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Influence of Strategy Formulation, Public Sector Policies on Performance of State Corporations in Kenya

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Abstract

Purpose: The purpose of the study was to investigate the influence of strategy formulation on the performance of state corporations in Kenya and also to assess the moderating role of public sector policies in the relationship between strategic management practices and the performance of state corporations.

Methodology: The study employed a descriptive cross-sectional census survey design. The target population was the 187 state corporations in Kenya, and data were collected from 160 respondents (staff). Content analysis of qualitative data while descriptive and inferential statistics were used in the analysis of quantitative data through multiple regression analysis. The assumptions tests of multicollinearity, normality and homoscedasticity were performed before regressions analysis.

Findings: It was found that both strategy formulation and public sector policies have statistically significant relationships with state corporation performance with p values less than 0.05. The multiple regression of strategy formulation and public policies and their influence on organizational performance gave an R of 0.727. This explained about 72.7% of the variation in organizational performance. Meanwhile, adjusted R squared was 0.720, meaning 72.0% of variations in the performance of state corporations were caused by change in study variables. This demonstrates the relevance of strategy formulation and public sector policies towards performance enhancement.

Unique Contribution to Theory, Policy and Practice: The study will contribute to strategic management literature by highlighting strategic management concept in explaining the performance of Kenyan State Corporation and also the relevance of strategic practices and external policy environment influence to performance. Contributions to Practice Policy makers should grant state corporations autonomy to allocate financial, human and asset resources and also engage in operational and investment planning while ensuring accountability. State Corporation Managers have an obligation to link their well formulated strategies into their operational programmes so as to enhance efficiency, service delivery, account for actions and improve overall performance of their corporations.

Keywords: *Strategy Formulation, Public Sector Policies, Organization Performance, Strategic Management Practices*

JEL Codes: *M42, M41, H83, G32*

Introduction

According to the 2021 Public Sector Performance Report by the Kenyan National Treasury, 42% of State Corporations failed to meet their performance targets, indicating persistent weaknesses in strategic management and adherence to public sector policies (RoK, 2021). Strategic management practices, including strategy formulation, implementation, monitoring, and control, are essential for aligning organizational objectives with national development priorities. However, their application within State Corporations remains inconsistent. The Kenya Institute of Management (2020) reported that only 37% of State Corporations had fully adopted strategic management frameworks, contributing to challenges in operational efficiency and organizational performance.

Strategic management involves setting objectives, analyzing internal and external environments, making strategic choices, allocating resources, and implementing strategies to achieve organizational goals (Dess, 2018; Marios, 2016). Strategy formulation, as the initial stage, involves establishing long-term objectives and determining appropriate approaches for achieving them. For Kenyan State Corporations, effective formulation requires consideration of organizational capabilities, environmental conditions, stakeholder expectations, government policies, and political factors. Effective strategic management enables organizations to align resources with changing environments, improve efficiency, enhance service delivery, and strengthen financial performance. However, implementation may be constrained by bureaucratic inertia, limited resources, and political interference (Omondi & Were, 2018).

State Corporations are government-owned entities established to undertake commercial activities, promote economic development, and provide essential public services (RoK, 2013). Their performance is therefore influenced by both internal management practices and the public policy environment. Public policy encompasses the ideas and values guiding government decisions and actions (May, 2014). Stable and supportive policies can facilitate organizational autonomy, resource allocation, accountability, and effective decision-making, while inconsistent policies may constrain strategic implementation.

Globally, strategic management enables organizations to align resources and strategies with changing environmental conditions (Dess, 2019; Pearce & Robinson, 2013). African State Corporations face additional challenges arising from globalization, technological change, competition, changing stakeholder expectations, and limited organizational capacity. Evidence from Rwanda and Nigeria demonstrates the importance of effective strategic management in improving competitiveness and organizational performance (Ndahiro et al., 2015; Uchegbulam & Akinyele, 2015).

In Kenya, strategic management is closely linked to public policy, planning, and national development. KIPPRA and government planning units support policy formulation, development planning, forecasting, and budgeting (RoK, 2018). Organizational performance encompasses financial and non-financial outcomes, including resource utilization, financial viability, innovation, customer satisfaction, service quality, and achievement of organizational mandates (Richard et al., 2019; Jafari et al., 2010). Kenya has 187 State Corporations across various sectors, yet many continue to experience inefficiency, mismanagement, and failure to achieve strategic objectives (K'Ogara & Wainaina, 2014).

Despite extensive research on strategic management and performance, much existing evidence focuses on private-sector organizations. Limited empirical evidence examines how strategic management practices and public sector policies jointly influence State Corporation performance in Kenya. This study therefore examines the relationship between strategic management practices, public sector policies, and organizational performance among Kenya's 187 State Corporations, addressing the identified empirical gap.

The main objective of this study was to examine the relationship between strategic management practices, public sector policies and performance of State Corporations in Kenya. Specifically, the study examined the effect of strategy formulation on Performance of state Corporations in Kenya, and the moderation effect of public sector policies on the relationship between strategy formulation and performance of state corporations in Kenya. Hence, for purposes of this study and in line with the specific objectives, the following hypothesis were formulated for testing.

Ho_1: Strategy formulation has no significant effect on the Performance of state corporations in Kenya.

Ho_2: Public sector policies do not significantly moderate the relationship between strategic management practices and performance of state corporations

Literature Review

This study was anchored on the Strategic Management Theory and Resource Based View. This theory, introduced by Porter (2004), provides a framework for understanding how organizations achieve objectives through strategic planning and thinking. It emphasizes integrating different management practices, assessing future opportunities and threats, establishing long-term goals, developing organizational capabilities, and strategically allocating resources to achieve desired performance (Gray & Karp, 1994). In this study, the theory explains how strategic management practices and public sector policies influence the performance of State Corporations in Kenya. It is particularly relevant to strategy implementation because effective resource utilization and organizational capabilities determine the translation of strategic plans into actions and performance outcomes.

However, the theory has limitations in public-sector contexts. Its emphasis on competitive advantage and profit maximization may not adequately reflect public-sector priorities such as accountability, equity, and service delivery (Bryson, 2018). Furthermore, bureaucratic structures may restrict strategic flexibility and resource availability, while unpredictable political, economic, and social conditions can limit the effectiveness of long-term planning. Thus, its application to Kenyan State Corporations requires consideration of their distinctive public-sector environment.

The Resource-Based View (RBV), originating from Penrose (1959) and developed by Wernerfelt (1984) and Barney (1991), emphasizes the importance of tangible and intangible organizational resources in achieving superior performance. Unlike approaches that focus primarily on external positioning, RBV argues that organizations can achieve sustainable competitive advantage by effectively utilizing unique internal resources and capabilities (Crook et al., 2008). Effective management of resources can enhance operational efficiency, responsiveness, adaptability, and organizational performance (Ainnuddin et al., 2007). In this study, RBV is particularly relevant to strategy formulation because it explains how State Corporations can utilize organizational resources and capabilities to monitor strategic implementation and achieve performance objectives. Aligning resources with strategic control systems can strengthen organizational effectiveness. Nevertheless, RBV has limitations, including difficulties in identifying and measuring resources in complex organizations (Barney, 2001), limited attention to external environmental factors (Grant, 1991), and insufficient emphasis on dynamic capabilities, innovation, and resource reconfiguration (Teece et al., 1997).

Kaplan and Norton (2020) examined the influence of the Balanced Scorecard on strategy formulation and performance measurement in different sectors in the United States. Using literature review, case studies, and empirical evidence, the study considered financial performance, customer satisfaction, internal processes, and learning and growth. Findings showed that Balanced Scorecard adoption improved alignment between strategic objectives and measurable outcomes, strengthened accountability, enhanced monitoring, and supported continuous performance improvement.

Leadership is also important in strategy development and organizational performance. Waweru and Wangai (2019) found that effective leadership supports successful strategy execution by providing strategic direction, communicating organizational strategies, and mobilizing resources. Thus, strategy formulation is influenced not only by the quality of strategic plans but also by leadership capacity to facilitate implementation.

Kettl (2021) examined the Government Performance and Results Act (GPRA) of 1993 and its influence on performance and accountability among United States federal agencies. Using qualitative case studies and quantitative performance measures, the study found that performance metrics strengthened accountability, although challenges remained in program evaluation and strategic resource alignment. The findings emphasized reforms that promote transparency and adaptability in public-sector service delivery.

In Kenya, Karanja and Muriithi (2019) investigated how government regulations and policies influence strategic management and performance in State Corporations. Using Structural Equation

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Modeling, the study found that supportive government regulations enhanced organizational performance through stronger strategic management practices. The findings further confirmed that public sector policies moderate the relationship between strategic management practices and organizational performance, demonstrating the importance of a supportive and clearly defined policy environment for effective performance of State Corporations.

Conceptual Framework

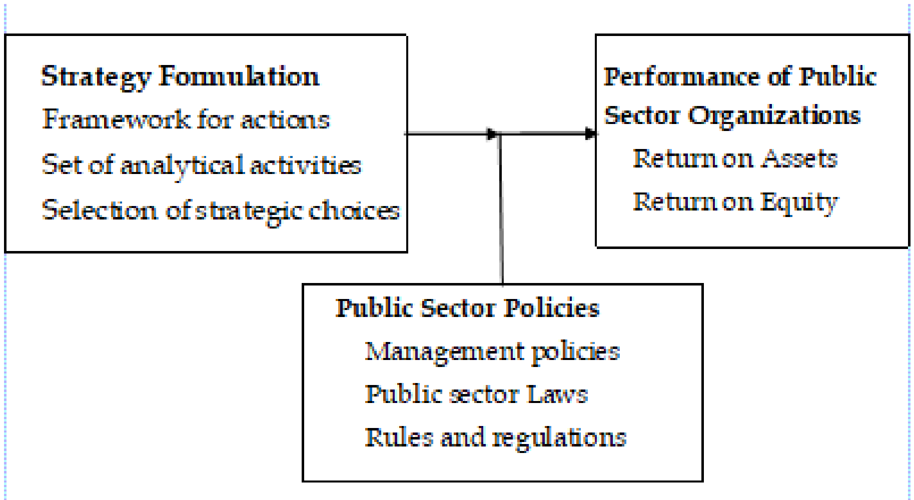

Figure 1 *Conceptual Framework*

Table 1. Operationalization and Measurement of Variables

Name of the Variable	**Variable Category**	**Operational Definitions**	**Measurement Scale**	**Hypothesis**
Performance of Public Sector Organizations	Dependent variable	**Composite score of;** • Efficiency of service delivery • Quality of work processes • Productivity or service delivery outcome	Ordinal scale	
Strategy formulation	Independent Variable	**Composite score of;** • Framework for actions • Set of analytical activities • Selection of strategic choices	Ordinal scale	H_{01}
Public Sector Policies	Moderating Variable	**Composite score of;** • Management policies • Public sector Laws • Rules and regulations	Ordinal scale	H_{02}

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Research Methodology

The study adopted a positivist research philosophy, which supports objective measurement and scientific analysis of relationships between Strategic Management Practices, Public Sector Policies, and the Performance of State Corporations in Kenya. Positivism assumes that research concepts can be measured using standardized instruments and supports reliable and generalizable quantitative findings (Bryman & Bell, 2011; Ryan, 2022). A cross-sectional census survey design was employed to collect and analyze data at a specific point in time.

The target population comprised all 187 State Corporations in Kenya, including 34 commercial corporations, 21 non-commercial corporations, 62 executive agencies, 25 independent regulatory agencies, and 45 research, public university, tertiary education, and training institutions. This specific selection was justified since these corporations are central in the implementation of national policies and essential service delivery. In including all registered state corporations, a comprehensive analysis of strategic management practices across different types of organizations was ensured thus, fostering generalizability of the findings.

Primary data were collected using structured questionnaires, while secondary data were obtained from government reports, State Corporation annual reports, Ministry of Public Service documents, academic journals, articles, and relevant policy documents. These sources supplemented information on strategic initiatives, performance, policy compliance, and the regulatory environment.

The questionnaire was pre-tested to establish its validity, reliability, clarity, and applicability. Following Connelly (2008), 10% of the population, equivalent to 18 State Corporations, participated in the pilot study. Management staff were involved, and the selected corporations were excluded from the final study. Content validity was assessed by experts and supervisors, while ambiguities identified during piloting were corrected. Reliability was evaluated using Cronbach's Alpha, which produced a coefficient of 0.80, indicating strong internal consistency and reliability of the research instrument.

Table 2: Target Population

Classification	Number
Commercial State Corporations	34
Non-Commercial State Corporations	21
Executive Agencies	62
Independent Regulatory Agencies	25
Research Institutions, Public Universities, Tertiary Education and Training Institutions	45
Total	**187**

Results and Discussion

The study targeted senior and middle-level managers drawn from state corporations operating in Kenya. A total of 130 questionnaires were received back and all were found usable for analysis, representing a 70% response rate. This response rate was considered adequate for robust statistical analysis and exceeded the minimum thresholds recommended for multivariate analysis. Data analysis involved descriptive statistics, diagnostic tests, and inferential statistics, including correlation and regression analysis. Diagnostic tests were conducted to ensure that the data met the assumptions required for multiple regression analysis, namely multicollinearity, normality, linearity, homoscedasticity, and overall model fit. The independent variable of the study was strategy formulation, moderating variable was public policies, while the dependent variable was the performance of state corporations in Kenya. The findings are presented systematically, beginning with descriptive statistics, followed by diagnostic tests, and later inferential analysis and discussion.

Response rate

About 187 respondents were sampled and given the questionnaires but only 130 (70%) returned filled questionnaires. 57 of them (30%) did not return the questionnaires. About 70% response rate is worth reporting according to Creswell & Creswell (2017). One of the goals of the study was to ascertain the respondents' educational backgrounds. Of those responding, 7.7% had a diploma, while 52% had a bachelor's degree as their highest level of education according to table 4.3. There were thirty-two master's degree graduates among the respondents representing 24.6% of the respondents and twenty PhD holders demonstrated at 15.7%. These findings demonstrate that the respondents were suitable for the study since they were knowledgeable about the topic. One of the other goals of the study was to establish the ranks of the respondents in their different work stations. In terms of work experience, 18% of the respondents had worked less than 1 year, 24% had an experience of between 1 – 6 years while the majority of respondents had worked at their respective organizations for between 6 – 10 years. In the minority were workers in the state corporations with the experience of above 10 years. These findings demonstrate that the respondents were suitable for the study since they were knowledgeable about the topic.

Descriptive statistics results

The Likert-scale results indicate a high level of agreement among respondents regarding the effectiveness of strategy formulation practices. The highest mean score was recorded for the organization having a well-established strategic direction and vision (M = 4.05), suggesting clarity regarding long-term goals and objectives. Effective goal definition provides a framework for organizing resources and guiding decision-making (Mousa et al., 2024). Respondents also agreed that top management is actively involved in strategy formulation (M = 3.98), reflecting the

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importance of leadership commitment in aligning and effectively executing organizational plans (Kamwiyo & Ganu, 2024).

Table 3: Strategy Formulation Perspectives

Item	N	Mean	Rank	Std. Dev.
1. The organization clearly defines its long-term goals and objectives to guide strategy formulation	130	4.05	1	0.830
2. The organization conducts a thorough analysis of its internal strengths and weaknesses before developing strategies.	130	3.96	3	0.743
3. There is active involvement of top management in the strategy formulation process	130	3.98	2	0.805
4. The strategy formulation process in the organization is systematic and well-structured	130	3.94	4	0.803
5. Employees are actively involved in the strategy formulation process and their input is considered.	130	3.89	5	0.824

The findings further indicate that organizations conduct in-house research on their strengths and weaknesses before strategy development (M = 3.96), suggesting the use of analytical approaches such as SWOT analysis to enhance strategic competitiveness (Bakir, 2023). However, relatively lower mean scores for systematic processes (M = 3.94) and employee involvement (M = 3.89) indicate opportunities to strengthen broader participation in strategy formulation. Employee and stakeholder engagement can improve strategy quality and competitiveness by incorporating diverse perspectives into decision-making (Wasilwa et al., 2025). Overall, the findings demonstrate strong agreement on the effectiveness of strategy formulation practices and are consistent with strategic management literature emphasizing effective strategy formulation as a basis for organizational direction, adaptability, focus, and accountability.

Table 4: Performance of State Corporations

Item	N	Mean	Rank	Std. Dev.
1.The operational processes in this state corporation are efficient	130	3.97	2	0.788
2. Resources are utilized effectively within the organization	130	3.94	2	0.841
3. The corporation effectively manages its budget and financial resources	130	3.90	2	0.810
4. Profitability is prioritized in the operations of this corporation	130	4.02	1	3.98
5. The services/products offered by this state corporation meet customer needs	130	4.04	1	0.819

The Likert scale results indicate an overall positive perception of the performance of state corporations in service delivery, operational efficiency, and financial management. The highest mean scores were recorded for the ability of services and products to satisfy customer needs (M = 4.04) and profitability as an organizational priority (M = 4.02). This suggests increasing emphasis on customer-oriented service delivery and financial sustainability, consistent with OECD (2024), which identifies service quality and financial responsibility as key indicators of state-owned enterprise performance. Operational efficiency (M = 3.97), effective resource utilization (M = 3.94), and effective budget and financial management (M = 3.90) also recorded relatively high means, demonstrating positive perceptions of organizational processes, productivity, fiscal discipline, transparency, and accountability. The statistically significant p-values ($p \leq .001$) further indicate strong agreement that operational efficiency, financial accountability, and customer-oriented service delivery are important determinants of state corporation performance.

Diagnostic Tests

Multicollinearity was assessed using Variance Inflation Factor (VIF) and tolerance values generated from SPSS. The results indicated that all independent variables recorded VIF values well below the threshold of 10 and tolerance values above 0.1. This finding confirms the absence of multicollinearity among strategy formulation and public sector policies. The lack of multicollinearity implies that each independent variable contributed uniquely to explaining variations in the performance of state corporations. This satisfies the regression assumption and supports the inclusion of all predictor variables in the regression model. Normality was assessed using skewness and kurtosis statistics as well as visual inspection of histograms and normal probability plots. The skewness and kurtosis values for all variables fell within the acceptable range of ±2, indicating that the data were approximately normally distributed.

The normality of the data justified the use of parametric statistical techniques, including Pearson correlation and multiple regression analysis. This finding is consistent with methodological guidelines which suggest that large sample sizes, such as the current study's sample of 130 respondents, further mitigate minor deviations from normality.

Table 5. VIF Results

Items	Tolerance	VIF
Performance (Constant)		
Strategy Formulation	0.997	1.003
Public Sector Polices	0.993	1.007

Table 6: Test for Normality

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig	Statistic	df	Sig.
Perform	.123	130	.000	.968	130	.001
SF	.134	130	.000	.960	130	.000
PSP	.130	130	.000	.961	130	.000

The normality outcomes suggest that all the variables in the study are not distributed normally. The Kolmogorov-Smirnov test as well as the ShapiroWilk test is significant ($p <.05$) in the case of Perform, SF, and PSP. The significant values ($p \leq .001$) of the ShapiroWilk test indicate that the null hypothesis of a normal distribution can be rejected since the test is more suitable and stronger when the sample size is less than 2,000 (Ghasemi and Zahediasl, 2012). Nevertheless, under a fairly large sample (N = 130), the normality tests will consider even the insignificant differences significant (Mishra et al., 2019). Modern methodology representatives also highlight the fact that regression analysis is resistant to moderate violations of normality, especially when residuals, rather than raw variables are close to normal distribution (Hair et al., 2022). Thus, although the statistics suggest Statistical non-normality, it does not imply that parametric analysis should be invalidated, provided that the residual diagnostics and the rest of the assumptions (linearity and homoscedasticity) are met. In general, the results indicate that it has small distributional deviations but not critical violations undermining inferential validity. Linearity was examined using scatterplots of standardized residuals against predicted values. The plots revealed linear relationships between the independent variables and the dependent variable. No systematic curvilinear patterns were observed, confirming that the assumption of linearity was met. This result indicates that changes in strategic formulation practices and public sector policies were linearly related to changes in the performance of state corporations, thereby supporting the appropriateness of linear regression modeling.

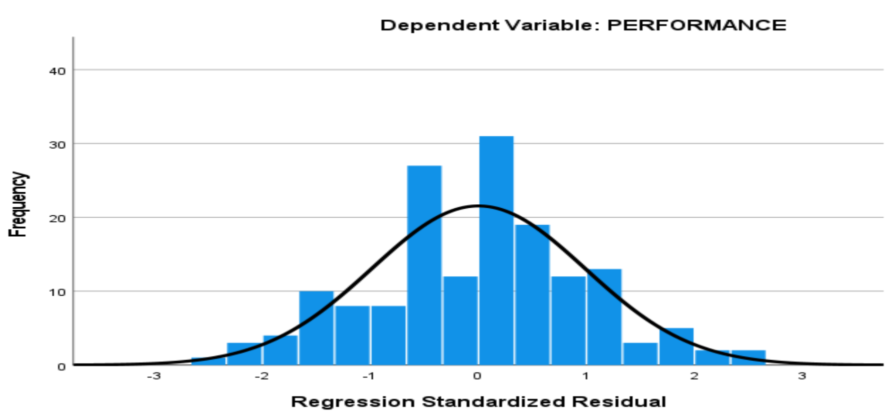

Figure 2. Linearity Test

Homoscedasticity was assessed through residual scatterplots. The residuals were randomly dispersed around zero with no discernible funnel-shaped patterns, suggesting constant variance of errors across all levels of the variables. The presence of homoscedasticity implies that the regression estimates are unbiased and efficient, further validating the reliability of the regression results.

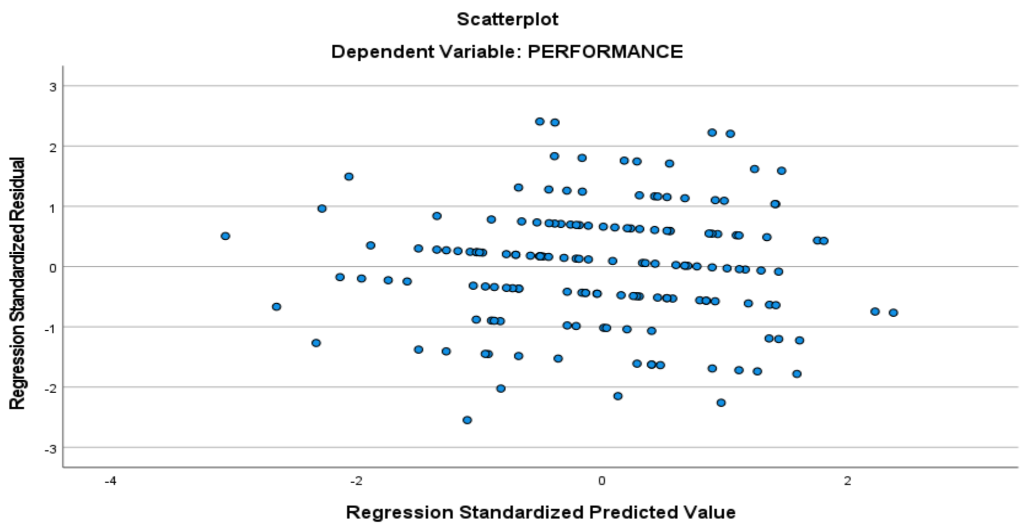

Figure 3. Homoscedasticity Test

Correlation Analysis

Pearson Product Moment Correlation analysis was conducted to establish the strength and direction of the relationships between the independent variables (strategy formulation, and public sector policies) and the dependent variable (performance of state corporations in Kenya). Correlation analysis is critical in identifying preliminary associations among variables prior to regression analysis and hypothesis testing.

Table 7 Correlational Analysis

Item		Performance	Strategy Formulation	Public Sector Policies
Performance	Pearson Correlation	1.000		
	Sig.(2-tailed)	0.000		
Strategy Formulation	Pearson Correlation	0.536	1.000	
	Sig.(2-tailed)	0.000		
Public Sector Policies	Pearson Correlation	0.367	0..027	1.000
	Sig.(2-tailed)	0.000	0.366	
	N	130	130	130

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The results revealed that all variables were positively and significantly correlated with the performance of state corporations. Strategy formulation demonstrated a strong positive correlation with performance, indicating that state corporations with well-articulated strategic plans tended to report higher performance levels. Public sector policies exhibited a positive but comparatively weaker correlation with performance, indicating that while policies influence outcomes, their effects may be mediated by internal managerial practices. The correlations among the variables were positive but not excessively high, further confirming the absence of multicollinearity as established in the diagnostic tests. These findings suggest that strategic management practices and public sector policies are interrelated but distinct constructs, each contributing uniquely to organizational performance.

From a theoretical perspective, these results are consistent with the Resource-Based View (RBV), which posits that internal organizational capabilities such as strategic planning and execution are critical drivers of sustained performance. Additionally, the findings align with institutional theory, which emphasizes the role of external rules, regulations, and norms represented in this study by public sector policies in shaping organizational behavior and outcomes.

The suitability of the study constructs for factor analysis was assessed using the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity. For strategy formulation, the KMO value was 0.65, exceeding 0.50, while Bartlett's Test produced $\chi^2 = 0.034$ and $p = 0.0002$. The significant result confirmed adequate common variance and meaningful relationships among strategic goal definition, environmental analysis, top management involvement, systematic strategy processes, and employee participation, supporting factor analysis.

For public sector policies, the KMO value was 0.071, reported as exceeding 0.50, while Bartlett's Test yielded $\chi^2 = 0.031$ and $p = 0.001$. The significant correlations among implementation, monitoring, stakeholder inclusiveness, policy review, efficiency, and accountability confirmed suitability for factor analysis and construct validation.

Regression Analysis Results

Table 8. Regression Analysis

Items	Coefficients	Standard Error	t-Stat	p-value
Intercept	(0.103)	0.157	(0.655)	0.514
Strategy Formulation (X_1)	0.333	0.027	12.219	<.001
Public Sector Policies (X_2)	0.208	0.026	8.040	<.001

Multiple regression analysis was conducted to determine the combined and individual effects of strategy formulation and public sector policies on the performance of state corporations in Kenya.

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The results showed that the predictors significantly influenced organizational performance. The intercept was not statistically significant (β = -0.103, p = 0.514), indicating that performance changes were primarily explained by the predictor variables. Strategy formulation had a positive significant effect (β = 0.333, p = .001), showing that clear goals, strategic planning, and environmental analysis enhance performance (Bryson, 2018; Mousa et al., 2024). Public sector policies also had a positive significant effect (β = 0.208, p < .001), demonstrating the importance of supportive regulatory and governance frameworks.

The regression model was specified as follows:

Performance of State Corporations = $\beta_0 + \beta_1$ *(Strategy Formulation)* + β_2*(Public Sector Policies)* + ε

The final model was:

$Y = -0.103 + 0.333X_1 + 0.208X_2$

Model Summary

Table 9. Model Summary

	R	R-Square	Adjusted R-Square	Std. Error	F-Change	df1	df2	Sig.
1	.853[a]	.727	.720	.49882	.727	109.790	4	.000

The correlation coefficient (R = .853) shows a very strong positive association between strategy formulation, public sector policies, and organizational performance. The $R^2 = .727$ indicates that 72.7% of the variation in performance is explained by the predictors, while the adjusted $R^2 = .720$ confirms strong explanatory power after accounting for the predictors. The regression model was statistically significant (F = 109.790, p < .001), confirming reliable joint prediction. The standard error (0.49882) indicates good model accuracy.

Analysis of Variance (ANOVA)

Table 10. ANOVA

Model	Df	SS	MS	F	Sig.
Regression	4	109.271	27.318	109.790	<.001[b]
Residual	126	41.055	0.249		
Total	130	150.325			

a. Predictors: (Constant), Strategy formulation, public sector policies

b. Dependent Variable: Performance

The ANOVA results show that the regression model significantly predicts the performance of state corporations. The regression sum of squares (SS = 109.271) exceeded the residual sum of squares (SS = 41.055), indicating that strategy formulation and public sector policies explain a substantial proportion of performance variation. The regression mean square (MS = 27.318) relative to the residual mean square (MS = 0.249) produced a significant F-value ($F = 109.790$, $p < .001$), confirming that the predictors jointly improve model fit beyond chance (Bryson, 2018; Hrebiniak, 2019). Thus, effective strategic management and supportive policy frameworks enhance efficiency, accountability, and service delivery (Andrews & Van de Walle, 2023).

Hypothesis Testing

The study tested two null hypotheses concerning strategy formulation and public sector policies using standardized beta coefficients, t-statistics, and p-values from the regression analysis at the 95% confidence level ($\alpha = 0.05$).

Regression results showed that strategy formulation had a positive and statistically significant relationship with the performance of state corporations. Therefore, the null hypothesis stating that strategy formulation has no significant effect on performance was rejected. The finding indicates that systematic environmental scanning, stakeholder analysis, and clear articulation of strategic goals enhance organizational performance. This is consistent with strategic management theory, which views effective strategy formulation as a roadmap for organizational success. Formal strategic planning can improve coordination, accountability, and resource alignment, particularly within Kenya's dynamic public sector environment and national development priorities such as Vision 2030 and the Bottom-Up Economic Transformation Agenda.

The regression results also revealed a positive and statistically significant effect of public sector policies on state corporation performance, although the effect was relatively smaller than that of internal strategic management factors. Thus, the null hypothesis that public sector policies do not significantly affect performance was rejected. The finding demonstrates that governance, procurement, financial control, and human resource policies influence organizational decisions and operational efficiency. However, restrictive or frequently changing policies may limit managerial flexibility and innovation. This supports institutional theory, which emphasizes the influence of the institutional environment on organizational behavior and performance. Overall, both hypotheses were rejected, confirming significant effects of the two factors on state corporation performance.

Table 11. **Summary of Hypothesis Testing Results**

Hypothesis	Statement	Decision	Interpretation
H_{01}	Strategy formulation has no significant effect on performance	Rejected	Strategy formulation significantly improves performance
H_{02}	Public sector policies have no significant effect on performance	Rejected	Policy environment significantly shapes performance

The rejection of the two null hypotheses confirms that both internal strategic management practices and external public sector policies significantly influence the performance of state corporations in Kenya.

Conclusion

The study concluded that strategic management practices are important determinants of state corporation performance. Systematic strategy formulation, resource alignment, and continuous monitoring provide organizational direction, improve resource utilization, and strengthen accountability. Public sector policies also significantly shape the strategic and operational environment of state corporations by influencing autonomy, decision-making, and operational flexibility. Although government oversight is necessary for accountability, excessive bureaucracy and political interference can undermine efficiency and strategic performance. Therefore, improved performance requires a balance between strong internal strategic capabilities and a stable, supportive external policy environment.

Recommendations

Policymakers should provide state corporations with greater autonomy in resource allocation, operational planning, and strategic investments while maintaining appropriate accountability mechanisms. Reduced bureaucracy would enhance managerial flexibility and facilitate timely decision-making when strategy autonomy is increased. Government should establish predictable, consistent, and long-term policy frameworks aligned with national development objectives. Stable policies would support sustainable strategic planning, effective resource allocation, and improved operational performance.

Future Research

Future studies should employ longitudinal designs to examine the long-term effects of strategic management practices on performance. Comparative studies involving state corporations and private organizations could provide insights into sector-specific practices. Further research should also examine political interference, governance structures, leadership, digital transformation, innovation, and technological adoption as factors influencing public-sector performance.

Contribution to Knowledge

Theoretically, the study demonstrated that strategic management concepts applicable to private organizations are also relevant to public institutions in developing economies. Integrating the Resource-Based View and Institutional Theory showed that internal capabilities and external institutional environments jointly influence performance.

Methodologically, the study contributed through the application of diagnostic tests, correlation analysis, and multiple regression analysis to systematically examine strategic management and public-sector performance.

Contextually, the study provided empirical evidence on strategic management and performance among Kenyan state corporations, addressing an identified research gap. From a policy and managerial perspective, the findings emphasize balancing accountability with strategic flexibility, strengthening board oversight, and enhancing leadership, communication, resource alignment, and performance monitoring to translate strategic plans into measurable organizational outcomes.

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