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Strategic Leadership and Performance of State Corporations in Nairobi City County, Kenya

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ABSTRACT

Purpose: This study examined the influence of strategic leadership on the performance of state corporations in Nairobi City County, Kenya. Specifically, the study investigated how strategic thinking and strategic adaptability influence the performance of state corporations. The study was anchored on Upper Echelons Theory and Dynamic Capabilities Theory.

Methodology: The study adopted a descriptive research design. The target population consisted of 103 state corporations headquartered in Nairobi City County, with the Head of Corporate Planning and Strategy serving as the unit of observation for each corporation. Given the manageable population size, the study adopted a census approach in which all 103 corporations were included in the study. Primary data was collected using a structured questionnaire containing closed-ended items measured on a five-point Likert scale. A pilot study involving 10% of the sample was conducted among state corporations outside Nairobi City County to test the research instrument. For the main study, collected data was cleaned, coded, and analyzed using the Statistical Package for Social Sciences (SPSS) version 29. Descriptive statistics including frequencies, means, and standard deviations was used to summarize respondent characteristics and variable distributions. Inferential analysis involved correlation analysis and multiple regression analysis. The results were presented using tables and charts to facilitate interpretation and discussion of the findings.

Findings: The findings revealed that strategic thinking and strategic adaptability had positive and statistically significant influences on the performance of state corporations in Nairobi City County, Kenya.

Unique Contributions to Theory, Policy, and Practice: The study recommends that state corporations strengthen strategic thinking capabilities among leaders through regular strategic planning forums, leadership development programs, and environmental scanning initiatives.

Keywords: *Strategic Leadership, Strategic Thinking, Strategic Adaptability, State Corporations*

Background of the Study

In today's rapidly evolving global landscape, both public and private organizations face relentless pressure to enhance competitiveness, efficiency, and responsiveness to diverse stakeholder demands. Leadership has consequently emerged as a critical determinant of organizational transformation, innovation, and sustained performance (Xue, Gao, He, & Xu, 2025). Within the public sector, institutions operate amid complex socio-political, economic, and technological environments that require leaders to think strategically, adapt swiftly, make informed decisions, and collaborate effectively with multiple stakeholders (Adejumo, 2025).

Strategic leadership characterized by visionary direction, strategic thinking, and adaptability, has gained prominence as an essential capability for organizations navigating volatility and uncertainty. Unlike traditional administrative leadership, which emphasizes compliance and control, strategic leadership focuses on aligning organizational objectives with long-term societal goals, fostering innovation, and developing human capital for sustainable performance (Forneheim, Jerlström, & Thomander, 2025). In resource-constrained public institutions, strategic leadership enables managers to optimize limited resources, anticipate policy shifts, and maintain public trust through transparency and accountability.

The concept of organizational performance has also evolved from narrow financial metrics to multidimensional frameworks that encompass service delivery, stakeholder engagement, innovation capacity, and institutional agility. Scholars argue that performance indicators in public organizations must extend beyond efficiency to reflect legitimacy, inclusivity, and the creation of public value (Papi, Bigoni, & Gagliardo, 2018). This perspective underscores the need for leadership that can not only meet performance targets but also uphold the ethical and social responsibilities inherent in public governance.

Despite widespread acknowledgment of the strategic leadership–performance nexus, existing research remains fragmented and largely dominated by private-sector analyses. Empirical evidence on how specific dimensions of strategic leadership, such as strategic thinking, decision-making, collaboration, and adaptability, translate into measurable performance outcomes within public institutions is limited (Shibeika & Abdalrahman, 2025). Moreover, public sector leaders face unique challenges, including political oversight, bureaucratic rigidity, and competing stakeholder interests, which demand leadership approaches that are both visionary and context-sensitive (Sørensen, Bryson, & Crosby, 2021).

In the Kenyan context, state corporations play a pivotal role in national development through service delivery, infrastructure provision, and economic stabilization. However, many of these entities have been criticized for inefficiency, poor governance, and weak strategic alignment with national objectives. This raises critical questions about the quality and orientation of leadership within such institutions. Understanding how strategic leadership influences their performance is therefore both timely and necessary. This study therefore sought to examine the influence of strategic leadership, specifically strategic thinking, strategic decision-making, strategic collaboration, and strategic adaptability, on the performance of state corporations in Nairobi City County, Kenya.

Statement of the Problem

State corporations in Kenya are central to implementing national development priorities and managing assets worth billions of shillings across key sectors such as energy, transport, and health. However, despite numerous reforms and heavy fiscal support, performance levels remain persistently below expectations. The National Treasury's State Corporations Performance Evaluation Report for FY 2021/2022 revealed that only 15.7 % of the 236 evaluated state corporations attained a "very good" or "excellent" composite performance rating, while over 60 % were rated "fair" or "poor," falling short on financial sustainability, service delivery, and strategic goal attainment (Republic of Kenya, 2022).

Historical trends reinforce the persistence of this challenge. Between FY 2016/2017 and FY 2021/2022, the proportion of state corporations achieving "good" or higher ratings fluctuated between 12 % and 19 %, showing no sustained improvement despite successive reform blueprints (Republic of Kenya, 2022). The World Bank (2023) similarly reported that Kenya's state-owned enterprises (SOEs) continue to impose significant fiscal risks, accounting for approximately 17 % of total public expenditure and absorbing KSh 478 billion in FY 2023/2024 in transfers, guarantees, and subsidies (IEA Kenya, 2024). Alarmingly, only 4 of 15 commercial SOEs were financially self-sustaining between 2016 and 2020, while 73 % relied heavily on exchequer support (Mwangi & Nkuru, 2024).

Further compounding the situation, the Office of the Auditor General (2022) flagged over 60 % of state corporations for weaknesses in governance, internal controls, and non-compliance with strategic plans. Issues such as delayed board appointments, weak internal audit systems, and inconsistent adherence to strategic frameworks were cited as recurrent. These inefficiencies erode public confidence and divert scarce resources from essential development programmes. Leadership failures have emerged as a cross-cutting concern. The World Bank (2023) highlighted that many SOEs lack strategic alignment, coherent vision communication, and effective stakeholder engagement, core tenets of strategic leadership. Leadership instability also persists: an estimated 28 % of state corporations experienced CEO or board turnover between 2020 and 2023, disrupting continuity in strategy execution (Republic of Kenya, 2023).

In Nairobi City County, which hosts more than two-thirds of Kenya's state corporations, these weaknesses are particularly consequential. The County serves as the administrative and economic hub, yet recurring audit queries, missed performance targets, and leadership turbulence reveal systemic weaknesses in strategic direction and adaptability. Although existing studies often attribute underperformance to structural or financial constraints, emerging global evidence emphasizes that strategic leadership, the ability to think long-term, make data-driven decisions, foster collaboration, and adapt to change, is a decisive determinant of performance (Sørensen, Bryson, & Crosby, 2021; Shibeika & Abdalrahman, 2025). Nevertheless, few empirical studies in Kenya have analyzed how these leadership dimensions concretely shape performance outcomes in public corporations. Therefore, this study sought to address the persistent underperformance of state corporations in Nairobi City County by investigating how strategic leadership influence their organizational performance.

Objectives of the Study

General Objective

To investigate the influence of strategic leadership on the performance of state corporations in Nairobi City County, Kenya

Specific Objectives

The study specifically sought to;

i. To determine the influence of strategic thinking on the performance of state corporations in Nairobi City County, Kenya.
ii. To assess the influence of strategic adaptability on the performance of state corporations in Nairobi City County, Kenya.

Theoretical Review

Upper Echelons Theory

Upper Echelons Theory was developed by Hambrick and Mason (1984) to explain how the characteristics and cognitive orientations of top managers influence organizational outcomes. The theory proposes that organizations become reflections of their top executives because strategic decisions are shaped by the experiences, values, and interpretations of those leaders. Hambrick and Mason (1984) argued that executives interpret complex environmental situations through their personal backgrounds and cognitive frames, which in turn influence the strategic choices they make for the organization. This perspective suggests that leadership characteristics such as education, experience, and managerial values significantly shape the strategic direction and performance of organizations. Later scholars expanded this argument by emphasizing that top management teams influence how organizations respond to opportunities and threats within their external environments (Carpenter, Geletkanycz, & Sanders, 2004).

The theory further explains that leaders' cognitive abilities and strategic perspectives influence how organizations formulate and implement strategies. Hambrick (2007) noted that executives' interpretations of environmental conditions shape their decision-making processes and determine the strategic actions undertaken by organizations. In dynamic organizational contexts, leaders must interpret complex information, evaluate alternative strategic options, and guide institutions toward long-term objectives. Strategic thinking therefore becomes an important leadership capability that enables managers to anticipate changes in the external environment and align organizational strategies with emerging opportunities. Carpenter et al. (2004) further observed that organizations led by diverse and experienced leadership teams tend to demonstrate greater strategic innovation and adaptability.

In the context of public sector institutions such as state corporations, Upper Echelons Theory suggests that the strategic thinking of leaders plays a critical role in shaping institutional performance. Leaders in these organizations are responsible for interpreting policy changes, identifying strategic priorities, and guiding the implementation of institutional strategies. Their ability to analyze environmental conditions and develop long-term strategic perspectives enables public organizations to respond effectively to changing economic, political, and regulatory environments. As noted by Hambrick (2007), leadership cognition and managerial interpretation significantly influence the strategic choices that organizations pursue, thereby affecting their overall performance.

Despite its relevance in explaining leadership influence on organizational outcomes, the theory has certain limitations. One major criticism is that it places strong emphasis on the characteristics of top executives while paying relatively less attention to external environmental factors that may also influence organizational performance. Hambrick (2007) acknowledged that organizational outcomes are not determined solely by leadership characteristics but are also shaped by institutional constraints, market conditions, and organizational resources. Additionally, critics argue that it may be difficult to directly measure the cognitive orientations of leaders, which can limit empirical testing of the theory in some contexts (Carpenter et al., 2004). Nevertheless, Upper Echelons Theory remains an important framework for understanding how leadership perspectives and strategic thinking influence organizational direction and performance, making it relevant for examining strategic leadership within state corporations.

Dynamic Capabilities Theory

Dynamic Capabilities Theory was developed by Teece, Pisano, and Shuen (1997) to explain how organizations sustain competitive advantage in rapidly changing environments. The theory builds on the resource-based view of the firm by emphasizing that possessing valuable resources alone is not sufficient for long-term success. Instead, organizations must develop the ability to continuously integrate, build, and reconfigure internal and external competencies in response to environmental changes. Teece et al. (1997) argued that dynamic capabilities enable organizations to adapt to technological shifts, market changes, and evolving institutional conditions. This perspective highlights the importance of organizational flexibility and strategic responsiveness in maintaining long-term performance.

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The theory further explains that organizations must develop capabilities that allow them to sense environmental changes, seize emerging opportunities, and transform their internal processes to remain competitive. Teece (2007) elaborated that dynamic capabilities consist of three core processes: sensing opportunities and threats, seizing opportunities through strategic decision-making, and transforming organizational resources to align with changing conditions. These capabilities enable organizations to respond effectively to uncertainty and complexity within their operating environments. Eisenhardt and Martin (2000) similarly noted that dynamic capabilities involve organizational processes such as strategic decision-making, knowledge integration, and resource reconfiguration that support adaptation and innovation.

In leadership contexts, Dynamic Capabilities Theory emphasizes the role of leaders in guiding organizations through continuous change and transformation. Leaders are responsible for identifying emerging opportunities, mobilizing organizational resources, and fostering innovation that allows institutions to remain relevant in dynamic environments. According to Teece (2018), leadership plays a crucial role in enabling organizations to develop dynamic capabilities by encouraging learning, promoting flexibility, and facilitating strategic renewal. Adaptive leaders are therefore better positioned to guide organizations through periods of uncertainty by anticipating environmental changes and implementing strategic adjustments that enhance organizational resilience.

In the context of public sector institutions such as state corporations, Dynamic Capabilities Theory provides a useful framework for understanding the role of strategic adaptability in organizational performance. Public institutions often operate within environments characterized by policy reforms, regulatory changes, economic fluctuations, and evolving societal expectations. Strategic adaptability enables leaders in these organizations to adjust institutional processes, reconfigure resources, and implement new strategies that align with changing policy and economic conditions. Teece (2018) argues that organizations capable of continuously adapting their structures and processes are more likely to sustain performance and remain effective in volatile environments.

Despite its relevance, Dynamic Capabilities Theory has also faced criticism. One limitation is that the concept of dynamic capabilities can be difficult to operationalize and measure empirically, which poses challenges for researchers attempting to test the theory in different organizational contexts (Eisenhardt & Martin, 2000). Additionally, some scholars argue that the theory places significant emphasis on internal organizational capabilities while paying less attention to broader institutional and environmental constraints that may influence organizational performance (Teece, 2018). Nevertheless, the theory remains an important framework for explaining how organizations develop adaptive capabilities that enable them to respond to changing environments and sustain long-term performance. In this study, Dynamic Capabilities Theory provides a theoretical basis for understanding how strategic adaptability among leaders

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can enhance the performance and resilience of state corporations operating in dynamic public-sector environments.

Conceptual Framework

A conceptual framework refers to a structured representation of the key variables in a study and the presumed relationships among them based on theoretical and empirical insights. It provides a logical structure that guides the research process by illustrating how the independent variables are expected to influence the dependent variable (Sekaran & Bougie, 2020). In this study, the conceptual framework illustrates the relationship between strategic leadership and the performance of state corporations.

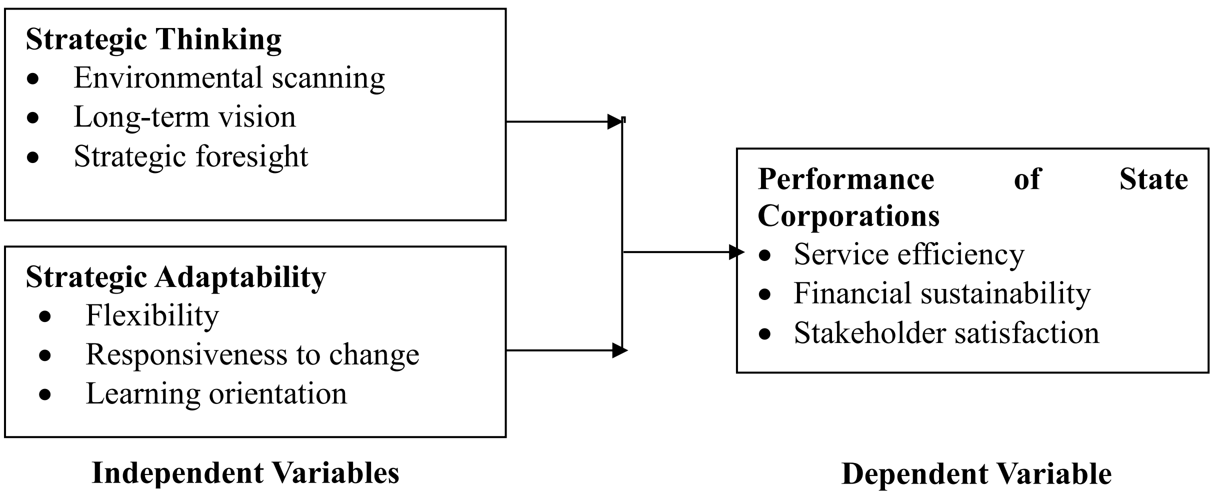

Figure 1: Conceptual Framework

Strategic Thinking

Strategic thinking refers to the cognitive and analytical capability of leaders to interpret complex environments, anticipate future developments, and formulate long-term directions that guide organizational success. It involves the ability to analyze patterns, understand relationships among organizational variables, and develop strategic responses that align institutional resources with emerging opportunities and challenges. According to Bonnici and Galea (2021), strategic thinking enables leaders to view organizational issues from a holistic perspective and formulate strategies that support long-term sustainability. Liedtka (2021) similarly defines strategic thinking as a leadership capability that integrates analytical reasoning, creativity, and foresight to guide organizations toward future-oriented decisions. In contemporary organizational contexts, strategic thinking has become increasingly important as institutions operate in dynamic environments characterized by technological change, policy reforms, and evolving stakeholder expectations (Schoemaker, Heaton, & Teece, 2022). For public sector institutions such as state corporations, strategic thinking enables leaders to align institutional objectives with national development priorities while ensuring effective resource utilization and service delivery.

Scholars further emphasize that strategic thinking enables leaders to identify emerging opportunities and potential threats within the organizational environment. Pisapia and Reyes-Guerra (2022) explain that strategic thinking involves interpreting environmental signals, recognizing patterns, and transforming insights into strategic actions that enhance institutional performance. Similarly, O'Shannassy (2021) notes that organizations led by strategically oriented leaders are more capable of responding to uncertainty and complexity because leaders are able to connect long-term goals with operational decision-making. Within public sector organizations, strategic thinking allows leaders to integrate policy directives, stakeholder expectations, and institutional capacities into coherent strategies that support organizational effectiveness (Bryson, 2022).

Strategic thinking within organizations is commonly operationalized through several key indicators, including environmental scanning, long-term vision, and strategic foresight. These dimensions collectively capture the analytical, cognitive, and anticipatory capabilities required for effective strategic leadership.

Environmental scanning refers to the systematic process through which leaders gather and analyze information about internal and external environments in order to identify opportunities, threats, and emerging trends that may affect organizational performance. Environmental scanning enables organizations to understand the broader context within which they operate and to adjust strategies accordingly. According to Wheelen, Hunger, Hoffman, and Bamford (2023), environmental scanning involves monitoring political, economic, social, and technological factors that influence organizational outcomes. Bryson (2022) further explains that effective environmental scanning helps leaders anticipate policy changes and emerging societal demands, allowing organizations to develop proactive strategies that enhance institutional responsiveness. In public sector organizations, environmental scanning supports informed decision-making by enabling leaders to interpret complex regulatory environments and anticipate changes that may affect service delivery and organizational performance.

Long-term vision refers to the ability of leaders to articulate a clear and compelling future direction for the organization. A strategic vision provides guidance for decision-making and aligns organizational activities with long-term objectives. According to Schoemaker et al. (2022), visionary leadership helps organizations maintain strategic focus while navigating uncertainty and complexity. Bonnici and Galea (2021) explain that a well-defined long-term vision motivates employees, facilitates coordination among organizational units, and strengthens institutional commitment toward achieving shared goals. Within state corporations, long-term vision is particularly important because leaders must ensure that institutional strategies remain aligned with national development priorities and long-term public value creation.

Strategic foresight refers to the capability of leaders to anticipate potential future developments and prepare organizations for emerging opportunities and risks. It involves exploring possible future scenarios and developing strategies that enhance organizational preparedness for uncertainty. Rohrbeck and Kum (2021) define strategic foresight as a structured approach to anticipating environmental change and identifying strategic options that enhance long-term organizational resilience. Schoemaker et al. (2022) further argue that organizations that develop foresight capabilities are better able to recognize early signals of change and adjust their strategies before environmental disruptions occur. In public sector contexts, strategic foresight enables leaders to anticipate policy reforms, technological advancements, and evolving stakeholder expectations, thereby strengthening institutional adaptability and long-term performance.

Strategic thinking therefore provides a critical leadership capability that supports effective strategy formulation and organizational adaptability. Leaders who demonstrate strong environmental awareness, visionary orientation, and foresight are better equipped to guide institutions through complex and uncertain environments. Within state corporations, strategic thinking enables leaders to align organizational goals with national development priorities, strengthen institutional coordination, and enhance long-term performance outcomes.

Strategic Adaptability

Strategic adaptability refers to the ability of organizational leaders to adjust strategies, processes, and resource allocations in response to changes in the internal and external environment. It involves the capacity of organizations to recognize emerging challenges, respond to environmental uncertainty, and modify organizational strategies to maintain effectiveness and sustainability. Teece (2018) describes strategic adaptability as the organizational capability to sense environmental changes, seize emerging opportunities, and reconfigure resources to maintain long-term performance. Similarly, Schoemaker, Heaton, and Teece (2022) define strategic adaptability as the ability of leaders to continuously adjust organizational strategies and structures in response to evolving environmental conditions. In dynamic organizational environments, adaptability enables leaders to respond proactively to technological disruptions, policy reforms, and shifting stakeholder expectations.

Strategic adaptability has become increasingly important in modern organizations due to the rapid pace of environmental change and growing institutional complexity. Organizations that fail to adapt to changing conditions risk losing relevance and experiencing performance decline. According to Reeves and Deimler (2021), adaptive organizations demonstrate the ability to continuously learn from their environment and adjust their strategies accordingly in order to remain competitive. Similarly, Doz and Kosonen (2022) argue that strategic adaptability enables organizations to sustain performance by maintaining flexibility in decision-making and organizational processes. In public sector institutions, adaptability allows leaders to respond effectively to regulatory changes, economic shifts, and evolving public service demands.

Strategic adaptability within organizations can be examined through several key indicators including flexibility, responsiveness to change, and learning orientation. These indicators reflect the ability of leaders and institutions to adjust strategies, embrace change, and develop capabilities that enhance long-term organizational resilience.

Flexibility refers to the capacity of organizations to modify strategies, structures, and operational processes in response to environmental changes. Flexible organizations are able to adjust their plans and resource allocations quickly when new opportunities or challenges arise. According to Teece (2018), strategic flexibility allows organizations to reconfigure resources and capabilities in ways that support adaptation and long-term sustainability. Reeves and Deimler (2021) further explain that flexible organizations are more capable of responding to unexpected disruptions because they maintain adaptable organizational structures and decision-making processes. In the context of state corporations, flexibility enables leaders to adjust institutional strategies in response to policy reforms, financial constraints, and evolving stakeholder expectations.

Responsiveness to change refers to the ability of leaders to recognize environmental shifts and implement timely adjustments that maintain organizational effectiveness. Organizations that respond quickly to changes in their operating environment are more likely to sustain performance and maintain institutional relevance. According to Schoemaker et al. (2022), responsive organizations actively monitor environmental signals and implement strategic adjustments before disruptions significantly affect operations. Doz and Kosonen (2022) further note that responsiveness to change requires leaders to maintain awareness of emerging trends and make timely strategic adjustments that support organizational objectives. In public sector institutions, responsiveness to change is particularly important because leaders must frequently adjust strategies to align with evolving government policies and societal needs.

Learning orientation refers to the organizational commitment to continuous learning, knowledge development, and capability improvement. Organizations that embrace learning orientation actively seek new knowledge, encourage innovation, and adapt their strategies based on lessons derived from past experiences. According to Garvin, Edmondson, and Gino (2021), learning-oriented organizations develop mechanisms that facilitate knowledge sharing, experimentation, and continuous improvement. Similarly, Schoemaker et al. (2022) emphasize that learning orientation strengthens organizational adaptability by enabling institutions to update strategies and practices based on new information and emerging trends. Within state corporations, learning orientation enables leaders to develop institutional capabilities that enhance long-term performance and resilience.

Strategic adaptability therefore represents a critical leadership capability that enables organizations to remain effective in rapidly changing environments. Leaders who promote flexibility, responsiveness to change, and continuous learning are better positioned to guide institutions through uncertainty and maintain organizational performance. In the context of state corporations, strategic adaptability allows leaders to adjust institutional strategies, respond to evolving policy frameworks, and enhance the capacity of public organizations to deliver services efficiently and sustainably.

Empirical Review

Strategic Thinking

Schoemaker, Heaton, and Teece (2022) conducted a study examining the role of strategic thinking and strategic leadership in improving organizational performance among multinational firms in the United States and Europe. The study adopted a quantitative research design and collected data through structured questionnaires administered to senior executives from 215 multinational organizations. The researchers analysed the data using multiple regression analysis and structural equation modelling to assess the relationship between leadership capabilities and organizational performance. The findings revealed that strategic thinking capabilities among senior leaders significantly improved organizational adaptability and long-term performance. The study concluded that leaders who actively engage in environmental analysis and long-term strategic planning enhance organizational competitiveness. However, the study focused primarily on private sector multinational firms, creating a contextual gap because public sector institutions such as state corporations operate under different governance and accountability frameworks.

Agyapong and Boakye (2023) examined the influence of strategic thinking on organizational performance among public sector institutions in Ghana. The study adopted a descriptive cross-sectional research design and collected data from 248 managers working in government agencies using structured questionnaires. Data analysis was conducted using descriptive statistics, correlation analysis, and multiple regression analysis to determine the relationship between strategic thinking practices and institutional performance. The results showed that strategic thinking practices such as environmental analysis and long-term planning significantly improved organizational performance. The study concluded that leaders who demonstrate strong strategic thinking capabilities are better able to align institutional resources with policy priorities. Nevertheless, the study focused broadly on government agencies rather than state corporations, leaving a contextual gap regarding how strategic thinking influences the performance of corporatized public institutions.

Meyer and De Jongh (2022) examined the role of strategic thinking in improving organizational performance within South African state-owned enterprises. The study adopted an explanatory research design and collected primary data using structured questionnaires from 142 senior

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managers working in state-owned enterprises. Data were analysed using factor analysis and multiple regression analysis to determine the influence of leadership strategic thinking on performance outcomes. The findings indicated that strategic thinking significantly influenced organizational efficiency and strategic alignment within state-owned enterprises. The study concluded that leaders who engage in long-term planning and environmental scanning contribute to improved organizational performance. However, the study was conducted in South Africa's state-owned enterprise sector, which operates within a different institutional and regulatory framework compared to Kenyan state corporations.

At the local level in Kenya, Muathe and Kinyua (2021) examined the relationship between strategic thinking and organizational performance within Kenyan public sector institutions. The study adopted a descriptive research design and collected data from public sector managers using structured questionnaires. Data analysis was conducted using descriptive statistics and regression analysis. The findings showed that strategic thinking significantly influenced institutional performance by improving strategic planning and decision-making processes within public institutions. The study concluded that leaders who engage in environmental scanning and long-term strategic planning enhance the performance of public organizations. However, the study focused on public sector institutions broadly, rather than specifically examining state corporations.

Strategic Adaptability

Reeves and Deimler (2021) examined the relationship between organizational adaptability and firm performance among multinational corporations operating in highly dynamic markets. The study adopted a quantitative research design and collected data from 320 senior managers across multinational firms in Europe and North America using structured questionnaires. The researchers applied multiple regression analysis and structural equation modeling (SEM) to examine how adaptive leadership capabilities influenced organizational performance. The findings indicated that organizations with higher levels of strategic adaptability demonstrated superior performance outcomes in terms of innovation, operational efficiency, and competitive advantage. The study concluded that adaptive leadership practices enable organizations to respond effectively to environmental disruptions. However, the study focused on private multinational corporations, which operate within competitive market environments that differ significantly from the governance structures of public sector institutions such as state corporations.

Chemouni (2021) examined the role of leadership adaptability in improving public sector performance in Rwanda. The study adopted a qualitative case study research design and relied on document analysis and semi-structured interviews with government officials to examine how adaptive leadership influenced institutional performance. Data were analyzed using thematic analysis to identify patterns in leadership practices and institutional outcomes. The findings indicated that leadership adaptability played a crucial role in enabling public institutions to respond effectively to governance reforms and policy changes. The study concluded that adaptive leadership strengthens institutional resilience and improves public sector performance. However, the study focused primarily on governance reforms rather than organizational performance indicators, leaving a gap regarding how adaptability directly influences measurable institutional performance outcomes.

At the local level, Muturi and Kinyua (2022) examined the influence of strategic leadership capabilities, including adaptability, on the performance of public sector organizations. The study adopted a descriptive research design and collected primary data from public sector managers using structured questionnaires. Data were analyzed using correlation and multiple regression analysis to determine the relationship between leadership capabilities and organizational performance. The findings showed that strategic adaptability significantly influenced institutional performance by enabling organizations to adjust strategies in response to policy and environmental changes. The study concluded that adaptable leadership practices enhance institutional effectiveness in public sector organizations. However, the study focused broadly on public sector institutions rather than specifically examining state corporations.

Similarly, Wambua and Were (2022) investigated the influence of leadership adaptability on service delivery performance in Kenyan government agencies. The study employed a cross-sectional survey research design and collected data from 205 respondents working in various government agencies. Data analysis was conducted using descriptive statistics, correlation analysis, and multiple regression analysis. The findings indicated that leadership adaptability significantly improved organizational performance through enhanced institutional flexibility and responsiveness to policy changes. The study concluded that organizations that adopt adaptive leadership practices demonstrate improved service delivery outcomes. Nevertheless, the study focused on government agencies rather than state corporations, which operate under different governance structures and accountability frameworks.

RESEARCH METHODOLOGY

Research Design

A research design is the overall blueprint that guides data collection, measurement, and analysis to answer research questions objectively (Kothari & Garg, 2019). This study adopted a descriptive research design**.** The descriptive component helped characterize the current status of strategic leadership practices and performance levels in state corporations, while the explanatory aspect tested the relationships between strategic leadership dimensions and organizational performance. This design was suitable because the study aims to explain how dimensions of strategic leadership, strategic thinking and strategic adaptability, influence the performance of state corporations.

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Target Population

A target population is the complete group of entities to which the researcher intends to generalize study findings (Mugenda & Mugenda, 2019). In this study, the unit of analysis was the state corporation headquartered in Nairobi City County, encompassing economic, social, regulatory, and service-delivery categories under the oversight of the Government of Kenya. According to the National Treasury and the Inspectorate of State Corporations, there are approximately 103 state corporations operating within Nairobi City County (Republic of Kenya, 2024). The unit of observation was Head of Corporate Planning and Strategy from each corporation, selected purposively based on their role and access to information about strategic leadership practices and organizational performance. They were selected because they possess firsthand insight into strategic decision-making processes, leadership behavior, and institutional outcomes, and they can provide authoritative responses on behalf of their organizations (Sekaran & Bougie, 2020). The study therefore targeted a total of 103 respondents, each representing one state corporation.

Sampling and Sample Size

A sample refers to a subset of a population selected for participation in a study to represent the entire group, whereas a census involves collecting data from every unit within the population (Kothari & Garg, 2019). In this study, the target population consisted of 103 state corporations headquartered in Nairobi City County, each represented by one key informant responsible for strategic and performance-related matters. Given the manageable population size, the study adopted a census approach rather than sampling.

A census design is recommended when the population is relatively small, accessible, and when including every element enhances the precision and credibility of findings (Saunders, Lewis, & Thornhill, 2019).

Data Collection Instrument

The study utilized a structured questionnaire as the primary data collection instrument. Questionnaires are widely used in quantitative research because they allow researchers to collect standardized data from a large number of respondents efficiently and within a relatively short period of time. According to Kothari and Garg (2019), questionnaires are effective tools for collecting primary data since they enable the researcher to obtain consistent responses from respondents while minimizing variations that may arise during the data collection process. Similarly, Creswell and Creswell (2018) note that structured questionnaires are appropriate in survey-based studies because they facilitate the collection of comparable data that can be statistically analyzed to establish relationships among variables.

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Pilot Testing

A pilot study is a small-scale preliminary study conducted in the early stages of investigation to test the feasibility of the research design, instruments, procedures, and to detect potential issues before the full-scale study proceeds (Arain et al., 2010). In this study, the pilot test involved 10% of the planned main study sample size, consistent with heuristic guidelines that recommend pilot study samples ranging from 1% to 10% of the main study sample (Connelly, 2008). This percentage allowed for manageable testing while preserving the integrity of the full sample sizing. The pilot was carried out among 10 state corporations outside Nairobi.

Data Analysis and Presentation

Data analysis involves systematically examining data to draw meaningful conclusions (Saunders et al., 2019). The collected data was first cleaned, coded, and entered into the Statistical Package for Social Sciences (SPSS) version 29 for analysis. Descriptive statistics, such as means, frequencies, and standard deviations, summarized respondents' characteristics and variable distributions. Inferential analysis employed correlation analysis and multiple regression to test the effect of strategic leadership dimensions (strategic thinking, decision-making, collaboration, and adaptability) on organizational performance. The regression model took the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y= Performance of State Corporations

X_1= Strategic Thinking

X_2= Strategic Adaptability

β_0= Constant

ε= Error term

Results were presented using tables and charts for clarity and visual interpretation. According to Cooper and Schindler (2014), such presentation enhances comprehension and allows readers to easily interpret trends and relationships among variables.

RESEARCH FINDINGS AND DISCUSSION

Response Rate

The study targeted 103 respondents drawn from state corporations in Nairobi City County, Kenya. A total of 103 questionnaires were distributed to the respondents. Out of these, 86 questionnaires were duly completed and returned, while 17 questionnaires were not returned. This represented a response rate of 83.5%, which was considered adequate for data analysis and generalization of the study findings

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Table 1: Response Rate

Response Category	Frequency	Percentage (%)
Questionnaires Distributed	103	100.0
Questionnaires Returned	86	83.5
Questionnaires Not Returned	17	16.5
Total	**103**	**100.0**

Descriptive Statistics

Strategic Thinking and Performance of State Corporations

The first objective of the study sought to determine the influence of strategic thinking on the performance of state corporations in Nairobi City County, Kenya. Respondents were requested to indicate their level of agreement with statements relating to strategic thinking practices within their organizations. The findings are presented in Table 2.

Table 2: Descriptive Statistics on Strategic Thinking

Statement	Mean	Std. Dev.
Leaders regularly analyze external trends affecting the organization	4.128	0.764
The organization has a clear long-term strategic vision	4.233	0.721
Leaders anticipate future challenges and opportunities	4.105	0.788
Strategic planning guides most organizational activities	4.198	0.742
Leaders consider long-term consequences when making decisions	4.151	0.756
Environmental changes are continuously monitored by management	4.070	0.813
Strategic thinking influences major organizational policies	4.244	0.698
Aggregate Mean/Standard Deviation	**4.161**	**0.755**

The findings indicate that respondents agreed that leaders regularly analyze external trends affecting the organization (M = 4.128, SD = 0.764). This suggests that leaders actively monitor the external environment to identify opportunities and threats that may influence organizational performance. The respondents strongly agreed that the organization has a clear long-term strategic vision (M = 4.233, SD = 0.721). The relatively low standard deviation indicates consensus among respondents that strategic direction is clearly articulated within their organizations. Respondents agreed that leaders anticipate future challenges and opportunities (M

= 4.105, SD = 0.788), implying that organizational leaders demonstrate foresight and preparedness in addressing emerging issues affecting organizational operations and performance.

The findings further revealed that respondents agreed that strategic planning guides most organizational activities (M = 4.198, SD = 0.742). This indicates that organizational activities are largely aligned with strategic plans and long-term objectives. The respondents agreed that leaders consider long-term consequences when making decisions (M = 4.151, SD = 0.756), suggesting that managerial decisions are informed by long-term organizational interests rather than short-term considerations. The study also found that respondents agreed that environmental changes are continuously monitored by management (M = 4.070, SD = 0.813). This demonstrates the commitment of management to environmental scanning and responsiveness to changing external conditions. Finally, respondents strongly agreed that strategic thinking influences major organizational policies (M = 4.244, SD = 0.698). The low standard deviation indicates a high level of agreement among respondents that strategic considerations play a significant role in shaping organizational policy decisions.

The aggregate mean score of 4.161 and standard deviation of 0.755 indicate that respondents generally agreed that strategic thinking practices were evident within state corporations in Nairobi City County. The findings suggest that strategic thinking is characterized by environmental scanning, long-term vision, anticipation of future opportunities and challenges, strategic planning, and policy alignment. These findings imply that strategic thinking is an important leadership capability that enhances organizational preparedness, strategic direction, and overall performance.

The findings are consistent with the empirical studies reviewed. For instance, Schoemaker, Heaton, and Teece (2022) observed that strategic thinking enables leaders to anticipate environmental changes and position organizations for sustained performance. Similarly, Pisapia and Reyes-Guerra (2022) found that strategic thinking enhances organizational effectiveness by enabling leaders to integrate foresight, environmental awareness, and long-term planning into decision-making processes. The findings also support Bryson (2022), who argued that strategic thinking strengthens organizational performance through effective environmental scanning and strategic alignment. Therefore, the study findings suggest that strategic thinking plays a significant role in enhancing the performance of state corporations through improved strategic direction, proactive planning, and organizational adaptability.

Strategic Adaptability and Performance of State Corporations

The second objective of the study sought to assess the influence of strategic adaptability on the performance of state corporations in Nairobi City County, Kenya. Respondents were requested to indicate their level of agreement with statements relating to strategic adaptability within their organizations. The findings are presented in Table 3.

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Table 3: Descriptive Statistics on Strategic Adaptability

Statement	Mean	Std. Dev.
The organization adjusts strategies when conditions change	4.163	0.748
Leaders respond quickly to policy or regulatory changes	4.093	0.804
The organization is flexible in its operations	4.012	0.827
Management encourages innovation and new ideas	4.279	0.687
The organization learns from past experiences	4.233	0.714
Leaders support continuous improvement initiatives	4.291	0.672
The organization adapts well to environmental changes	4.105	0.771
Aggregate Mean/Standard Deviation	**4.168**	**0.746**

The findings indicate that respondents agreed that the organization adjusts strategies when conditions change (M = 4.163, SD = 0.748). This suggests that state corporations are capable of modifying their strategic direction in response to emerging environmental conditions. Respondents agreed that leaders respond quickly to policy or regulatory changes (M = 4.093, SD = 0.804). The finding implies that organizational leaders recognize the importance of timely responses to changing regulatory and policy environments. The respondents agreed that the organization is flexible in its operations (M = 4.012, SD = 0.827). Although the mean score indicates agreement, the relatively higher standard deviation suggests some differences in respondents' perceptions regarding operational flexibility across organizations.

The study further established that respondents strongly agreed that management encourages innovation and new ideas (M = 4.279, SD = 0.687). The relatively low standard deviation indicates a high level of consensus that innovation is actively supported within the organizations. Respondents strongly agreed that the organization learns from past experiences (M = 4.233, SD = 0.714). This suggests that lessons learned from previous successes and challenges are utilized to improve future organizational performance.

The findings also revealed that respondents strongly agreed that leaders support continuous improvement initiatives (M = 4.291, SD = 0.672). This was the highest-rated statement, indicating that continuous improvement is a key feature of leadership practices within state corporations. Further, respondents agreed that the organization adapts well to environmental changes (M = 4.105, SD = 0.771). This demonstrates that organizations possess the capacity to respond effectively to changes in their operating environment.

The aggregate mean score of 4.168 and standard deviation of 0.746 indicate that respondents generally agreed that strategic adaptability was highly practiced within state corporations in

Nairobi City County. The findings suggest that adaptability is reflected through flexibility, responsiveness to change, innovation, organizational learning, and continuous improvement. These capabilities enable organizations to remain effective in dynamic and uncertain operating environments.

The findings support the argument that organizational adaptability enhances performance by enabling institutions to sense environmental changes, seize emerging opportunities, and reconfigure resources to meet changing demands (Teece, 2018). The findings are also consistent with Doz and Kosonen (2022), who observed that adaptive organizations are better positioned to sustain performance because they continuously adjust strategies and operations in response to environmental shifts. Similarly, Schoemaker, Heaton, and Teece (2022) established that strategic adaptability strengthens organizational resilience and long-term performance by promoting innovation, learning, and responsiveness to change. The findings therefore suggest that strategic adaptability is a critical leadership capability that enhances the performance of state corporations by improving organizational flexibility and responsiveness.

Performance of State Corporations in Kenya

Respondents were requested to indicate their level of agreement with statements relating to the performance of their organizations. The findings are presented in Table 4.

Table 4: Descriptive Statistics on Performance of State Corporations

Statement	Mean	Std. Dev.
The organization delivers services efficiently	4.174	0.743
Organizational operations are cost-effective	4.023	0.816
The organization maintains financial sustainability	3.965	0.842
Stakeholders are satisfied with organizational services	4.140	0.771
Organizational goals are consistently achieved	4.198	0.724
The organization maintains a positive public reputation	4.267	0.689
The organization demonstrates continuous performance improvement	4.233	0.712
Aggregate Mean/Standard Deviation	**4.143**	**0.757**

The findings indicate that respondents agreed that their organizations deliver services efficiently (M = 4.174, SD = 0.743). This suggests that state corporations have established systems and processes that facilitate effective service delivery to their stakeholders. Respondents agreed that organizational operations are cost-effective (M = 4.023, SD = 0.816). The finding implies that organizations are reasonably efficient in utilizing available resources to achieve their objectives.

The respondents agreed that their organizations maintain financial sustainability (M = 3.965, SD = 0.842). Although the mean score indicates agreement, the relatively higher standard deviation suggests varying perceptions regarding the financial stability of different state corporations.

The study further established that respondents agreed that stakeholders are satisfied with organizational services (M = 4.140, SD = 0.771). This indicates that organizations are generally meeting stakeholder expectations through the services they provide. Respondents agreed that organizational goals are consistently achieved (M = 4.198, SD = 0.724). This suggests that state corporations are largely successful in implementing their strategic plans and attaining their intended objectives. The findings also revealed that respondents strongly agreed that their organizations maintain a positive public reputation (M = 4.267, SD = 0.689). The relatively low standard deviation indicates a high level of agreement among respondents regarding the reputation of their organizations.

Further, respondents strongly agreed that their organizations demonstrate continuous performance improvement (M = 4.233, SD = 0.712). This implies that state corporations continuously seek to enhance their effectiveness, efficiency, and service delivery outcomes. The aggregate mean score of 4.143 and standard deviation of 0.757 indicate that respondents generally agreed that state corporations in Nairobi City County were performing well. The findings suggest that organizational performance is reflected in efficient service delivery, cost-effective operations, financial sustainability, stakeholder satisfaction, achievement of organizational goals, positive public reputation, and continuous improvement initiatives.

The findings support the multidimensional view of organizational performance, which emphasizes that organizational success extends beyond financial outcomes to include stakeholder satisfaction, operational efficiency, service delivery effectiveness, and institutional sustainability (Kaplan & Norton, 2001). The findings are also consistent with Jacobsson, Pierre, and Sundström (2020), who observed that public sector performance should be evaluated using a combination of financial and non-financial indicators that reflect the broader mandate of public institutions. Similarly, Marr (2021) argues that high-performing organizations are characterized by their ability to achieve strategic objectives, satisfy stakeholders, and continuously improve their operations. The findings therefore suggest that state corporations have achieved relatively favorable performance outcomes, which may be attributed to the strategic leadership practices adopted within the organizations.

Correlation Analysis

Correlation analysis was conducted to determine the nature and strength of the relationship between strategic leadership dimensions and the performance of state corporations in Nairobi City County, Kenya. Pearson's Product Moment Correlation Coefficient (r) was used to establish the direction and magnitude of the relationships among the study variables. The findings are presented in Table 5.

Table 5: Correlation Matrix

Variable		Y	X1	X4
Performance of State Corporations (Y)	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	86		
Strategic Thinking (X1)	Pearson Correlation	.742**	1	
	Sig. (2-tailed)	.000		
	N	86	86	
Strategic Adaptability (X4)	Pearson Correlation	.768**	.268	1
	Sig. (2-tailed)	.000	.123	
	N	86	86	86

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

The findings indicate that strategic thinking had a strong positive and statistically significant relationship with the performance of state corporations ($r = 0.742$, $p < 0.05$). This implies that improvements in strategic thinking practices such as environmental scanning, long-term vision, and strategic foresight are associated with enhanced organizational performance. The finding supports the view that strategic thinking enables leaders to anticipate future opportunities and challenges, thereby strengthening organizational effectiveness and sustainability (Schoemaker et al., 2022; Pisapia & Reyes-Guerra, 2022).

Further, the findings revealed that strategic adaptability had the strongest positive and statistically significant relationship with the performance of state corporations ($r = 0.768$, $p < 0.05$). This implies that organizations that demonstrate flexibility, responsiveness to change, innovation, and continuous learning are more likely to achieve superior performance outcomes. The finding supports Teece (2018), who noted that adaptive organizations are better positioned to sustain performance because they can effectively respond to changing environmental conditions and emerging opportunities.

Regression Analysis

Multiple regression analysis was conducted to determine the combined influence of strategic leadership dimensions on the performance of state corporations in Nairobi City County, Kenya. The independent variables were strategic thinking and strategic adaptability, while the dependent

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variable was performance of state corporations. The regression analysis was used to establish the extent to which the independent variables predicted changes in organizational performance.

Model Summary

The study sought to determine the extent to which strategic thinking and strategic adaptability jointly explained variations in the performance of state corporations in Nairobi City County, Kenya. The model summary results are presented in Table 6.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.846	0.716	0.702	0.381

The model summary results indicate that the correlation coefficient was R = 0.846, showing a strong positive relationship between strategic leadership dimensions and the performance of state corporations. The R Square value was 0.716, indicating that strategic thinking and strategic adaptability jointly explained 71.6% of the variation in the performance of state corporations. The remaining 28.4% was explained by other factors not included in the model.

The Adjusted R Square value of 0.702 shows that after adjusting for the number of predictors in the model, the independent variables still explained 70.2% of the variation in performance. This implies that the model had strong explanatory power and was suitable for predicting the performance of state corporations based on strategic leadership practices.

Analysis of Variance

Analysis of Variance (ANOVA) was conducted to determine whether the regression model was statistically significant in predicting the performance of state corporations. The results are presented in Table 7.

Table 7: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	29.618	2	14.809	103.559	0.000
Residual	11.755	83	0.143		
Total	**41.373**	**85**			

The ANOVA results indicate that the regression model was statistically significant, F(2, 83) =103.559, p = 0.000. Since the p-value was less than 0.05, the model was considered statistically significant. This means that strategic thinking and strategic adaptability jointly had a significant

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influence on the performance of state corporations in Nairobi City County, Kenya. The results imply that the regression model was fit for explaining the relationship between strategic leadership and organizational performance. Therefore, the independent variables collectively provided a reliable prediction of performance among state corporations.

Regression Coefficients

Regression coefficients were computed to determine the individual contribution of each strategic leadership dimension to the performance of state corporations. The coefficients indicate the direction, magnitude, and significance of the relationship between each independent variable and the dependent variable. The results are presented in Table 8.

Table 8: Regression Coefficients

Variable	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	0.624	0.201	—	3.104	0.003
Strategic Thinking	0.246	0.077	0.281	3.195	0.002
Strategic Adaptability	0.302	0.075	0.341	4.027	0.000

Based on the regression coefficients, the fitted regression model was:

$$\mathbf{Y = 0.624 + 0.246X_1 + 0.302X_4}$$

Where:

Y = Performance of State Corporations

X_1 = Strategic Thinking

X2 = Strategic Adaptability

The constant value of 0.624 indicates that when strategic thinking and strategic adaptability are held constant, the performance of state corporations would be 0.624. This suggests that although strategic leadership dimensions significantly explain organizational performance, other institutional factors may also contribute to performance outcomes.

Strategic thinking had a positive and statistically significant influence on the performance of state corporations ($B = 0.246$, $\beta = 0.281$, $t = 3.195$, $p = 0.002$). This means that a one-unit increase in strategic thinking would lead to a 0.246-unit increase in the performance of state corporations, holding other variables constant. Since the p-value was less than 0.05, the influence was statistically significant. The finding implies that environmental scanning, long-term vision, strategic foresight, and policy alignment contribute meaningfully to improved organizational performance. This finding is consistent with Schoemaker et al. (2022), who argued that strategic thinking enables leaders to anticipate future changes and align organizational strategies with emerging opportunities. It also agrees with Pisapia and Reyes-Guerra (2022), who observed that strategic thinking enhances institutional effectiveness by strengthening foresight, planning, and strategic alignment.

Strategic adaptability had the strongest positive and statistically significant influence on the performance of state corporations ($B = 0.302$, $\beta = 0.341$, $t = 4.027$, $p = 0.000$). This indicates that a one-unit increase in strategic adaptability would result in a 0.302-unit increase in organizational performance, holding other variables constant. The standardized beta coefficient of 0.341 shows that strategic adaptability was the strongest predictor of performance among the four strategic leadership dimensions. The finding implies that flexibility, responsiveness to policy and regulatory changes, innovation, organizational learning, and continuous improvement are critical in enhancing the performance of state corporations. This finding aligns with Teece (2018), who argued that adaptive organizations sustain performance by sensing environmental changes, seizing opportunities, and reconfiguring resources. It is also consistent with Doz and Kosonen (2022), who observed that strategic adaptability enables organizations to remain effective in dynamic environments by continuously adjusting strategies and operations.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concludes that strategic thinking enhances organizational performance by enabling leaders to anticipate future developments, align organizational activities with long-term goals, and respond proactively to environmental changes. Organizations that embrace strategic thinking are better positioned to achieve sustainable performance outcomes.

The study further concludes that strategic adaptability is the most influential strategic leadership dimension in explaining organizational performance. Organizations that continuously adapt to changing environmental, technological, and policy conditions are more likely to sustain high levels of performance and remain competitive in dynamic operating environments.

Recommendations

Strategic Thinking

The study established that strategic thinking had a positive and significant influence on the performance of state corporations. Therefore, management of state corporations should strengthen strategic thinking capabilities among leaders through regular strategic planning forums, leadership development programs, and environmental scanning initiatives. Organizations should institutionalize strategic foresight practices to enable leaders to identify emerging opportunities and threats and proactively respond to changes in the operating environment.

Strategic Adaptability

The study established that strategic adaptability was the strongest predictor of organizational performance. Therefore, state corporations should prioritize the development of adaptive capabilities that enable them to respond effectively to changing environmental, technological, and policy conditions. Management should cultivate a culture that supports innovation, creativity, and continuous improvement across all levels of the organization.

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