods that involve a set of clear rules and principles, clear risk management, and effective control mechanisms. These Governments are aware of the far-reaching impact of poor corporate governance frameworks on budgets, financial sector stability, and performance (Duppatti & Scrimgeour, 2014). Despite all these efforts to institute corporate governance reforms in various State-Owned Enterprises (SOEs) globally, regionally, and locally, evidence of financial and operational under-performance continues to be noted and remains a prominent concern in the available literature and practice.

Sessional Paper No. 4 (GoK, 1991) on development and employment in Kenya decried the continued decline in the performance of State Corporations (SCs) in Kenya. The report noted that whereas the creation of SCs was aimed at enhancing socio-economic development through heightened government participation in the economy, their contribution to the goal was below expectations and lacklustre. The paper then underlined the need for the implementation of urgent privatisation and divestiture plans for SCs faced with managerial challenges and poor performance (GoK, 1991). This push also brought to the fore the varied legal framework, institutional structures, classifications of SCs, operational under-performance, as well as the monitoring, control, and transparency measures of these entities in Kenya. Hence, it becomes essential to comprehend how corporate governance procedures in these organisations affect SMPs and later operational performance, a view supported by Gull et al. (2023) in their study.

In addition, while a focus on within-firm corporate governance mechanisms has advanced our appreciation of the nexus between corporate governance standards and operational performance, there is an increasing realisation that the efficacy of within-firm corporate governance may also be dependent on the quality of external governance frameworks and institutional structures, as alluded to by Judge et al. (2008). Furthermore, the performance of State Corporations in most

developed economies represents a huge portion of their Gross Domestic Product (GDP) as opposed to developing economies, primarily within Sub-Saharan Africa. Available reports clearly show that in some countries, including India, China, and Malaysia, State-Owned Enterprises represent a sizable portion of the GDP and employment. In China, these entities contribute approximately 30 per cent of GDP, whereas in Vietnam, SOEs contribute 38 per cent of GDP. Furthermore, in India and Thailand, State-owned enterprises contribute around 25 per cent of the GDP, whereas in Malaysia and Singapore, they chip in 15 per cent of their GDP (OECD, 2010). Thus, given the enormous contribution of these entities to the economy in developed and developing economies, specific attention to their corporate governance and operational performance is therefore appropriate and necessary to augment socio-economic development, even as these public entities continue to pursue their mandates of satisfying public needs (Drumasu & Matei, 2015).

The positive and negative effects brought about by the separation of organisational management and its ownership lend credence to the calls for effective Corporate Governance (CG) in modern private and public sector organisations. Thus, corporate governance has recently received a lot of global attention from scholars, researchers, and practitioners, given its tremendous importance in running modern organisations in the context of the globalisation of world economies and the financial markets. The African Development Bank Report (2021) further stipulates that there is a positive linkage between good corporate governance (CG) as a strategic approach and organisational performance (Financial and operational), and hence, the same must be duly enforced. The report argued that corporate governance is an absolute necessity for public sector development in Africa.

This awareness informed the African Heads of State in 1992 (During the launch of the New Partnership for Africa's Development (NEPAD) to affirm that poor corporate governance had resulted in missed opportunities for the continent. These missed opportunities included failure to effectively mobilise financial resources from both domestic and international capital markets and to operate in a

transparent and socially responsible manner (AfDB, 2021). Hence, the leaders in their considered wisdom approved the inclusion of corporate governance as one of the four thematic areas that the participating countries were obliged to integrate into their national programs of action that would be reviewed periodically under the African Peer Review Mechanism (AfDB, 2021).

In the Kenyan context, the push for enhanced corporate governance as a strategic approach to improved private and public organisations' performance saw the establishment of the Private Sector Corporate Governance Trust in 1999, which was later renamed the Centre for Corporate Governance in 2002. This organisation has been instrumental, through participatory processes, in developing generic and sector-specific corporate governance codes of best practices to guide all companies, including State Corporations (SCs), cooperatives, banks, etc., in their reporting and disclosures, as well as on the role, duties, and obligations of shareholders and members (AfDB, 2011).

The centre has also been hailed for championing the creation of the Institute of Directors in 2003, based on the South African and British models, to provide training programmes and Commonwealth Certification for Board Directors drawn from the public, private, and cooperative sectors to enhance standards of good corporate governance in the country (AfDB, 2011). To date, it is reported that the centre has greatly promoted professionalism standards and the effectiveness of directorship in private and public entities in Kenya. Further, the Kenya Shareholders' Association was also formed in 2002 with registration under the Societies Act to empower shareholders to play their effective role in the right governance of organisations whose shares they own (AfDB, 2011).

The report indicates that the association has tremendously helped in raising awareness of minority shareholders' rights, in addition to offering corporate governance education, providing information, research, and documentation services, advocacy, and designing training programs targeting

managers on reviewing annual reports and other organisational ownership tools (AfDB, 2011).

Cognizant of the above, it is evident that corporate governance therefore plays an important role in monitoring and controlling management's decision-making, including strategic sustainability investing. Nonetheless, despite the instituted far-reaching corporate governance reforms in various SCs in Kenya, their underperformance continues to be a prominent concern in the available literature and reports. In addition, while a focus on within-firm governance mechanisms has advanced our understanding of the links between corporate governance standards and operational performance, there is an increasing realisation that the efficacy of within-firm corporate governance may be dependent on the quality of external governance and institutions (Judge et al., 2008). Therefore, a better understanding of the role of corporate governance in influencing an organisation's strategic decisions and operational performance is imperative. This understanding will help top management of such SCs allocate their limited resources to optimise their strategic planning decisions for enhanced internal and external corporate governance for ultimate operational performance.

LITERATURE REVIEW

Corporate Governance and Organisation Performance

In the rapidly changing business environment, corporate governance has recently received a lot of global attention, further attracting the interest of many scholars, researchers, and practitioners. This attention is brought about by the tremendous importance placed on this matter in public and private organisations due to the globalisation of world economies and the interconnected world financial markets. Claessens and Yurtoglu (2013) argued that the financial crisis of 2008 and the year 2012 involving Greece, Italy, and Spain revealed that corporate governance failures in financial institutions and corporations led to far-reaching systemic consequences due to financial contagion. It is also worth pointing out that in the United States of America, two major scandals involving Enron (2001) and WorldCom (2001) informed the

enactment of the Sarbanes-Oxley Act of 2002 as a measure to ensure financial order and restore investors' confidence in business, in addition to stirring the interest of the larger society in the economy.

Other notable corporate scandals globally that have also impacted corporate governance and organisational performance include those touching on Vivendi (2002), Adelphi (2021-2022), Swissair (2001), Global Crossing (2002), Washington Mutual (2009), Bear Stearns (2008), and Lehman Brothers (2008). This subsequently spiralled and led to the spearheading of corporate governance reforms worldwide, which greatly impacted most corporate Boards' compositions, the conduct of their business, and various responsibilities at the legal and regulatory levels (Dong & Wen-jia, 2009; Scrimgeour & Duppati, 2014) to strengthen corporate management for operational and financial performance improvement.

Further to the foregoing, it is reported that as the global economic and financial crises fizzled out, there was concurrence among many scholars, researchers, practitioners, corporate executives, and governments that having weak corporate governance mechanisms may bring long-term, negative macroeconomic and distributional consequences on private and public entities. Eventually, this informed the embrace of effective governance systems, frameworks, and legislation that helped ensure private and public enterprises were run in a way that coincided with the interests of all parties involved, including shareholders, staff, clients, and the general public (Almashhadani & Almashhadani, 2023).

Scrimgeour and Duppati (2014) pointed out that corporate governance in the public sector has therefore gained momentum both in literature and practice, given the current context characterised by the globalisation of economies and the financial markets. This is evident as governments continue to introduce leadership styles and control methods that involve a set of clear rules and principles, clear risk management, and effective control mechanisms for their organisations. This also stems from the realisation that SCs are an essential part of socio-

economic activity in every country, and specifically in emerging economies, given their mandate of fulfilling identified social objectives of the state rather than maximising profits (Scrimgeour & Duppati, 2014).

Various studies in the global scene have affirmed the pivotal role that State Corporations play in enhancing socio-economic development. Reports indicate that in several countries, including India, China, and Malaysia, State-Owned Enterprises (SOEs) represent a sizable portion of GDP and employment. In fact, in China, these entities contribute 30 per cent of GDP, whereas in Vietnam, SOEs contribute 38 per cent of GDP. Furthermore, in India and Thailand, SCs contribute around 25 per cent of the GDP, whereas in Malaysia and Singapore, they chip in 15 per cent of the GDP (OECD, 2010; Scrimgeour & Duppati, 2014). Thus, given the enormous scale and size of these SOEs in the above countries and their significant contribution to the global economies, specific attention to their corporate governance has therefore received an impetus over the years in their endeavour to satisfy public needs (Matei & Drumasu, 2015).

Despite all these efforts to institute corporate governance reforms in various SOEs globally, regionally, and locally, evidence of financial and operational under-performance continues to be noted and remains a prominent concern in the available literature and practice. Sessional Paper No. 4 (GoK, 1991) on development and employment in Kenya decried the continued decline in the performance of SCs in Kenya. The report noted that whereas the creation of SCs was aimed at enhancing socio-economic development through heightened government participation in the economy, their contribution to the goal was below expectations and lacklustre.

The paper then underlined the need for the implementation of urgent privatisation and divestiture plans for SCs in Kenya that were faced with managerial challenges and poor operational performance (GoK, 1991). This push also brought to the fore the varied legal framework, institutional structures, classifications, operational under-performance, as well as the monitoring, control, and

transparency measures of these entities in Kenya. Hence. This lends credence to the need to comprehend how corporate governance procedures in these organisations magnify or lessen the Strategic Management Practices and later their operational performance.

It is also emerging that while the focus on within-firm corporate governance mechanisms has advanced our understanding of the links between corporate governance standards and a firm's performance, there is an increasing realisation that the efficacy of within-firm corporate governance may be dependent on the quality of external governance and institutions (Judge et al., 2008). This issue is particularly important for emerging economies, which often lack the institutions needed to support efficiency within corporate governance. It is well documented that many emerging economies, such as India and China, do not have well-developed external control mechanisms, such as a market for corporate control frameworks, mergers and acquisition laws, and efficient law enforcement mechanisms (Peng, 2004).

This implies that a better understanding of the role of corporate governance in influencing an organisation's strategic decisions and operational performance becomes an urgent imperative. This understanding will help top management of such SCs allocate their limited resources to optimise their strategic planning decisions for enhanced internal and external corporate governance and operational performance. It is expected that this study will therefore contribute to this discourse on the nexus between strategic decisions, public corporate governance, and operational performance.

Some previous studies have indicated that there is a positive relationship between corporate governance and organisational performance (Akbar et al., 2016; Haß et al., 2016; Khamis et al., 2015; Mishra & Mohanty, 2014). Other studies have also shown that there was a linkage between strategic management practices and organisational performance (Ahid & Augustine, 2012; Cadez & Guilding, 2012). However, the causal relationships among these three key variables brought together in one study model are still not extensively investigated, despite several

studies suggesting the existence of a causal relationship between some of the parameters (Christine et al., 2011; Kaplan & Norton, 2006; Kaymak & Bektas, 2008; Nicholson & Kiel, 2007). A moderated study by Dilaksan et al. (2019), whose objective was to establish the moderating impact of corporate governance on the relationship between the management control systems and corporate financial performance. The study concluded that there was no moderating impact of corporate governance parameters on the linkage between the management control system and financial performance (Dilaksan et al., 2019).

Almashhadani and Almashhadani (2023), in their study, captioned "The Influence of Corporate Governance on Firm Performance: Evidence from Barcelona Listed Firms," examined the nexus between corporate governance procedures and organisational performance results. The study covered the period 2007 to 2020 and employed the Return on Assets (ROA) and Tobin's Q performance measurement models and focused on three parameters of elements of corporate, including the number of independent members of the board, board size, and CEO duality (Almashhadani & Almashhadani, 2023).

The study concluded that corporate governance characteristics, including the presence of more independent directors, enhance transparency, accountability, and effectiveness, and by extension, impact operational performance. The research observed that these independent directors bring diverse ideas into organisational decision-making processes, hence minimising the incidence of conflicts of interest while also advancing shareholders' interests. These findings are consistent with earlier findings by Alabdullah and Mohamed (2023). Thus, the study reiterated the importance of adopting strong corporate governance practices to boost overall operational performance and enhance operational as well as financial sustainability (Almashhadani & Almashhadani, 2023).

The results of another study by Alamri (2018) that sampled 139 out of 158 Saudi public companies indicate that corporate governance plays a

moderating role in the nexus between strategic management accounting and the performance of a firm, adding that the adoption of this practice helps improve corporate governance frameworks in the organisation, which subsequently leads to the enhancement of organisational performance. A theoretical inquiry whose population was the service businesses in South Alabama, USA, that assessed the moderating role of corporate governance on the relationship between strategic management and firm performance, reiterated the moderating impact it has on the interaction between strategic choices and performance results, which had been hitherto overlooked (Almashhadani & Almashhadani, 2023). The study further recommended more studies focused on cross-industry and cross-geographical coverage with longitudinal or cross-sectional quantitative data that are statistically tested. It also recommended considering technological innovations and external stakeholder perspectives to draw more insights for extrapolation to fill the knowledge gaps.

Locally, research by Agili (2020) on corporate governance, strategic choices, and performance of Universities in Kenya revealed that corporate governance had a significant influence on organisational performance. This study further showed that there was a partial mediating effect of strategic choices on the nexus between corporate governance and organisational performance, and concluded that putting in place effective corporate governance mechanisms augmented by relevant strategic choices significantly enhances corporate performance.

Wanyama (2020), in a study that strived to determine the influence of corporate governance on the relationship between organisational resources and the performance of regional development authorities in Kenya, concluded that corporate governance is a significant moderator between organisational resources and the performance of Regional Development Authorities. This conclusion showed that the linkage of organisational resources (Technological, financial, and human) and corporate governance explained up to 10.9 per cent change in the performance of the regional development authority (Wanyama, 2020), implying the presence

of some controlling effect of corporate governance on the nexus between SMPs and organisational performance in the two studies.

Our literature review shows that studies on corporate governance have focused on various viewpoints including its effect on accounting and financial performance (Khatib & Nour, 2021; Goel, 2018; Mohamed et al., 2013), marketing performance (El Fawal & Mawlawi, 2018), logistic and supply chain performance (Hernawati & Surya, 2019) as well as firm integrated performance (Nagalingam et al., 2022). Hence, the literature on the above direct relationship between corporate governance and organisational performance is robust and available.

However, studies on the viewpoint of corporate governance as a moderating variable are still not richly established, specifically when assessing the nexus between Strategic Management Practices and the operational performance of public entities. Aware of the above and further conscious of the fact that the legal framework, institutional structures, classifications, operational performance monitoring, control, and transparency measures of the SCs in Kenya vary and are complex, it now becomes essential to comprehend how corporate governance procedures in these organisations, affect strategic management choices and later financial consequences a view supported by Gull et al. (2023) in their study on the same constructs but in a different jurisdiction while employing varied methodologies.

Corporate governance, strategic management, and organisational performance, when combined in a study, can therefore reveal substantial information that could be extrapolated to understand these constructs better and to fill the existing knowledge gaps. It was therefore our considered view that an understanding of how corporate governance affects the nexus between SMPs and operational performance results would help inform the adoption of best practices, a view supported by Almashhadani and Almashhadani (2023). This, therefore, informed our conceptualisation in the study to include corporate governance as a moderating variable to widen our comprehension of the construct vis-à-vis other SMPs and operational performance of SCs.

Divergent Corporate Governance-Performance Findings

From the foregoing, it is evident that despite the huge literature and linking corporate governance challenges to various organizational performance decline, there remain diverse knowledge gaps that hamper our deeper appreciation of how corporate governance is interlinked with strategic processes and decisions to impact organizational performance. These gaps include failure to assess the conditional effect of corporate governance on strategy-performance nexus, the contextual preoccupation in most studies with developed economies and fewer studies in the African and the Kenyan context to provide deeper understanding on the constructs, treatment of SMPs and corporate governance as separate independent parameters hence lack of an integrated understanding of the strategy-governance-performance relationship, and the focus of most studies on the private sector organizations leaving a gap on understanding the public sector entities, their strategic decisions, corporate governance frameworks and performance impacting factors. Notably, these inconsistencies when viewed collectively underscore a glaring knowledge gap that we aimed to address by the current study.

Underexplored Linkages in Empirical Data Contextual Gaps and Inconsistencies in Findings

It is notable that despite the availability of in-depth global literature including above and heated discourse on State Corporations and the interplay of various parameters to impact their performance, it is still a concern that there is continued operational and financial underperformance in emerging economies including Kenya. This is partly due to the context specific findings and recommendations which may not necessarily be extrapolated for use in the regional and the Kenyan context. Furthermore, in the African economies including Kenya, there remains traces of weak external institutional frameworks which impact internal organization performance metrics. Additionally, the continued treatment of strategic practices, governance mechanisms and operational performance as stand-alone constructs without much literature that delves into the tripartite linkage and causal relationship among the variables informed the current

examination to draw vital conclusions on these important contributors.

Limited Robust Integrated Moderated Models

In conclusion, although many studies have concluded that there is a positive linkage between corporate governance and organizational performance, and between strategic management practices and performance, very few studies have tried to empirically bring together the tree constructs in an integrated moderated multiple regression model. This has left a huge knowledge gap on the causal nexus among the constructs that require deeper and methodological exploration. Furthermore, the diverse finding published on the moderating role of corporate governance continue to show mixed and inconclusive results for a deeper appreciation of the parameters.

The contextual variability of these studies further lent credence to the need for more localized studies on the variables for better appreciation. Accordingly, the lack of robust public sector studies on the combined parameters of corporate governance, strategic management, and organizational performance signals a huge contextual and conceptualization gap that required further inquiry. These findings have thus revealed substantial information that could be extrapolated better to inform the adoption of best practices and optimal performance metrics, a view supported by Almashhadani and Almashhadani (2023).

This, therefore, informed our conceptualization in the study to include corporate governance as a moderating variable to widen our comprehension on the strategy-governance-performance in commercial SCs and to avail Kenyan context-specific empirical data to guide the optimized integration of strategic decisions harnessing corporate governance mechanisms for enhanced operational results. The same has provided insights to explain why organizations with similar strategic decisions and practices may achieve different performance outcomes affirming this could be due to their corporate governance mechanisms.

METHODOLOGY

This study was grounded on the philosophical foundations of positivism, which postulates that reality is stable and thus is measurable, observable, and describable. In this study, positivism was appropriate given that the three core variables of SMPs, corporate governance, and operational performance are parameters whose linkage can be observed, measured, and empirically tested. The study assumed that SMPs systematically and predictably affect operational performance, and that corporate governance moderates this nexus, with the moderating effect statistically estimable. These assumptions align with positivism's emphasis on causality, hypothesis testing, and the generalisation of findings. The four SMPs of planning, leadership, innovation, and quality management are operationalised as observable activities that can be reliably measured across commercial SCs.

In addition, operational performance is conceptualised in positivist terms as a set of objective organisational outcomes that are measurable using underlying parameters, which can be statistically analysed to allow inferential deductions. Equally, the moderating role of corporate governance can be assessed with statistical interaction terms, enabling the study to determine whether stronger governance systems amplify or diminish the impact of SMPs on operational performance. The study adopted a descriptive survey research design to augment the findings and make meaningful deductions. This design enabled the collection of data from several cases at the same time and further ensured that several viewpoints were captured on the same issue within a short time. This helped increase the external validity and reliability of the study, a view also supported by Wimmer and Dominick (2014).

The target population of this study was 317 respondents drawn from the 36 commercial SCs in Kenya as per the classification of the State Corporations Advisory Committee. This total population was drawn from employees in the top and middle-level management within five key departments of the focus SCs, encompassing the Chief Executive, Finance and Accounts, Human Resources, ICT, and Corporate Planning. The total

population was established following a preliminary survey on the commercial SCs, and the five departments were purposively targeted given their direct involvement in day-to-day strategic decisions.

Sampling Frame and Sample Size

In this study, the unit of analysis was the commercial SCs in Kenya, whereas the unit of observation was the 177 sampled respondents from the total population of 317 respondents within the top and middle-level management in the 36 targeted commercial SCs in Kenya. These respondents were targeted, given their direct day-to-day involvement in strategic decisions, corporate governance, and operational performance management. Our sample was consistent with what scholars, researchers, and practitioners have pointed out relating to the optimum size and the need to be representative, efficient, reliable, and flexible. Our study sample was determined using Yamane's (1967) formula as modified by Saunders et al. (2003) as follows:-

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

Where n is the sample size, N is the population size, and e is the allowable margin of error (Level of significance) in the study at 5 per cent level of significance (95% confidence interval). The breakdown of the sample was as follows:-

$$n = 317 / (1 + 317)(0.05)^2$$

$$= 317 / 1.7925$$

$$= 176.85$$

$$n = 177 \text{ respondents}$$

Therefore, using Yamane's (1967) formula as modified by Saunders et al. (2003), the size of the sample was 177 respondents in the top and middle-level management of the 36 commercial SCs in Kenya, which were the focus of this study.

Sampling Procedure

This study adopted a multi-stage sampling design consisting of stratified and simple random sampling, which allows for the grouping of the population into subcategories or strata with homogeneous but representative attributes to ensure sample statistical reliability and efficiency. The five key departments indicated herein were purposively

selected for their direct role in day-to-day strategic decisions, corporate governance, and operational performance management to form our strata. Subsequently, we employed a simple random sampling technique to select individual respondents from the respective strata. Accordingly, to distribute respondents into the five selected strata and optimise the precision of the survey given the fixed calculated sample size, the study used the Neyman (1934) allocation formula as follows:-

$$n_h = \left(\frac{N_h}{N} \right) n$$

N is the total population; n is the total sample size; n_h is the sample size for stratum h ; N_h is the population size for stratum h . Accordingly, the sample distribution using the Neyman (1934) allocation formula was as provided in the Table below:-

Table 1: Distribution of the Study Sample in Strata

Category of Respondent	Target Population	Sample Size
		$n_h = \left(\frac{N_h}{N} \right) n$
Chief Executive/Managing Director	36	20
Finance and Accounts	74	41
Human Resource Management	69	39
ICT	62	35
Corporate Planning/Strategy	76	42
Total	317	177

Data Collection Instruments

Data was gathered primarily from the respondents in the respective 36 commercial SCs using 5-point Likert scale structured questionnaires. Cooper and Schindler (2014), as well as Mugenda and Mugenda (2012), argued that the instruments for collecting data are the aids, processes, and procedures that facilitate the effective collection of data on the subject, whereas Kombo and Tromp (2006) observed that these instruments are the tools utilised to collect data in the specific research study. In this study, our questionnaire had closed-ended questions, which made it easier to administer, collect, collate, and finally analyse to draw conclusions necessary to meet the study objectives. Furthermore, our choice of structured, closed-ended questions was informed by the need to ensure that respondents remain confined within the boundaries of the study objectives, a view also supported by Saunders et al. (2012).

To corroborate our primary data, relevant secondary data were collected from peer-reviewed journals, SCAC Reports, other Government of Kenya SCs reports, relevant publications, published books, periodicals, articles, and other relevant documents on the subject matter.

Data analysis was done systematically using the latest SPSS packages and presented thematically to enable the making of informed deductions on the subject and objectives. To ensure informed consent, confidentiality, and the responsiveness of the respondents, a cover letter indicating the objectives of the research process was attached to enable the respondents to get acquainted with the study scope and its goals. In addition, all respondents were requested to get acquainted and sign the Kabarak University Informed Consent Form. Descriptive-analytical operations included measures of central tendency and dispersion. The findings were further summarised using percentages, frequency

distribution tables, and presented using relevant graphs and charts. Frequency distributions helped contrast and compare the factors.

Further inferential statistical analysis was conducted to gain valuable insights into the study constructs and their nexus to meet the study's objectives. Simple linear regression was used to examine the relationship between individual strategic management practices and the operational performance of the state corporations. In contrast, multiple regression was used to assess the strength of the relationships using a moderated multiple regression approach. The results were then interpreted to provide insights into the model parameters and draw vital conclusions on the study constructs of SMPs, corporate governance, and operational performance, duly guided by the specific objectives of the study and the hypothesis that was to be tested.

The empirical model was developed to gain a deeper understanding of the study's parameters and their hypothesised interrelationships, thereby providing clarity about the ultimate statistical significance upon testing. A step-by-step moderated multiple regression model was used to test the correlation and directionality between the SMPs and the operational performance of commercial SCs in Kenya, with corporate governance as the moderator.

FINDINGS AND DISCUSSION

This section presents a comprehensive analysis of the Moderated Multiple Regression (MMR) results showing how corporate governance moderates the relationship between strategic management (as a composite variable) and operational performance in commercial SCs. In the study, our moderated multiple regression model was $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_1X_2X_3X_4X_5 + \epsilon$, with Strategic Management Practices being a composite variable comprising strategic planning, leadership, innovation, and strategic quality management. The analysis follows a hierarchical regression approach with three sequential models to assess the direct effects of strategic management, the direct effect of the moderator, and finally the interaction effects between strategic management and the moderator.

As noted by Safi and Mahmood (2022), understanding the complex interaction between SMPs, corporate governance, and operational performance is crucial for public sector organisations facing increasing financial and social pressures in today's dynamic business environment.

The model summary presented in Table 2 provides critical information about the explanatory power of the three hierarchical regression models. Each model represents a progressive stage in the assessment of relationships between the variables of interest.

Table 2: Hypothesis H₀₅ Model Summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638 ^a	.407	.390	.639
2	.657 ^b	.432	.412	.624
3	.683 ^c	.466	.431	.605
^a Predictors: (Constant), Strategic Management (X)				
^b Predictors: (Constant), Strategic Management (X), Corporate Governance (M)				
^c Predictors: (Constant), Strategic Management (X), Corporate Governance (M), X*M				

Model 1, which includes only the composite strategic management variable (X), explains 39.0 per cent of the variance in Operational Performance (adjusted $R^2 = .390$). This substantial explanatory power aligns with the findings of Wanyama and Aila (2022), who observed that SMPs were suitable explanatory variables for organisational performance in Kenyan parastatals, with their study identifying a 71.4 per

cent variation in performance attributed to SMPs. The variance explained in the current study, while lower, still represents a substantial portion of performance differences among commercial SCs and confirms the importance of strategic management as suggested by various scholars.

Model 2 introduces Corporate Governance as an additional predictor, increasing the explanatory power to 41.2 per cent (adjusted $R^2 = .412$). This 2.2 percentage point increase in the adjusted R^2 provides empirical support for the theoretical assertions of Judge et al. (2008) and Almashhadani and Almashhadani (2023), who argued that corporate governance mechanisms directly impact organisational performance. The findings also align with those of Agili (2020), whose study of Kenyan universities revealed that corporate governance had a significant influence on organisational performance ($R^2 = 0.213$, $p < 0.05$). This direct effect highlights the importance of governance structures that promote transparency, accountability, and effectiveness, as emphasised in the literature on public sector management.

Model 3, which incorporates the interaction term between strategic management and corporate governance ($X*M$), further increases the explanatory power to 43.1 per cent (adjusted $R^2 =$

.431). This additional increase of 1.9 percentage points in the adjusted R^2 confirms the interaction effect (moderation) and aligns with the theoretical framework proposed by Barney (1991) in Resource-Based View Theory, which suggests that organisational capabilities must be effectively deployed through proper governance mechanisms to achieve competitive advantage. The findings are also consistent with Wanyama's (2020) study of Regional Development Authorities in Kenya, which found that corporate governance significantly moderated the relationship between organisational resources and performance, explaining 10.9 per cent of performance variation. This further supports the view that governance frameworks serve as critical contingency factors in determining how effectively strategic resources translate into performance outcomes in public sector organisations. The ANOVA results presented in Table 3 assess the statistical significance of each regression model, determining whether the models predict the dependent variable better than chance alone.

Table 3: ANOVA Results for Moderated Multiple Regression

Model	Sum of Squares	df	Mean Square	F	Sig.
1					
Regression	39.851	1	39.851	24.363	.000
Residual	58.069	144	.403		
Total	97.920	145			
2					
Regression	42.302	2	21.151	21.688	.000
Residual	55.618	143	.389		
Total	97.920	145			
3					
Regression	45.669	3	15.223	13.875	.000
Residual	52.251	142	.368		
Total	97.920	145			

All three models demonstrate strong statistical significance ($p < .005$), confirming that the predictors collectively explain operational performance significantly better than chance. The F-statistics for Models 1, 2, and 3 are 24.363, 21.688, and 13.875, respectively, all indicating robust statistical significance. The decreasing F-values across the models, despite maintaining significance, reflect the addition of more predictors with diminishing incremental explained variance, which typically reduces the F-statistic while still providing

meaningful prediction. This pattern aligns with the observations of Poister et al. (2010), who noted that although evidence of strategic management's influence on public sector performance was sometimes questioned, properly specified models with appropriate variables consistently demonstrate significant explanatory power.

The significant F-statistics across all models provide empirical support for the Resource Dependence Theory proposed by Pfeffer and Salancik (1978),

which posits that organisations must effectively manage their resources and governance structures to respond to environmental challenges. The findings also support the observations of Pina et al. (2011) and Ferlie and Ongaro (2022) regarding the importance of strategic management in public sector reforms and modernisation. The robust significance of all models further validates the theoretical proposition by Teece et al. (1997) in their Dynamic Capabilities Theory that organisations must integrate, marshal, and reconfigure their resources

and capabilities under appropriate governance frameworks to adapt to rapidly changing business environments for enhanced performance.

The regression coefficients presented in Table 4 provide detailed insights into the specific relationships between each predictor variable and operational performance across the three models. These coefficients reveal the nature and strength of both direct effects and interaction effects.

Table 4: Regression Coefficients-Moderated Multiple Regression Model

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
1					
(Constant)	1.125	.241		4.668	.000
Strategic Management (X)	.458	.093	.492	4.925	.000
2					
(Constant)	.835	.263		3.175	.002
Strategic Management (X)	.407	.093	.437	4.376	.000
Corporate Governance (M)	.195	.082	.181	2.378	.019
3					
(Constant)	1.945	.618		3.147	.002
Strategic Management (X)	-.624	.332	-.670	-1.880	.062
Corporate Governance (M)	-.473	.231	-.439	-2.048	.042
X*M	.328	.102	1.203	3.216	.002

In Model 1, Strategic Management as a composite variable demonstrates a significant positive effect on operational performance ($\beta = .492$, $p=0.062 < .001$). This substantial effect size indicates that a one standard deviation increase in strategic management is associated with nearly half a standard deviation increase in operational performance. This finding aligns with the observations of Latif et al. (2013) and Gomezelj et al. (2008), who argued that the adoption of SMPs equips organisations with the necessary tools for sustainable competitive advantage and effective performance. It also supports the conclusions of Mwangi et al. (2020) and Ondera (2013), who found that strategic planning significantly influenced the performance of SCs in Kenya. The strong direct effect of strategic management provides empirical validation for the Resource-Based View Theory proposed by Barney (1991), which suggests that organisations can achieve competitive advantage

through the strategic deployment of their valuable, rare, inimitable, and organised resources.

Model 2 reveals that when Corporate Governance is added as a predictor, Strategic Management maintains its significant positive effect ($\beta = .437$, $p = 0.000 < .001$), while Corporate Governance also shows a significant positive direct effect ($\beta = .181$, $p = .019$). The continued significance of both variables indicates that SMPs and governance frameworks independently contribute to operational performance. This finding supports the observations of Akbar et al. (2016), Haß et al. (2016), Khamis et al. (2015), and Mishra and Mohanty (2014), who found positive relationships between corporate governance and organisational performance. It also aligns with the Stewardship Theory proposed by Donaldson and Davis (1989), which suggests that good governance fosters a culture of transparent, accountable, and responsible management that

permeates throughout the organisation, positively impacting decision-making at all levels and ultimately enhancing performance. The significant direct effect of corporate governance further validates the position of the African Development Bank Report (2021), which stipulated a positive linkage between good corporate governance as a strategic approach and organisational performance.

Model 3 introduces the interaction term between strategic management and corporate governance, revealing a critical moderation effect. In this model, the direct effect of Strategic Management becomes negative and marginally significant ($\beta X = -0.624$, $p = 0.062$), while Corporate Governance becomes significantly negative ($\beta = -0.473$, $p = .042$). Most importantly, the interaction term ($X*M$) shows a highly significant positive effect ($\beta XM = 0.328$, $p = 0.002$). The unstandardized $\beta XM = 0.328$, $p = 0.002$, while the standardized $\beta XM = 1.203$, $p = .002$). This pattern of coefficients, where main effects become negative while the interaction term is significantly positive, is characteristic of true moderation relationships. It indicates that the effect of strategic management on operational performance is contingent upon the level of corporate governance in the organisation.

This finding supports the theoretical proposition of Teece et al. (1997) in their Dynamic Capabilities Theory, which argues that organisational capabilities must be deployed within appropriate governance frameworks to be effective. It also aligns with the findings of Alamri (2018), who concluded that corporate governance played a moderating role in the relationship between strategic management and firm performance in Saudi companies. The results further corroborate Wanyama's (2020) study of Regional Development Authorities in Kenya, which found that corporate governance significantly moderated the relationship between organisational resources and performance.

The large, standardised coefficient for the interaction term ($\beta = 1.203$) indicates a particularly strong moderation effect, suggesting that corporate governance substantially amplifies the impact of SMPs on operational performance. This finding is consistent with the observations of Almashhadani

and Almashhadani (2023), who established that corporate governance characteristics enhance transparency, accountability, and effectiveness, thereby impacting operational performance. The pattern of coefficients suggests that in environments with poor corporate governance, SMPs alone may be ineffective or potentially counterproductive, whereas when implemented within strong governance frameworks, these same practices significantly enhance operational performance. This conditional relationship helps explain the observations of Chiwawa et al. (2021) and Dlamini et al. (2019), who noted challenges in strategy implementation in African public entities often stemming from governance issues such as unclear reporting structures and poor alignment of strategic objectives with organisational performance.

The model with the coefficients can then be rewritten as $Y = 1.945 - 0.624X - 0.473M + 0.328XM + \epsilon$. The moderated multiple regression analysis reveals several key findings with significant implications for understanding the complex relationships between strategic management, corporate governance, and operational performance in commercial SCs. The significant interaction term (Unstandardised $\beta = 0.328$, $p = 0.002$ and standardised $\beta = 1.203$, $p = 0.002$) provides strong empirical evidence that corporate governance functions as a true moderator of the relationship between strategic management and operational performance. This confirms the theoretical proposition by Judge et al. (2008) that the efficacy of strategic management may be dependent on the quality of governance frameworks. The magnitude of this moderation effect highlights the critical role that governance plays in translating strategic initiatives into performance outcomes, supporting the observations of Lu (2021) that organisations with resilient corporate governance mechanisms are more likely to achieve higher performance through their strategic initiatives.

The pattern of coefficients in Model 3, where direct effects become negative while the interaction term is significantly positive, reveals an important conditional relationship ($Y = 1.945 - 0.624X - 0.473M + 0.328XM + \epsilon$). The finding suggests that

SMPs may yield different performance outcomes depending on the governance context in which they are implemented. In environments with poor corporate governance, strategic initiatives alone may fail to deliver expected results or potentially lead to negative outcomes. This finding helps explain the observations of Sessional Paper No. 4 (GoK, 1991) and subsequent reports that, despite continued funding towards strategic planning in Kenyan SCs, their performance remained below expectations. It also aligns with the observations of Poister et al. (2010) and Boyne et al. (2004), who questioned whether an excessive focus on strategic planning at the expense of governance and implementation mechanisms might limit the performance impact in public organisations.

The findings suggest that commercial SCs should adopt an integrated approach to strategic management and corporate governance rather than treating them as separate domains. This recommendation is supported by the work of Ferlie and Ongaro (2022), who emphasised the need for public organisations to align their strategic management approaches with appropriate governance structures for enhanced effectiveness. Thus, strong corporate governance should be viewed as an enabler that magnifies the effectiveness of strategic management, not merely as a compliance requirement.

This perspective aligns with the observations of Claessens and Yurtoglu (2013) and Scrimgeour and Duppati (2014), who noted that corporate governance in the public sector has gained momentum as governments recognise its impact on operational performance. Notably, organisations with limited resources might prioritise strengthening governance frameworks as a foundation before implementing extensive strategic initiatives, a recommendation that resonates with the findings of Kibisu (2020) and Mwendu (2021), who emphasised the importance of top management support and governance structures in realising strategic initiatives' benefits.

The analysis highlights the necessity of viewing strategic initiatives and governance mechanisms as complementary rather than independent factors in

enhancing organisational performance. This integrated perspective is consistent with the Resource Dependence Theory proposed by Pfeffer and Salancik (1978), which suggests that organisations must effectively manage both their internal resources and governance structures to respond to environmental challenges. It also aligns with the Stewardship Theory of Donaldson and Davis (1989), which emphasises how good governance fosters responsible resource deployment and a culture of continuous improvement. Aware of the foregoing, it is now evident that the strong moderation effect observed in this study provides empirical validation for these theoretical perspectives and offers valuable insights for public sector management in Kenya and similar contexts.

Summary

Corporate governance was assessed using ten indicators focusing on legal and institutional frameworks, board structures, board diversity, independence in decision-making, monitoring and reporting systems, transparency and accountability, financial reporting, sustainability reporting, government oversight, and the impact of governance on operational performance. The descriptive statistics revealed that "The organisation submits its monthly, quarterly, and annual financial reports to all statutory bodies and for audit purposes" received the highest mean score ($M=3.62$, $SD=0.796$), while "The Board is independent in decision-making" received the lowest ($M=3.23$, $SD=0.905$).

The overall mean score for corporate governance was 3.44 ($SD=0.852$), indicating a moderate to relatively high level of implementation. The moderated multiple regression analysis involved three hierarchical models: Model 1 with strategic management (composite variable) alone yielded an adjusted R^2 of 0.390, implying strategic management explained 39.0 per cent of variance in operational performance; Model 2 adding corporate governance increased to adjusted R^2 of 0.412, showing that it explained 41.2 per cent of variance; and Model 3 incorporating the interaction term further increased to adjusted R^2 of 0.431, demonstrating it explained 43.1 per cent of variance.

ANOVA results for all three models showed statistical significance ($p < 0.001$). The regression coefficients in Model 3 revealed that while the direct effects of strategic management ($\beta = -0.670$, $p = 0.062$) and corporate governance ($\beta = -0.439$, $p = 0.042$) became negative, the interaction term was significantly positive (Unstandardised $\beta = 0.328$, $P = 0.000$, standardised $\beta = 1.203$, $p = 0.002 < 0.05$), confirming the moderating role of corporate governance on the relationship between SMPs and operational performance.

CONCLUSION AND RECOMMENDATIONS

Conclusion: The moderated multiple regression analysis revealed a statistically significant interaction effect between strategic management and corporate governance on operational performance, confirming the moderating role of corporate governance. The substantial coefficient of the interaction term indicates that corporate governance significantly amplifies the impact of SMPs on operational performance. The pattern of coefficients in the moderation model suggests that SMPs are most effective when implemented within strong governance frameworks and may be ineffective or potentially counterproductive in

environments with poor governance. These findings establish corporate governance as a critical contingency factor that determines how effectively SMPs translate into performance outcomes in commercial SCs. This conclusion explains why organisations with similar strategic initiatives may experience different performance results based on the quality of their governance structures, emphasising the need for an integrated approach to strategic management and corporate governance.

Recommendations: To augment corporate governance, the State Corporations Advisory Committee should strengthen board independence by revising appointment procedures to ensure transparent, merit-based selection criteria, clear separation of board and management roles, and protection mechanisms against undue influence in decision-making processes. Finally, Commercial SCs should develop integrated strategic management and governance frameworks that explicitly link strategic planning, implementation, and performance evaluation processes with governance mechanisms, recognising the critical moderating role of governance in translating strategic initiatives into performance outcomes.

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