THE INFLUENCE OF STRATEGIC MANAGEMENT PROCESS ON ORGANIZATIONAL PERFORMANCE OF LISTED COMPANIES AT THE NAIROBI SECURITIES EXCHANGE

BY

SILPAH OWICH

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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SILPAH OWICH

A Dissertation Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirements for the degree of Doctor of Business Administration (DBA)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

FALL 2017
STUDENT'S DECLARATION

I, the signatory, declare that this is my original work and has not been presented to any other institution, or university other than the United States International University-Africa in Nairobi for academic credit.

Signed: _______________________ Date: _________________________
Silpah Owich (ID632385)

This dissertation has been submitted for examination with our endorsement as the appointed supervisors.

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Signed: _______________________ Date: _________________________
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Signed: _______________________ Date: _________________________
Dean Chandaria School of Business

Signed: _______________________ Date: _________________________
Deputy Vice Chancellor, Academic and Students Affairs
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ABSTRACT

This study was carried out with the aim of investigating the influence of strategic management process on organizational performance of companies listed at the Nairobi Securities Exchange (NSE). Specifically, the study sought to analyse the effect of strategy formulation, strategy implementation, and strategy evaluation on organizational performance of companies listed at NSE. Further, the study examined the moderating effect of regulation on the relationship between strategic management process and organizational performance of companies listed at NSE.

The study was based on positivism research philosophy and explanatory research design. The target population was 325 senior managers of companies listed at NSE. The study utilized stratified sampling technique with real estate investment trust, telecommunication and technology, manufacturing and allied, investment services, investment, insurance, energy and petroleum, construction and allied, commercial and services, banking, automobiles and accessories, and agricultural sectors forming the strata. The study followed Yamane’s (1967) formula to come up with a sample size of 179 senior managers. Data was gathered from senior managers by means of a structured questionnaire.

Before the main data collection, the study conducted a pilot study to assess the reliability and validity of the questionnaire. Pilot study results showed an overall Cronbach alpha of 0.7 that indicated that the questionnaire was reliable. Validity tests corroborated the reliability results. Out of a sample of 179, the study collected data from 147 respondents representing 82.12% response rate. After the data collection, the study conducted descriptive and inferential analysis, where descriptive analysis entailed, means, standard deviations and frequencies. Inferential analysis included correlation analysis, One-way Analysis of Variance (ANOVA), factor analysis and regression analysis. Before running the regressions, diagnostic tests were conducted.

The study found that organizational performance was positively and significantly correlated with strategy formulation. Using regulation as the moderator, strategy formulation was found to have no significant effect on organizational performance but had significant effect on organizational performance when regulation was not a moderator.
Organizational performance was positively and significantly correlated with strategy implementation. The results for multiple linear regression model with and without regulation as a moderator showed that strategy implementation had a negative but insignificant effect on organizational performance. Organizational performance had positive and significant correlation with strategy evaluation. With regulation as a moderator and without a moderator the study found that strategy evaluation had a positive but insignificant effect on organizational performance.

Correlation analysis results showed that organizational performance had positive and significant correlation with regulation. Results for multiple linear regression model showed that regulation did not moderate the relationship between strategic management process and organizational performance of companies listed at NSE. The study concluded that strategic management process, especially strategy formulation positively and substantially influenced organizational performance of companies listed at the NSE. The study recommended that in order to achieve the organizational vision and consequently enhance the performance of companies listed at the NSE and other securities exchanges should put appropriate measures that ensure effective strategy formulation.
ACKNOWLEDGEMENT

I wish to thank the Almighty God for guiding me through this dissertation. I wish to also thank my supervisors, Prof Katuse and Dr. Ngari, for their tireless guidance and supervision of my work. Their patience, motivation, and immense knowledge helped me in the duration of research and writing of this dissertation. Besides my supervisors, I would like to thank the dissertation committee for their insightful comments and encouragement. I would also like to extend my gratitude to my family for their continued support and encouragement throughout the academic journey. Finally, my colleagues for their unlimited support and cooperation during the process of dissertation writing.
DEDICATION

This dissertation is dedicated to my beloved late parents, Mr. Hesbon H.I.J. Owich and Mrs. Margaret Atieno Owich, who always believed in my ability to be successful in the academic arena. You are gone but your belief in me has made this journey possible.
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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
</tr>
<tr>
<td>BSC</td>
<td>Balanced Scorecard</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CMA</td>
<td>Capital Markets Authority</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>IBM</td>
<td>International Business Machine</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>JSE</td>
<td>Johannesburg Securities Exchange</td>
</tr>
<tr>
<td>KMO</td>
<td>Kaiser-Meyer-Olkin</td>
</tr>
<tr>
<td>LISREL</td>
<td>Linear Structural Relations</td>
</tr>
<tr>
<td>NACOSTI</td>
<td>National Commission for Science, Technology and Innovation</td>
</tr>
<tr>
<td>NSE</td>
<td>Nairobi Securities Exchange</td>
</tr>
<tr>
<td>PESTEL</td>
<td>Political, Economic, Sociological, Technological, Legal and Environmental (Analysis).</td>
</tr>
<tr>
<td>PLS</td>
<td>Partial Least Squares</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities, and Threats</td>
</tr>
<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Strategy is a company’s game plan, it reflects a company’s awareness of how, when and where it should compete, against whom and for what purpose it should compete (Pearce & Robinson, 2011). It is essentially a plan of action or a policy that has been selected to result in an anticipated future outcome, for instance, accomplishment of a goal or solution to an issue. Strategic management involves formulating, implementing, and evaluating decisions from different areas of an organization that facilitate the achievement of an organization’s objectives. Simply put, strategic management entails both the development and implementation of strategies (Jofre, 2011).

According to Mainardes, Ferreira and Raposo (2014), however, there has been confusion and uncertainty about the meaning of strategic management. In several cases, there was a vivid misunderstanding in the meanings of strategy and strategic management. Additionally, this confusion over the meaning of strategic management affects the managers involved in organizational knowledge processes provided that there is no mutual insight of strategic management among managers. Thus, the understanding of managers needs to be unified to ensure decision making is based on the same principles.

Gica and Negrusa (2011), argue that the need for developing a strategy has increased due to globalization, technology advancement, deregulation, emerging of new markets and industries, and economic restructuring. It was also found that strategic planners possess better ability to adapt to their external environment, are more able to attract quality labour force, have higher level of job satisfaction among their employees, and are more able to retain their current human resources (ibid). Strategy is necessary in an organization as it enhances the rate of changes. The business environment in which an organization runs changes rapidly, thus an organization which does not keep its policies updated cannot continue to exist for a long time in the market. Consequently, the efficient strategy enhances profits over a long-time period. Effective strategies also lead to higher motivation of employees. Human resources are assigned specific tasks by the top managers, i.e., what task is to be done, who is to do the task, how to do the task and when should the task be done. In an organization that
carries out strategic management, staff becomes sincere, loyal, goal oriented and increasingly efficient. Additionally, these employees get rewarded and promoted leading to higher motivation for the employees. Any strategy implemented must have reverence for human values and appropriately respect the ambitions of individual staff. Strategic decisions aids in the effortless operation of a business enterprise. Strategic planning is the overall planning of operations for effective implementation of policies (Nedelea & Paun, 2009). According to David and David (2016), strategic planning is like the game plan of an organization. Profit margins among organizations in most industries have been reduced greatly by the global economic recession that there is little room for error in strategic planning.

Performance is broadly defined as the process of accomplishing a task or a function, and this should be seen in terms of how successfully it was performed. Organizational performance thus refers to how an organization successfully performs its tasks or functions in line with its goals and objectives (Jenatabadi, 2015). Organizational performance is one of the most important concepts of business strategy. However, there is no consensus about the precise definition and dimensionality of organizational performance irrespective of its significance and its universal application. Literature reviews from previous studies indicate that there are up to seven dimensions of corporate performance namely profitability, growth, market value, customer satisfaction, employee satisfaction, environmental performance and social performance (Santos & Brito, 2009).

Business organizations are forced to examine and improve their strategies and management systems due to the increasing competition, changing external demand and changing roles of business. The modern business environment in which business organizations operate is dynamic and success depends greatly on meeting the changing needs of all stakeholders (Striteska & Spickova, 2012). Due to these factors, a business organization must have in place an organizational performance measurement method in place in order to identify its current performance level and implement strategies and management systems that will make it improve the performance.

There are demographic variables that may affect the companies’ decision to use strategic management. These factors include age of owner/manager, gender, educational level and age of business. According to Guthrie and Olian (1991), older managers tend to be more risk
averse, whereas younger managers tend to pursue morerisky, innovative growth strategies. In their studies, Sorensen and Stuart (2000) suggested that, on balance, older firms have a wealth of organizational knowledge but that their older owners may be too stuck in their ways to respond to newinnovative opportunities. Gender as a demographic factor also has impact on the decision to use strategic management. For instance, firms owned or managed by males had more sophisticated planning compared to female owned or managed businesses. Research shows that women put less emphasis on long-range, formalized strategic management (Brush & Bird, 1996). In terms of educational levels, more educated person will exhibit a broader and more complex cognitive functioning, such as having a higher capacity for information processing. Recognizing the value of new information, assimilating it, and applying it to commercial ends are closely related to prior knowledge and skills (Cohen & Levinthal, 1990).

The degree of strategic management in any organization has an influence on its growth and performance. This includes the mission and objectives of the organization where both external and internal analyses are carried out. The extent of strategic management encompasses the strategy selections, implementation and control of an organization. A company’s mission encompasses its core values, believes, business definition and purpose forming the basis of the organizations identity and sets the basis conditions under which the organization’s identity wants to function. Filtering of strategic issues is realized where a company has clearly developed mission shared by all key players in the organization (De wit & Meyer, 2010). Deciding on the business or businesses in which the company should engage and on other fundamentals that shall guide and characterize the business, such as continuous growth. The second process of Strategic Management involves developing of a company profile which reflects its internal condition and capability. This is where a company establishes beliefs, values, attitude, and unwritten guidelines that add up to the way the company does things. De wit and Meyer (2010) refer to these activities of investigating the capabilities and functions of organization as internal assessment or analysis. Additionally, scanning of business environment, identification of firm’s strategic issues, strategy choice and setting up of implementation, evaluation systems are positively related to an organization’s performance.
Strategic management in organizations can be faced by challenges. Some of those challenges which are commonly encountered include the rivalry between the firm’s subsidiaries, poor communication mechanism and the absence of comprehension of the general organizational direction and goals aims and direction, and the lack of support from various organizational stakeholders (Brinkschröder, 2014). In order to offset some of these challenges that the organizations face during strategy implementation, it is prudent that they make sure there is exchange of information and meeting points among employees of the different subsidiaries of the firm.

Organizations should also attempt to make communication thought-provoking, brief and accommodating to clearly convey overall objectives, increase atmosphere and motivation. Friendly conversations should also be encouraged with every level in the organization to further reinforce their impacts. In addition to assembling teams and holding regular meetings to organize and allocate duties, support should also be given to various stakeholders of the organization in order to increase understanding and passion. Finally, while providing leadership and allocating responsibility to increase organizational commitment and identification, the organization can offer incentives for the personnel so as to motivate them for strategic transformation (Brinkschröder, 2014).

Several studies have been previously conducted on strategic management practices in the listed companies. Men and Wang (2008), for example, investigated and estimated the quality of strategy management information which is contained in the annual reports of steel sector listed corporations in the previous two years. The extent of disclosure was found to be limited to the overall requirements of compulsory information, and absence of transparency. Their study recommended that the associated disclosure rule and inspiration should be enhanced. This is because strategic management is among the most significant methods to create value for businesses, and the users of external information also require strategic management information in order to appraise business and make the necessary investment decisions.

Afonina (2015) also examined the use of present-day level of strategic management tools and techniques to identify the effect of management tools on firm performance in 91 companies from the Czech Republic using a questionnaire survey. The study was one of the few
researches that explored the relationship between the tools and techniques of strategic management and organizational performance. The results indicated that the level of utilization of strategic management tools and prospects affect organizational performance. A positive and significant relationship was found between utilization of strategic management tools and techniques and firm performance.

Bäuml (2015) carried out a study based on the resource-based view of the firm to develop estimates that correlated the utilization of measures in principal managerial processes and three important design characteristics of measurement systems, such as alignment of measures with organizational strategy, extent of measurement system, and level of formalization, to the strategic configuration of staff and to financial performance of an SME. Data was collected from 90 owner-managers and managing directors of various manufacturing SMEs from Switzerland and Singapore through interviews, and quantitative analysis used to test the hypotheses. Findings revealed that the utilisation of measures is positively correlated with the strategic alignment of workers, which consequently influences organizational performance.

Organizations, countries and individuals alike all over the world carry out strategic management in order to have a competitive advantage over their competitors. The Vietnamese’s victory over communist forces, over the French and then the Americans is a characteristic example of how a comprehensive strategy practiced with total commitment over a long period can succeed against massively superior resources. The key was Giap’s strategy which involved a protracted war of limited engagement. For instance, when the US was constrained by domestic and international opinion from engaging its full military power, the Vietnamese strategy was invincible once it started to sap the willingness of the U.S. government to put up with a costly, unpopular foreign war (Grant, 2010). In the corporate world, the company that has persistently superior profitability reflecting a competitive advantage based on several strategies is Walmart. Walmart is one of the most extraordinary successful businesses in history, growing to become the world’s largest corporation. In 2012, the discount retailer had sales of $440 billion, close to 10,000 stores in 27 countries, and 2.2 million employees. The company’s main strategy was to concentrate on small southern towns that were ignored by its rivals. The company also innovated in information systems, logistics, and human resource practices. As a result, the strategies led to higher productivity and lower
costs relative to rivals, which enabled the company to earn a high profit while charging low prices (Hill, Jones & Schilling, 2013).

In a sample of Chinese companies studied by Jenster and Søilen (2013), better strategic management was found to have had a positive effect on several key corporate performance measures. There exists a distinction between the various strategies and organizational performance. Further, there are differences between various strategic management activities and organizational performance and activities related to Competitive Intelligence are on the average more important for organizational performance than the other planning activities. Similarly, a case study on Babcock University, probing the effects of Strategic Management on organizational performance and how this has impacted on the management efficiency and effectiveness as strategic planning is essential in corporate organisations, found that there is a significant positive correlation between strategic management and corporate performance. Strategic planning is indeed beneficial to organisations in achieving the set goals and objectives and therefore universities and other organisations must carry out proper strategic planning to enhance company performance (Owolabi & Makinde, 2012).

International Business Machine (IBM) correctly predicted what its business would be and as such in the 1950s, it became a leader in the manufacture of typewriters and mechanical tabulating equipment using the punch-card technology to get the competitive edge. Unlike most of its competitors, IBM defined its business as providing a means for information processing and storage, instead of limiting itself to supplying mechanical tabulating equipment and typewriters. Consequently, from this definition, IBM’s ensuing moves into computers, software systems, office systems, and printers’ production makes a lot of business sense (Hill, Jones & Schilling, 2013).

Ouedraogo (2007) proposed a local approach to the Strategic Management of organizations in Africa since the worldwide integration of international markets have disorganized the changing economic aspects of African nations, by letting the private sector to become the principal actor in the creation of wealth through business restructuring and privatization systems. New strategic management tools, new concepts and new management practices are currently the principal aspects that determine how highly the African organizations perform.
Consequently, there have been queries as to whether the theories, concepts and classical approaches of management are appropriate for the context of the African countries.

Strategic management has been found to be having a positive impact on insurance companies’ profitability in Nigerian insurance companies. There is also a high and positive correlation between strategic management and better service delivery in the Nigerian Insurance industry. Additionally, strategic management enhances customer benefaction and reduces unethical practices in the Nigerian insurance industry (Alaka, Tijani & Abass, 2011).

The corporate performance of five Nigerian brewing companies that carry out strategic management namely, Nigerian Breweries Plc, Guinness Nigerian Plc, Consolidated Breweries Plc, International Breweries Plc, and the Champion Breweries Plc was found to be related to their strategic management activities. Effective strategic management was suggested to be pivotal to the performance of the brewing companies and consequently organizations should focus more attention to strategic management, and make an effort to choose appropriate strategies that matches their strategic plans while fully implementing the components of the strategic plan (Emeka, 2015).

Kimanthi (2015) further argues that a prudent organization needs to formulate a strategy that is appropriate for the organization, appropriate for the industry, and appropriate for the situation. Indeed, all organizations, whether for-profit or non-profit, private or public, have found it necessary to engage in strategic management in order to achieve their corporate goals. The importance of strategic management cannot be overemphasized given the role it plays in the achievement of the set goals of any organization. As a matter of fact, strategic management is the road map of where an organization is headed and the progress made so far. Besides, it is through the strategic management that an organization can monitor its activities. In the context of this study, the organizational factors comprised of influence of human resources, influence of information systems and organizational culture on the implementation of strategic management.

At the University of Nairobi and its campuses, senior university management heads were targeted in a survey which revealed that strategic financial allocation, strategic expansion, strategic collaboration and strategic alliances respectively influenced the performance of public universities in Kenya. Consequently, it was recommended that the management of
public universities should allocate adequate financial resources for the strategic management, adopt clear policies that create conducive environment to support strategic expansions; and that the public universities should form strategic alliances with development partners to improve their performance and form strategic collaborations to increase student intake (Kinyanjui & Juma, 2014).

Organizational performance can be estimated by many different areas, giving rise to many different interpretations of a successful performance, each of which can be argued to be unique. Furthermore, every organization has a unique set of environments or settings (Carton, 2004). Some of the dimensions of organizational performance include profitability, growth, market value, customer satisfaction, employee satisfaction, environmental performance and social performance (Santos & Brito, 2009).

In Africa, there are larger, more developed stock markets in relation to regulatory framework and more advanced in terms of technical infrastructure; medium-sized markets which have been established for a long time; small-sized new market which have grown rapidly; and small-sized markets that are still at an early stage of development.


Similarly, according to the Annuity Strategy and using the USD performance, the stock exchanges in Africa are ranked as Zimbabwe, Botswana, Egypt, Morocco, Mauritius, Nigeria, South Africa, Swaziland, Ghana and Kenya, in the order of the best to the worst performing. Kenya’s stock market turned in the worst real performance, losing 60.4 percent in purchasing power under the lump sum strategy and 81.2 percent under the annuity strategy. Under the annuity strategy and using nominal returns, Zimbabwe’s stock market is the best-performing while Kenya performs the worst. Out of 1000 units of local currency
invested over a period of ten years, a growth of 27,815.2 units is reported in Zimbabwe while the same 1000 units declined in value to 584.5 units in Kenya. (Ikoku & Hosseini, 2008). In this ranking, Kenya’s NSE (9th) is the second worst performing stock market in Africa. Kenya’s NSE 20 share index was only 12.9% higher at the end of 2002 than at the beginning of 1993.

According to a size-weighted index by Africa Capital Group LLC, the Johannesburg Stock Exchange Financials and Industrials 30 Index is ranked as the best performing in Africa at 75%, the Nigerian Stock Exchange follows with 11% whereas the Nairobi Securities Exchange is ranked third with a percentage of 6% (Hoover, 2013). This indicates that the NSE is still not relatively the best performing securities exchange in Africa. Further, the NSE served as a regional market for the East African states in the initial stages but lost a significant percentage of its market range because of the political changes in East African states (Ngugi, 2003).

Mahama (2013) opines that African stock markets including the NSE have not been greatly considered as an option by foreign investors because of the perception that the region is symbolized by the high volatility of markets and lower investment returns. The low investments return arise from poor financial performance by the listed companies which do not have in place the appropriate strategic plans. According to Grinde (1997), organizations whose mission is broadly shared and internalized by employees and those with clear and consistent performance expectations and evaluation procedures always have a better performance than those without such measures. Organization mission and vision are part of the overall strategic plan and therefore an organization with a suitable strategic plan will have a better performance.

Previously known as the Nairobi Stock Exchange, Nairobi Securities Exchange (NSE) started trading shares in the 1920’s while Kenya was still a British colony (IFC/CBK, 1984, as cited in Ngugi, 2003). The Nairobi Stock Exchange changed its name to the Nairobi Securities Exchange Limited on 6th July 2011 as a reflection of the 2010 – 2014 strategic plan of the Nairobi Securities Exchange to evolve into a full-service securities exchange which supports trading, clearing and settlement of equities, debt, derivatives and other associated instruments (NSE, n.d).
The three phases that were involved in the development process of the stock market were the initiation stage, the formalization stage and the revitalization/restructuring stage. The initiation stage was majorly symbolized by dominations of foreign investors in share trading and impulsive growth. The formalization stage involved the adoption of a self-regulatory framework with efforts to increase the participation of local citizens in share trading especially during the post-independence period. It was also the period when the Government adopted a controlled policy regime and implemented tax policies that penalized share returns more than returns from other financial assets. The revitalization stage was the phase where the institutional infrastructure was strengthened and the policy environment was also enhanced to enable growth of the stock market (Ngugi, 2003). The Nairobi Securities Exchange has been offering a robust, well-regulated and world class platform for the trading of equities and bonds in the past six decades. The NSE is publicly traded and is the second self-listed exchange in Africa (NSE, 2002).

The Capital Markets Authority on the other hand is the regulatory arm of the government which is in charge of licensing and regulating the capital markets in Kenya, by approving public offers and listings of securities traded at the Nairobi Securities Exchange. The third body involved in the stock market is the Central Depository and Settlement Corporation which offers clearing, delivery and settlement services for securities traded at the Nairobi Securities Exchange. It oversees the conduct of Central Depository Agents comprised of stockbrokers and investments banks which are members of NSE and Custodians. The main acts regulating securities market in Kenya are The Capital Markets Act and The Central Depositories Act, 2000. In relation to this, the regulations and rules include The Capital Markets (Licensing Requirements) (General) Regulations, 2002; The Capital Markets (Foreign Investors) Regulations, 2002; The Capital Markets Futures Exchanges Licensing Requirements Regulations 2013; the Capital Markets (Collective Investment Schemes) Regulations, 2001; The Capital Markets (Takeovers and Mergers) Regulations, 2002; The Capital Markets (Conduct of Business) (Market Intermediaries) Regulations 2011; The Capital Markets Tribunal Rules, 2002; The Capital Markets (Registered Venture Capital Companies) Regulations 2007; The Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations 2013 The Capital Markets Asset Backed Securities Regulations 2007; The Capital Markets (Corporate Governance) (Market

Ngugi (2003), explains that two major factors have led to the apparent development of the NSE. The first factor is the political environment both in Kenya and the East African region which ensured change in the policy environment and changed the composition of market participation; and the second factor is the macroeconomic environment which prompted the demand for long term capital which has been locally marshalled to boost economic development. The NSE currently has 153 that it has listed to trade in the securities exchange (NSE, 2013). Most of these companies are not performing optimally and some have ended up been delisted due to poor performance. Examples of firms that were delisted and performing very poorly at NSE include Uchumi and Eveready. According to CISI (2016), these securities exchange framework is made up of both primary and secondary legislation. The primary legislation is passed by the parliament, which may pass on power to an executive department of government to come up with secondary legal codes. Primary legislation therefore is made up of statutes that set off comprehensive frameworks and principles, handing over power to an executive branch which in turn can issue secondary legislation, stipulating functional and practical requirements needed to implement them. The primary legislation that oversees the capital markets in Kenya is the Capital Markets Act and the Central Depositories Act. The Capital Markets Act subsequently created the Capital Markets Authority to be the regulatory organization for the financial services sector and it brings in subsidiary legislation as regulations and rules.

According to Shipp (2011), the NSE has the advantage to gain considerably from the CMA's sustained search for regional amalgamation of capital markets under the East African Community Treaty of 1999. A number of remarkable similarities could be extracted between the prospects for the development of the NSE within an integrated EAC capital market and the development of the Euronext Stock Exchange in the separate member states of the European Union. Conceivably by around the year 2015, the NSE was projected to have
improved on its liquidity and market capitalization satisfactorily within the EAC to appeal to investors from the London Stock Exchange, in the same way Euronext rose to become an appealing target for amalgamation with the New York Stock Exchange after just five years of functioning as an exchange in Western Europe.

The capital markets sector in Kenya functions within a supervisory framework that market intermediaries must abide by while they provide services to their clients. The aim of this regulatory framework is to develop and widen the capital markets by enabling the improvement of new financial products and organizations by way of research and guaranteeing even-handedness and order in the capital markets sector. This framework implicitly emphasizes the need to have strategic management processes implemented in these companies (CISI, 2016).

Kachali (2014) lists weak internal control as a cause of poor organizational performance. Internal control is an element of strategic management. Outdated and highly ineffective internal controls are slow in keeping up with the fast-paced modern corporate environment and as such business risks’ prevention or mitigation becomes ineffective. Poor process design and a lack of integration in the internal supply chains are some of the strategic organizational factors that contributed to poor organizational performance (Tucker, Heisler & Janisse, 2014).

Organizations that fail to explicitly emphasize on integrating the routines of the different departments within the organization are likely to perform poorly. Mbat and Eyo (2013), opine that strategic issues such as inappropriate commercial policy, lack of human resource training and development policy, lack of a proper risk assessment strategy, and managerial inefficiency and ineffectiveness are some of the major causes of poor performance of companies and their inability to attain their objectives. All these studies indicate that lack of a proper strategic management will lead to poor performance of organizations.

1.2 Statement of the Problem

Previous empirical studies show that there is a strong positive relationship between strategic management and organizational performance although the extent to which strategic management contributes to improvement of organizational performance is still a matter of argument because of the varied results which are found in empirical research (Aldehayyat & Twaissi, 2011). Further, Arasa and K’Obonyo (2012), explain that all the strategic
management processes such as defining firm’s corporate purpose, scanning of business environment, identification of firm’s strategic issues, strategy choice and setting up of implementation, evaluation systems are positively related to an organization’s performance. Satisfactory financial results by an organization is crucial because without adequate profitability and financial strength, an organization’s pursuit of its strategic vision, long term condition and its eventual survival is at risk. Stockholders, potential investors and creditors will hesitate to offer finances. It is also important to note that good financial performance in itself is not enough (Poku, 2012; Falshaw, Glaister & Tatoglu, 2006).

Robertson (2011), identifies the key strategic management barriers to be uncertainty, limited resources, lack of universal communication and low productivity among the personnel. Some of the reasons why strategic management may fail to take off also include lack of involvement from both the internal and external stakeholders, failure of reporting to the external stakeholders, lack of intensive evaluation and timely feedback on the achievement of the strategic plan, insufficient allocation of resources in the strategic management, and failure to base the employees’ salary on contributions to enhancing the strategic plan (Mansor & Tayib, 2012; Lerner, 2015). These challenges have increased the need for empirical information on the missions and objectives of companies which is essential for decision making in addressing issues that are likely to enhance organizational performance. It is noted that there has been gaps in developing alternative strategies, strategy selection and control and its role on the organizational performance.

In Kenya, some businesses may fail and others survive yet they operate in similar business circumstances. Mallett (2012), argues that a customized strategy which is best suited for an organization’s circumstances creates a framework for the entrepreneurs to judge both short-term and long-term financial tactics that eventually lead to business evolution and improved performance. Several companies that were listed at NSE have closed while others were delisted due to poor performance (Roney, 2004). Those that are still listed at NSE have not reached their optimal level of performance. Failure of these companies could be attributed to many factors such as poor leadership, macro-economic environment and lack of strategic management processes among others. Few studies focused on barriers to effective strategic management process in Kenya and found that inadequate resources, unfavourable organizational culture among others are some of the organizational factors affecting
effectiveness of strategic management processes (Kibachia, Iravo & Luvanda, 2014; Kasimbu, 2007; Bariti, 2009; Aosa, 2011; Gekonde, 2011; Elwak, 2013). Previous studies have mainly paid attention to the direct influence of strategic management on corporate performance but they have not been focusing on the specific steps that make up the strategic management and how strategic management processes influences organizational performance (Arasa & K’Obonyo, 2012). It is for this reason that this study sought to study the influence of strategic management processes within the Kenyan context. Additionally, with the implementation of new regulations guiding the conduct of NSE, it would be important to investigate whether regulation moderates the relationship between strategic management process and organizational performance of companies listed at NSE. It is prudent that local strategic management processes ought to be integrated to the three theoretical perspectives used in the field of strategy such as the resources based perspective, transactional costs perspective, and institutional perspective to enable the African firms to completely be successful (Ouedraogo, 2007). This is because lack of an effective strategic management processes in place has led to dire outcomes for most organizations and probably this is what could be ailing companies listed at NSE. Therefore, this study attempted to fill this research gap by exploring the influence of strategic management process on organizational performance with a specific reference to companies listed at the Nairobi Securities Exchange.

1.3 General Objective

The general objective of this study was to establish the influence of strategic management process on organizational performance and to investigate the moderating influence of regulation on the relationship between organizational performance and strategic management process of companies listed at NSE.

1.4 Specific Objectives

The specific objectives of the study were:

1.4.1 To examine the relationship between strategy formulation and organizational performance of companies listed at NSE.

1.4.2 To establish the relationship between strategy implementation and organizational performance of companies listed at NSE.
1.4.3 To analyse the effect of strategy evaluation on organizational performance of companies listed at NSE.

1.4.4 To establish the moderating effect of regulation on the relationship between strategic management process and organizational performance of companies listed at NSE.

1.5 Research Hypotheses

The following were the hypotheses of the study:

1.5.1 \( H_0: \) There is no significant relationship between strategy formulation and organizational performance of companies listed at NSE.
\[ H_1: \] There is significant relationship between strategy formulation and organizational performance of companies listed at NSE.

1.5.2 \( H_0: \) There is no significant relationship between strategy implementation and organizational performance of companies listed at NSE.
\[ H_1: \] There is significant relationship between strategy implementation and organizational performance of companies listed at NSE.

1.5.3 \( H_0: \) There is no significant relationship between strategy evaluation and organizational performance of companies listed at NSE.
\[ H_1: \] There is significant relationship between strategy evaluation and organizational performance of companies listed at NSE.

1.5.4 \( H_0: \) NSE regulation does not significantly moderate the relationship between strategic management process and organizational performance of companies listed at NSE.
\[ H_1: \] NSE regulation significantly moderates the relationship between strategic management process and organizational performance of companies listed at NSE.

1.6 Justification of the Study

Strategic management process is the fulcrum on which most organizations across the globe revolve around. Choosing the most appropriate strategies that matches an organization’s strategic plans and implementing the full features of the strategic plan requires organizations
and even individuals to be aware of the features and clouts of a strategic management processes. Strategic management process greatly affects the performance of organizations in all aspects and therefore organizations must engage in strategic management. This study sought to establish the influence of strategic management process on organizational performance of companies listed at the Nairobi Securities Exchange, and hence the results from this study are relevant to the companies themselves, the potential investors, the NSE, policy makers, scholars and academicians. The people that may find this study significant include.

1.6.1 Companies Listed at NSE

Strategic management process propels the organization to achieve better organizational performance. It is imperative that a profit-oriented organization takes part in an effective strategic management process. Environments within which companies operate have changed drastically in the recent past due to demographic shifts, changing cultural and societal values, tax principles, privatization, centralization or decentralization of responsibilities, the shift toward information and service-based economics, and unstable macroeconomic performance. Organizations must therefore gain a competitive advantage in order to enhance their performance and strive to survive in such environments and consequently they must carry out strategic management. The organizations must therefore develop strategies that enable them cope with such dynamic environments. The dimensions of strategic management such as formality, tools of strategic management, employee participation, strategic implementation, time horizon and control all play a role on the organizational performance and therefore the companies listed at the NSE must pay due attention to them during strategic management.

Strategic management process provides organizations with clarity about what essentially, they want to achieve and therefore it is a manual intended to lead an organization from its current position to where it should be in future (Abdalkarim, 2013). This study provides the organizations listed at the Nairobi Securities Exchange with the insight on the importance of strategic management process on the organizational performance of the firms. Satisfactory organizational performance of the firms listed at NSE attract more prospective investors,
improve share prices and improve the overall trading of the company at the securities exchange.

1.6.2 Nairobi Securities Exchange

Securities exchanges usually can influence the types of disclosure made by listed companies through their listing rules and regulations. Such disclosure may include the listed companies’ short term and long term strategic plans that inform their sustainability and perpetual existence. The assurance of a business being in business for a long term is information that may be required by the stock exchange to enable it to list the company. The information from this study will enable the Nairobi Securities Exchange to develop a suitable listing procedure so that companies which do not have in place a satisfactory strategic management system are not listed in the securities exchange. This consequently assists the NSE in avoiding the routine listing and delisting of non-performing companies.

1.6.3 Scholars and Academicians

The link between strategic management and organizational performance is a theme that has been previously researched on, however, there is a very limited number of studies that focus on the influence of strategic management on performance of companies listed at stock or securities exchanges. Because most of these companies attract huge attention, it would be prudent if future studies focus on their involvement in the strategic management as well.

This study enables the scholars and academicians who may have an interest in further investigating the influence of strategic management on organizational performance with special attention to companies listed in stock markets in Africa and other developing economies. It would also be prudent for entrepreneurial training centres, management schools and colleges to incorporate strategic management principles and dynamics into their respective teaching and learning curricula. The knowledge gained from such studies would in the long term be beneficial to organizations such that they will boost the competitiveness and performance of organizations in Kenya.

1.6.4 Policy Makers

The performance of the stock market and companies listed by the equities market is of great interest to the policy makers because stock indices are recognized as the leading indicators of
economic activity. The level of stock prices can also have a direct impact on consumption through the wealth effect i.e. the principle that as a result of the increasing value of stock portfolios due to rising stock prices, investors feel more comfortable and secure about their wealth, thus they spend more. The performance of most of these companies is highly dependent on the success of the strategic management.

Information obtained from this study would be beneficial to policy makers such that they must pay attention to detail during the strategic management processes starting from formulation to implementation. A properly run strategic management system ensures that the organization, whether profit or non-profit, performs optimally and has competitive advantage.

1.7 Scope of the Study

The scope of this research was limited to determining the influence of strategic management process on organizational performance of companies listed at the Nairobi Securities Exchange. The sub constructs considered were strategic formulation, strategy implementation, strategy evaluation and moderating variable regulation. The study focused on all the companies listed at the NSE. These companies are located across the country and operate in different sectors namely; real estate investment trust, telecommunication and technology, manufacturing and allied, investment services, investment, insurance, energy and petroleum, construction and allied, commercial and services, banking, automobiles and accessories, and agricultural. The study collected cross section data from 325 senior managers of companies listed at NSE as of 2017.

1.8 Definition of Terms

1.8.1 Organizational Performance

Organizational performance is an organization’s ability to obtain and make use of its scarce resources and valuables as efficiently as possible while seeking to accomplish its operations goals (Griffins, 2006).

1.8.2 Strategic Management
Pearce and Robinson (2011), defined strategic management as a set of decisions and actions that result in formulation and implementation of plans with an aim of achieving an organization’s objectives.

1.8.3 Organizational Culture

Organizational culture is described as the “personality” of an organization that influences how employees think and perform their duties (Desson & Clouthier, 2010).

1.8.4 Stock/Securities Exchange

Stock or securities exchange is a sector of the financial markets where long-term financial instruments are traded in order to raise funds for the firms while granting the provider of the funds a residual claim on the firm’s income and enabling them to become an owner of the firm (Darskuviene, 2010).

1.8.5 Strategic Implementation

Strategic implementation refers to the procedures carried out at the functional, business, and corporate levels of an organization to execute a strategic plan (Hill, Jones & Schilling, 2013).

1.9 Chapter Summary

This chapter provided an introduction on how strategic management process relates to organizational performance worldwide, in Africa, East Africa and in Kenya. The chapter then explained the statement of the problem for this study and outlined the general objective, specific objectives, the research hypotheses, justification for the study, scope of the study and definition of key terms used in this study. The next chapter presents literature review, both theoretical literature and empirical literature reviews.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter discussed the literature used in this study on the influence of strategic management process on organizational performance. The conceptual framework showing the relationship between the independent and dependent variables is drawn up and the related empirical literature is discussed. The theories reviewed in this study included profit-maximizing and competition-based theory, resource-based theory, human resource based theory and the agency theory. There is a chapter summary at the end of the chapter.

2.2 Theoretical Review

Strategic management is believed to have originated from the USA and in the other first world countries where in the 1960s formal strategic formulation was increasingly getting adopted. Strategic management has gained a lot of prominence worldwide and across businesses in the recent past and today, with both public and private organizations embracing it. Several studies have suggested that strategic management facilitates effective organization performance (Arasa & K’Obonyo, 2012). Bryson (2011), explains that managers must be very careful on how they apply strategic management to specific situations. Decision makers such as managers are therefore best considered as strategic planners and they should therefore be regarded as facilitators of decision making across levels and functions. There are several theoretical and practical issues, however, that still need to be explored.

2.2.1 Theory of Strategic Management

The term “Strategic Management” is made up of two words, that is, ‘strategy’ and ‘management’. The word ‘strategy’ comes from the Greek word ‘strategos’ which literally translates to “the general of the army”. The definition of Strategic Management as an organizational development tool began in the 1950s and over the years, it has been extensively used in private business sector although the approaches and the usage of this tool differ in public and private sector. Today all organizations in both private and public sectors use strategic management as a tool for organizational performance and development (Nartisa, Putans & Muravska, 2012). The Oxford Dictionary describes strategy as a plan of action
designed to achieve a long-term or overall aim whereas Hill, Jones and Schilling (2013), describe strategy as a set of associated actions that policy managers initiate with an aim of increasing their organization’s performance. Similarly, management is the process of dealing with or controlling things or people. Strategic Management can be either be formal, involving a lot of documentation, or informal thus involving very little or no documentation.

The term ‘strategic management’ may be used synonymously with the term ‘strategic planning’. ‘Strategic planning’ is more often used in the business setting, while strategic management is frequently used in academic circles. At times the term ‘strategic management’ is used to allude to strategy formulation, implementation, and evaluation, whereas strategic planning may only refer to strategy formulation (David, 2011).

According to Aremu (2011), an organization needs strategy to focus effort and promote coordination of activities because without strategy an organization becomes just a collection of individuals and thus strategy is necessary to ensure collective actions and concentration of efforts aimed at achieving corporate goals and objectives. Candy and Gordon (2011), argue that strategic management is more concerned with the bigger overall organizational objective and its main concentration is on the results, rather than the outputs. The formulation, implementation and the evaluation of a strategic plan is a major activity in both profit and non-profit organizations.

Poku (2012), contends that a strategic plan provides the essential direction and the basis for deciding the focus of an organization. It is simply the process which involves the creation and description of a better future of an organization in measurable terms and the selection of the best methods to accomplish the desired results. However, not every planning activity is strategic planning even though they may be referred to as so. Strategic management is described as a progressive practice which should involve all managers. A well implemented strategic plan ensures an organization will have minimal or no challenges in managing external changes. A business should be able to operate successfully with unstable and uncontrollable environmental forces which can greatly affect the decision-making process for it to survive. Businesses must adapt to these environmental factors while planning and executing strategic activities. Strategic management enables an organization to predict and act on environmental changes, both external and internal (Owolabi & Makinde, 2012).
Omalaja and Eruola (2011), established that the resource-based paradigm is among the key strategic management theories that can be applied to expound on organizational performance, in addition to being a component of the larger management theory group which has developed to match the managerial necessities of the contemporary complex organizations as well as the corporate backgrounds within which the companies work. The investigation of a company’s competitive advantage from this viewpoint allows the companies to determine the importance of its internal resources and capabilities especially towards accomplishing a competitive advantage, and thus to offer supplementary support and addition to the philosophical methodology.

Commitment and involvement by personnel across all levels of the organization must be there for strategic management to be effective and useful. This will also enable the organization deal with intrinsic or internal problems such as departmental rivalries, resistance to change, and resources allocation among others. Jenster and Søilen (2012) discuss Competitive Intelligence and Successful Performance. Competitive Intelligence involves defining, gathering, analysing and distributing necessary information to an organization’s decision makers and therefore it is a vital part of Strategic Management. Wendy (1997) further opines that strategic management involves the development and maintenance of consistency between an organization’s objectives and resources and the dynamic opportunities.

Strategic management is basically carried out by individuals within an organization. These individuals who lead in the formulation and implementation of a strategic plan are referred to as strategic managers. Strategic managers are involved with the management, trends, issues, policies and corporate structure of an organization. They deal with issues such as the problems that an organization is likely to face over the next several years and how might they be addressed, and addresses the crisis readiness of the organization (Smith, 2012). Hill, Jones and Schilling (2013) on the other hand explain that a strategic manager is the individual manager who is responsible for creating organizational strategies to achieve a competitive advantage and for positioning those strategies into results. The strategic managers usually lead the process of strategy development.
The theories, principle and application of strategic management have turned out to be prominent in contemporary management collected works particularly in this period due to the compound, unformulated and dynamic characteristics of modern corporate governance. Consequently, this occurrence has turned out to be an issue of concern to both researchers and specialists in the field of management (Omalaja & Eruola, 2011).

Bryson (2011) opines that strategic management can be largely beneficial to public agencies, departments, or major organizational divisions; general purpose governments, such as city, county, state, or tribal governments; Non-profit organizations providing what are essentially public services; Purpose-driven inter-organizational networks (such as partnerships, collaborations, or alliances) in the public and non-profit sectors designed to fulfil specific functions, such as transportation, health, education, or emergency services; and entire communities, urban or metropolitan areas, regions, or states. This theory closely relates to this paper since strategic management processes are an integral part of strategic management theory.

There are several other strategic management theories that are relevant to the strategic management system including the profit-maximizing and competition-based theory, the resource-based theory, the human resource based theory and the contingency theory (Raduan, et al., 2009). Additionally, other theories that are related to the strategic management include the agency theory and the decision theory.

2.2.1.1 Theory of Change

The theory of change was developed from evaluation planning methods such as the logic models and was designed to be more valuable in planning composite interventions than other methods since it indicates a more detailed causal model to explain why the intervention will function (Kail & Lumley, 2012). The theory is focused on describing all the essential and sufficient prerequisites required to bring about a particular long-term result (Anderson, 2004). According to Kail and Lumley (2012), the theory of change describes the change that an organization wants to make and the phases that are involved in making that change happen. It outlines how to create a change in an organization (Riesman, et al., 2004). It also portrays the assumptions on which a particular way of reasoning is based on and these assumptions are usually backed up by evidence where possible. According to Anderson
(2006), a theory of change is essentially an explanation of how a group of stakeholders expects to reach a commonly understood long-term goal. Further, a suitable theory of change reveals whether an organization’s activities make sense considering the goals; whether there are things the organization does that does not help it achieve its goals; the specific activities and outcomes that can be achieved alone and which cannot be achieved alone; and how to measure the organization’s impact.

The theory of change is applicable in monitoring and evaluation; theories of change convey the anticipated processes and results that can be reviewed over time and this lets organizations to evaluate their contribution to change and to revise their theory of change. Theory of change allows organizations to communicate their chosen change process to internal and external partners. A simple description of an organization’s theories of change can be understood as minimal way of engaging with theory of change. Finally, it helps people to clarify and develop the theory behind their organization or a programme and in this way the theory of change is used as a thinking tool (Reisman, et al., 2004). According to Reisman, et al., (2004), the label theory of change is often referred to by other terms, such as pathway of change, engine of change, blueprint, logic model and theory of action. All the same regardless of the label, the theory of change offers a picture of important goals and guides organizations’ stakeholders on how to achieve their goals.

Some basic theory of change components often includes a big picture analysis of how change happens in relation to a specific thematic area; an articulation of an organization or programme pathway in relation to this; and an impact assessment framework which is designed to test both the pathway and the assumptions made about how change happens. A theory of change is often presented in form of a diagram and an example of such diagrams is ‘pathways to outcomes’ diagrams but such diagrams can take any form so long as they aid in uncovering and developing the assumptions within the theory of change (Stein & Valters, 2012). A pathway of change is a map that illustrates the relationship between actions and outcomes and shows how outcomes are related to each other over the lifespan of the initiative. It is the centre piece of theory of change and it is drawn in such a way like an organizational chart with the long-term goal of the change initiative at the top of the chart. Theory of change has four main components namely interventions, preconditions, indicators and outcome (Anderson, 2006).
Theory of change in international development has four main purposes inclusive of strategic planning, monitoring and evaluation, description and learning. This means that theory of change helps organizations to practically map the change process and its outcomes and facilitates project implementation, articulates expected processes and outcomes that can be reviewed over time, allows organizations to communicate their chosen change process to internal and external partners and, helps people to clarify and develop the theory behind their organization or programme (Stein & Valters, 2012). In Strategic management, theory of change helps organizations to outline the change process and its expected results and enables project implementation. Theory of change can be used in strategic management to identify the current situation in terms of organization’s needs and opportunities, the proposed situation and what needs to be done to move from one situation to the other. In this way, an organization can create more realistic goals, clarify accountabilities and establish a common understanding of the strategies to be used to achieve the goals (Rogers, 2014).

According to IPAL-Keystone (2009) theory of change, the process begins with a group of key staff and constituents of an organization coming together with a facilitator to imagine a vision of success. This vision must be a plausible picture of people behaving and experiencing life differently within the organization in a sustainable way that the organization, working alongside others, can meaningfully influence. For each element of the vision, the participants try to identify all the prior changes that they think are necessary if the success of the vision is to be realized. From this a set of preconditions of success begin to emerge. From there the last stage is mapping a system in which to work in, in order to achieve this vision. This involves understanding the current position of the organization and identifying all the factors in the system that could positively or negatively influence the vision. The theory of change relates to this study since implementing strategic management processes results to various changes of how companies work.

2.2.1.2 Decision Theory

Decision theory is a study of how people model judgement and from that how they determine their choice. These could take the form of probability models, loss functions models or other forms of statistical representations of judgements. The decision process is as follows: identification of the problem, followed by obtaining necessary information regarding the
problem and then production of possible solutions to the problem. From there the next step is evaluation of the solutions to see which one fits best, followed by selection of a strategy for performance of the solution and lastly, implementation of the decision/solution settled for. Well informed decisions help companies to prepare well before implementing a decision and hence organizations can prepare for risks. Well informed decisions also aid organizations in proper allocation of their resources (Dabara, Anthony, Gbenga & Adeyanju, 2014).

Decision theory aims at establishing broad principles of rationality to direct policy makers in situations which involve risk or uncertainty (Joyce, 1995). According to North (1968), decision theory offers a coherent context for choosing between alternative courses of action when the consequences resulting from this choice are not well known. Making a decision under uncertainty involves making choices whose outcomes are not totally predictable because the events will happen in the future that will affect the outcomes of actions that are taken now (Parmigiani, 2009). In its classical construct, the Decision theory is based on choices individuals make among the available options, which characteristically are expected consequences subject to uncertainty and at different points in the future. Ahmed and Omotunde (2012), outline four types of decision theories. The Causal decision theory is based on the principle of rational choice which suggests that the result of your choice arises from your decision. The Evidential decision theory opines that the best option conditional on having chosen it is the one with the best outcome, which is believed to be an irrational thinking.

The game theory is considered to be an interactive decision theory because it considers the conflict and cooperation between intelligent rational decision makers. Finally, the Bayesian theory is regarded as an extension of logic that enables reasoning with theories with either a true or false state. According to Lee and Gerber (2012), this theory is applicable to real world problems across many fields such as economics, risk analysis, business management, and theoretical behavioural ecology. Decision Theory categorizes the basic aspects that determine behaviour as attitude towards decision making under uncertainty and attitude towards the allocation of rewards and penalties over time (Rustichini et al, 2012). Versluis (2011) in his study on the application of decision theory in risk management opines that Decision theory can offer a guidance in the reaction to uncertainties within an organization by determining which course of action should be preferred, while considering the risk-taking behaviour of
the decision maker. However, this does not totally get rid of the function of a risk manager within an organisation since decision theory can only serve as a tool that suggests. Improving an individual’s decision-making skills will benefit the individual and the overall organization and therefore is necessary to understand the theories and strategies that can support a good decision (Ahmed and Omotunde, 2012).

Some of the theories that have gained popularity in strategic decision making include the subjective expected utility theory, the prospect theory, the satisficing theory, attribution theory and multi attribute utility theory. In subjective expected utility theory, the decision maker chooses between alternatives or strategies in the presence of risks. The theory lays its foundation on the four tenets of rational preferences, namely: transitivity, monotonicity, preference independence and accounting equivalence. The prospect theory was developed with an aim of complementing the subjective expected utility theory by predicting that decision makers tend to be risk averse in a domain of gains (or when there is a favourable anticipation). They assume that the decision maker is relatively risk seeking in a domain of losses. In this theory it was also discovered that decision makers lean towards the outcomes obtained with certainty than those obtained by mere probability. The satisficing theory advanced the concept of bounded rationality where the decision maker has limited information, time and intellectual ability to make a decision and instead the decision maker works with limited and simplified knowledge to reach acceptable ‘compromise choices’ (‘satisficing’), rather than pursue ‘maximizing’ and ‘optimizing’ strategies. Attribution theory is concerned with how people perceive the behaviour of themselves and that of others and is divided into two groups, namely internal and external factors. These characteristics of a person are the ones that contribute to the decisions they make. The last theory is the multi-attribute utility theory which involves the aggregation of several single attribute utilities (Ahmed, Bwisa, Otieno & Karanja, 2014).

There are also a number of models that have been developed to be utilized in the decision-making process. The first one is the rational model whereby the rational manager’s view assumes a rational and completely informed decision maker. This model states the steps involved in decision making process as follows: intelligence; finding occasions for making decisions, design; inventing, developing and analysing possible courses of action, choice; selecting a particular course of action from those available and lastly, review; assessing past
choices. The second model is the model of bounded rationality which is characterised by searching and satisficing. Here alternatives are searched for and evaluated sequentially. The next model is the incremental view which involves a step-by-step process of incremental actions and keeps the strategy open to adjustment (Turpin & Marais, 2004).

The next model is the organizational procedures view which seeks to understand decisions as the output of standard operating procedures invoked by organizational subunits. This model views decision making as a systematic process aimed at maintaining the status quo at the cost of innovation. Then there is the political view which sees decision making as a personalized bargaining process, driven by the agendas of participants rather than rational process. The next model is the garbage can model which describes decision making in as where the stream of problems, solutions and participants meet at the choice opportunity, symbolised as a garbage can. The next model is the individual differences perspective which focuses attention on the problem-solving behaviour of the individual manager and is influenced by the manager’s decision-making style, background and personality. The next model is the naturalistic decision making which is concerned with investigating and understanding decision-making in its natural context. The last model is the multiple perspective approach which comes as an attempt to sweep in all possible perspectives on a problem (Turpin & Marais, 2004). This theory relates to this study because strategic management processes requires key decisions to be made by the strategic decision makers and the selected decisions to be enacted.

2.2.2 The Profit-Maximizing and Competition-Based Theory

According to Raduan, et al. (2009), the profit maximizing and competition-based theory is based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the industry in the external market place. They further state that the industrial-organization perspective is the basis of this theory as it views the organization’s external market positioning as the critical factor towards attaining and sustaining competitive advantage. This perspective is said to offer strategic management a systematic model for assessing competition among relevant players in the industry.
According to Ologbo et al. (2012), this theory is based on the idea that an organization’s main objective is to maximize long term profit and to create sustainable competitive advantage over its business rivals in the market. The basis of profit-maximizing and competition-based theory was created from the industrial organization perspective that considers the organization’s external market positioning as the main success factor for achieving and supporting the competitive advantage. According to Wang (2014), competitive advantage is obtained when an organisation develops a set of characteristics that allows it to perform better than its competitors. This theory argues that profit-maximization is the major and may be the only objective available for the turning around companies in order to survive and to compete competitively in the market. Therefore, this theory is related directly to and is highly applicable in the field of organizational turnaround (Abdullah, 2010). It is based on the concept that an organization’s main objective is to maximize long term profit and develop a sustainable competitive advantage over its rivals in the external marketplace (Omajala & Eruola, 2011).

The profit maximization theory can also be referred to as the neoclassical economic theory (Abdullah, 2010). The organization of neoclassical economics is a profit maximizing entity, a production unit that transforms inputs into outputs so that the marginal cost equals marginal revenue and chooses an optimal size and output mix based on the characteristics of its production function. Underlying all the decisions is optimization which serves the firm’s overall goal of profit maximization (Vroom & McCann, 2009). The solution to an organization’s profit maximization problem is in its supply function which is a function of the goods’ market price. A competitive profit-maximizing organization chooses its output to adequate marginal revenue and marginal cost. Organizations may come close to profit maximization by trial and error, emulation of other successful organizations, following the rule of the thumb or, by blind luck and for the assumption to be a fruitful one. A profit-maximizing organization seeks its objective through the medium of profits and, more specifically, through conversion of its resources into good and/or services and using them to get a return. In this perspective survival of the organization depends on profits unless profits are generated and used for generation of future profit and replacement of resources (Abdullah, 2010).
According to Abdullah (2010), the basic premise of the profit maximization theory in the field of strategic management is in that the strategies will be driven primarily, but not exclusively, by the objective of maximizing the organization’s profitability in the long run with the ultimate purpose of developing sustainable competitive advantage over the competitor. The main objective of turning around an organization is to change the company’s situation from bad to good or better. The first option while going about achieving this objective, and perhaps the only option, is to enhance a company’s profitability capacities. This is to imply that profit-maximization is the main, and perhaps the only, objective available for turning around organizations for the organization to survive. This implies that profit-maximization theory is related directly to the field of corporate turnaround and strategic management of an organization.

As Abdullah (2010) contends, the application of the Profit Maximization theory to the subject of organizational improvement is much uncomplicated since the purpose of improving the fortunes of an organization is to transform the firm’s state of affairs from bad to good or even better. The initial alternative and possibly the only alternative at that moment is to improve the organization’s profitability. This implies that profit-maximization is the foremost or conceivably the solitary purpose available for the turnaround of firms for their eventual survival. This theory is therefore associated directly to this study since strategic management enhances profits over a long-time period and profit maximization requires use of all resources including strategic management processes optimally.

2.2.3 The Resource Based Theory

According to Raduan et al. (2009), the resource based theory is developed from the principle that the source of an organization’s competitive advantage lies in their general internal resources, as opposed to their positioning in the external market. This is to mean that rather than evaluating environmental opportunities in carrying out business, competitive advantage depends on the unique resources and capabilities that an organization possesses. This theory predicts that certain types of resources owned and controlled by organizations have the potential and promise to generate competitive advantage for the organization which would eventually result in increased performance of the organization and consequently attainment of organizational goals.
In this theory, “resources” refers to the organization’s tangible and intangible assets since the resource based theory encompasses both assets of the organization and its capabilities as well. Organizations, according to the resource-based view, own resources which are the main reason of producing the continued competitive advantage leading to the better performance of the organization. A collection of these resources causes the organizations to realise competitive advantage whereas the second set of the resources facilitates the organizations to sustain the competitive advantage for longer time intervals through the protection against resource duplication, relocation and substitution. Thus, it can be basically deduced that Strategic Management offers solutions on the ways in which a unique and valuable competitive advantage can be accomplished while this competitive advantage remains hard for competing firms to imitate or substitute. (Saqib & Rashid, 2013).

Mugera (2012) explains that the resource-based theory has materialized into a valuable background used to analyse the importance of the human resource scheme in the achievement of strategic competitive advantage. This theory of the firm has remained in existence for more than twenty years and it has developed into a leading management theory in describing the differentials of organizational performance. The theory is of the opinion that the internal resources that an organization controls have the prospective to be a source of continuous competitive advantage if the resources are valuable, rare, inimitable, and non-substitutable. It acts as a chief hypothetical basis in the management academic works and conspicuously appears in most textbooks specific to strategic management theory.

The resource-based theory of strategic management regards the organization’s internal environment as a driver for competitive advantage and highlights the resources that organizations have developed or acquired to compete in the environment (Wang, 2014). This theory holds that the company is a package of resources and capabilities, which are made up of financial, human, intangible assets and physical resources. The resource-based theory is shaped up based on the fact that resources are usually not standardized and they are limited in freedom of movement. These resources and capabilities can be transformed by the organization into a strategic advantage if they cannot be imitated, they are valuable, rare, and the organization is systematized to make use of these resources.
Ologbo, et al. (2012) argue that the resource based theory rises from the theory that the source of a company’s competitive advantage is dependent on the distinctive resources and capabilities that the organization owns and not primarily their positioning in the external environment. This theory involves evaluating an organization’s environmental opportunities and threats in operating the business. Previous studies that are based on the resource-based theory argue that only strategically important and useful organizational resources and competencies should be regarded as sources of competitive advantage. Some previous studies have concentrated on the importance of an organization’s resources as a foundation for a sustainable competitive advantage.

In economics, it is widely believed that organizations aiming to achieve a sustainable advantage should have a resource and competence-sensitive strategy process. This theory gives the nature of market demand a wide berth and instead it only focuses on an organization’s internal resources (Mills, Platt, & Bourne, 2003). According to Esteve-Pérez and Mañez-Castillejo (2008), the resource-based theory puts emphasis on the organization’s internal attributes to explain why organizations make different strategic choices that lead to different results. Therefore, an organization’s ability to develop unique resources and capabilities improves its adaptability to the unstable competitive environment and enhances its survival chances. The resource-based theory has been extensively used in marketing research with an increase of more than 500% in the past decade suggesting that it is importance as a structure for explaining and predicting competitive advantages and performance outcomes of organization (Kozlenkova et al., 2014).

The survival-based theory concentrates on the principle that organizations must always adapt to their competitive operating environments for them to survive (Omari, Nyongesa, Ochieng & Kaburi, 2011). It is basically founded on the notion that companies require a continuous adaptation to its competitive environment for the organization’s survival (Ologbo et al., 2012). This theory draws its basis from the notion that by the principle of nature whereby only the best and the fittest of competitors survive and eventually there is the improvement of the social community. The survival-based view in strategic management emphasizes that for organizations to survive they have to make use of strategies that are focused on very efficient operations and those strategies that are rapidly responsive to the dynamic and competitive operating environment because the firm that survives is the fittest.
and the most adaptable to the environment (Abdullah, 2010). This theory relates to this study since strategic management processes requires identification and efficient use of available resources. Companies are formed for purposes of increasing the amount of available resource with an aim of enhancing the company’s competitiveness in the market. In this study, it was therefore important to examine the influence of resource dependency on strategic management process.

2.2.4 The Human Resource Based Theory

The human resource-based theory of strategic management which underscores the significant role that the human element plays in the strategy development and organizational success originates from the tenet that the source of organizations’ competitive advantage is the organization’s greatly skilled and efficient personnel which cannot be easily copied by its competitors (Ologbo, et al, 2012). According to Omari, Nyongesa, Ochieng and Kaburi (2011), this theory stresses the important role of the human aspect in the strategic development of organizations. Human resource can positively affect organizational performance by empowering the firm to understand the convolutions of a number of transferred organizational processes and implement the processes reasonably by observing quality, security and timelines features. However, this effect is not direct and it is the internal intellectual resource management that boosts performance. Further, these effects were found to take place when the organization's strategy merges all these components as core competence (Jardon & Gonzalez, 2013).

Strategic Human Resource Management theory has been regularly used as the basic background for the study of Human Resource strategy and organizational performance. Some Human Resource practices are always better than others and therefore organizations that adopt these practices will report better performances. Organizations must adopt specific Human Resource policies and practices for different strategies and hence an organization’s HR policies must be consistent with other elements of the organization for the strategies to be
effective. Organizations can produce personnel behaviours that are consistent with its strategy by putting in place appropriate Human Resources policies and practices in place (Rose & Kumar, 2006). According to Jardon and Gonzalez (2013), human resources is a source of competitive advantage as it assists in the development of essential capabilities which places the organization above its competitors. These essential competencies are vibrant capabilities of greater hierarchy which incorporate, construct and reorganise internal and external dynamics of organization to create value. These competencies become the competitive advantages when a firm achieves healthier performance than its competitors. Competitive advantage originates from human capital but it perhaps does not directly influence performance and it may require amalgamating with other factors of core competencies but these links are unknown.

Within the human-resource based theory, human capital is one of the major resources that an organization possesses. The human resource-based theory elucidates the manner in which human resource management policies are developed. The theory underscores the significance of different interested parties who form an organization. Values and attitudes of these stakeholders determine the long-term goals and impact how management of employees is accomplished. It also recognizes that the operation of such an organization is constrained by organizational, social and product components (Koch, & de Kok, 1999). The human resource based theory tends to be of the opinion that human capital can be a source of competitive advantage for an organization, that human resource management practices have the most direct influence on the human capital of a firm and, that the complex nature of human resource management systems of practice can enhance the inimitability of the system. The human resource based theory emphasizes the importance of the human element in the strategy development process of an organization. This theory relates to this study since strategic management processes requires human resources to make decisions and effectively implement various processes. The theory is of significance for the study to understand the existence of unique resources and capabilities in the organisation that can give it an edge during strategic management process, in a manner that it positively influences the organisation performance.

2.2.5 The Agency Theory
Agency theory begins with the relationship between the owners of an organization who delegates work to an agent who performs the work, also referred to as the principal-agency problem (Lindqvist & Mijovski, 2013). The agency theory develops from the human element as the source of the company’s competitiveness by stressing the fundamental important relationship between the shareholders or owners of the business and the agents or managers in enhancing the success of the organization (Omari, Nyongesa, Ochieng & Kaburi, 2011). The theory underlines the basic conflict between the self-interest of managers and owners whereby the owners have the control of the organization but the managers put up with most of the wealth effects (Laiho, 2011).

According to Ologbo, et al. (2012), this theory stresses the crucial importance of mutual and great relationship between the shareholders and management of the organization in ensuring the organizational success. Agency theory is concerned with goal discrepancy between owners or principals and those that they employ, referred to as the agents. This theory refers to the organization as a connection of agreements whereby both parties in the contract function with self-regard and astuteness. The agreements between the sides work effectively when the parties share risks and information efficiently and they recognize the changeability of each one’s goals. This theory recommends that the board of directors of a firm operate as supervisors hired by stockholders over senior managers.

According to Namazi (2012), the agency theory has been used in the past in order to determine the optimal amount of risk-sharing among different individuals and was also used to determine cooperation between different individuals with different goals in an organization, and attainment of the goal contingency. In managerial accounting, it was used to determine the optimal-incentive contracting among different individuals and establishing suitable accounting control mechanisms to monitor their behaviours and actions. The agency theory relates to situations in which one individual (referred to as the agent) is engaged by another individual (referred to as the principal) to act on his or her behalf upon a designated fee schedule.

The agency operates under conditions of risk and uncertainty; hence this theory assumes that both the agent and the principal are risk averse. Management of an organization can be controlled via this agency theory. This happens where the principal (the owner of the
organization) employs the agent (as a manager) who is charged with the responsibility of decision making in the organization but it’s the principal who has invested in the organization. The agent is supposed to act based on pre-specified contractual agreement but at the same time the agent is motivated by his personal interests; which brings about a conflict of interest. To make sure that the principal’s interests are always catered for as they should, the agent theory suggests that firms under this kind of management setup would need a control mechanism (Namazi, 2012).

According to Balago (2014), the agency theory is based on several assumptions. The first assumption is that both the agent and the principal are motivated solely by self-interest. It also assumes that individuals are rational and have unlimited computational ability meaning that they can anticipate and assess the probability of all possible future contingencies. This theory also assumes that contracts are costless and enforceable by courts. The theory also assumes that the agent has private information to which the principal cannot gain access without costs. Lastly, in this theory the agent is assumed to be work averse and risk averse. Raduan, et al (2009), stress on the underlying importance of the relationship between shareholders or rather the organization’s owner and the agents or managers in ensuring the best possible success for the organization. This theory relates to this study because strategic management processes are implemented by agents other than the principal. The theory therefore helps in understanding the nature of relationship between the principal shareholders and the managers as agents and how their relationship influences strategic management process and eventually organisations performance.

2.2.6 The Contingency Theory

Haldma and Laats (2002), posit that organizations are presumably operating as open systems that are interested in achieving their goals and also responding to both external and internal difficulties. The contingency-based approach supposes that management adopts to these external and internal pressures to help managers in achieving specific desired organizational results or goals. The fundamental theory of contingency theory is that an organization seeks to achieve effectiveness by matching its attributes with unforeseen events that indicate its situations (Donaldson, 2001). It draws the idea that there is no single best method or approach to manage an organization and recommends that firms should develop managerial
strategies founded on the situation and condition that the organizations are experiencing (Omari, Nyongesa, Ochieng & Kaburi, 2011; Ologbo, et al., 2012). Contingency theory of strategic management explains how dependent elements influence the design and operation of organizations (Islam & Hu, 2012).

Donaldson (2006) asserts that this theory currently offers a key background for organizational design. High performance tends to be associated with the suitability of contingencies such as the types of organization structure that a company selects to use. Changes in unforeseen events such as organizational size or strategy might reduce the organizational structure to be unfit with the organization and hence lead to poor performance. Adjustments to the organizational structure are therefore required to regain the fit condition that would lead to higher organizational performance (Abdullah, 2010). According to Raduan, et al. (2009), the contingency theory is of the idea that there is no one way or one single best way or approach to manage organizations.

The contingency theory aims at showing that organizations should not be managed by one-size-fit-all approach but instead should work out unique managerial strategies that depend on the particular condition or situation that the organization is in (Ologbo, Oluwatosin & Kwakye, 2012). According to Jofre (2011), often, actions do not account for a full strategy but rather for a contingency plan to save the organization. The essential premise of the contingency theory is in the fact that effectiveness, which is broadly defined as organizational adaptation and survival, can be achieved in more than one way. For example, there are more than one ways of organizing effectively, more than one strategy that maximises profitability and the market position of an organization, and there are more than one leadership styles that would lead an organization to achieving its goals. This is done in three ways, namely: identifying important contingency variables that distinguish between contexts, grouping similar contexts based on these contingency variables and lastly, determining the most effective internal organizational designs and responses in each major group (Zeithaml, Varadarajan & Zeithaml, 2009).

According to Olum (2004), this theory is also referred to as the situational theory. He states that the contingency or situational theory asserts that when managers make decisions regarding the operations in their organization, they must consider all aspects of the current
situation and act on those aspects that are significant to the situation at hand. The contingency theory generally aims at advocating that there is no absolute best way to organize an organization, or to lead it, or to make decisions in an organization, and that the optimal course of action is dependent-or contingent on the organization’s internal and/or external situation of the organization at a particular point in time. The contingency theory slightly corresponds to the fundamentals of the rational system and the theory of bureaucracy (Jofre, 2011). The supposition fundamental to this theory is that no particular type of organizational structure is appropriate to all organizations equally but organizational efficacy is reliant on a correspondence between the technology type, environmental unpredictability, organizational size, organizational structure aspects and information system (Islam & Hu, 2012). Nickerson and Zenger (2004) argue that the complexity of a problem impacts the ideal technique of finding a solution and the ideal method of organizing that search. The differentiating aspect that distinguishes among organizational substitutes is the different way each resolves conflict over the selection of solution trials. For efficiency, these governance alternatives must be coordinated in a selective manner to problems according to their related benefits and costs in overseeing search for solution.

Contingency is necessary in an organization since the barely foreseeable environmental factors have their own effect on performance evaluation, budgeting, budgetary control and organizational structure, and further, environmental aggression from thorough competition underscores the significance of formal control. Examples of contingent factors in an organization include culture, technology and the external environment (Islam & Hu, 2012). Technological contingency elements are the nature of the production process, the intensity of production routine, level of understanding of means-end links and the degree of job variability (Haldma & Laats, 2002). Also, while organizationsturn out to be larger, the requirement for their respective management to manage larger amounts of information rises to an extent where they must introduce controls includingspecialization of roles and functions, documentation, rules, comprehensive hierarchies and more decentralization (Child & Mansfield, 1972). However, contingency theory has a few key challenges facing it such as the understanding that the theory is static and also obsolete as a result of new organizational forms, although the latter this lacks reliability (Donaldson, 2006). This theory relates to this study since strategic management processes requires contingent measures to be put in place.
2.2.7 Knowledge-Based Theory

According to this theory, which is an extension of the resource-based theory, the organization is a package of knowledge which is a precise and exceptional resource fundamental to the organization. Knowledge is extremely varied, hard to duplicate and comprehend by individuals out of the organization. Knowledge itself develops the foundation for competitive advantage. Since there are some academics and investigators who have reservations about whether knowledge-based view is accurately a theory of the firm and hence it is referred to as a view. Knowledge is perceived to be a strategic asset and can prospectively be a source of competitive advantage for a firm. Knowledge management can be utilized to generate competitive advantage from the resource-based View of the firm (Halawi, et al., 2005).

Takeuchi (2013), specified a preview of the contemporary philosophy on the knowledge-based view of strategic management which recognizes that an indispensable characteristic of strategy is to interpret the specific current state of affairs and uninterruptedly construct the future within the social background. This theory of strategy is different from the other philosophies in strategy since it focuses singularly on knowledge as the force behind strategy. The knowledge-based view of strategy supplements the conventional philosophies of strategy by introducing new theories along the three magnitudes of placing individuals at the centre of strategy; considering strategy as a dynamic process, and having in place a social programme.

Knowledge-based theory of the firm, according to Reihlen and Ringberg (2013), is founded on four properties. The first premise is that the organization can be adequately identified as a system of knowledge, the second property is that unambiguous and implicit understanding can be clearly disconnected, the third premise holds that companies are regarded as discerning units, and finally, perception designed by mutual cultural traditions is a better source of managerial information. This argument characterizes a social constructionist interpretation of the presentation, transmission, and storage of information consistent with the managerial knowledge which is mainly implicitly designed by sector guidelines and the organization’s social and cultural agreements as well as other social procedures. In strategic management, a knowledge-based strategy formulation ought to begin with the principal intangible resource which is the competence of staff. Humans are perceived to be the only actual representatives in business since all tangible products and assets in addition to the
intangible relationships result from human act, and eventually depend on humans for their sustained existence. People continually encompass themselves into their universe by intangible business relations, ideas, and associations (Sveiby, 2005).

Knowledge is regarded as existing within the person, and the principal function of the firm is the application of knowledge and not the creation of knowledge. The consequential theory has inferences for the centre of managerial capability, the philosophies of organization and the determining factors of the horizontal and vertical precincts of the organization. In general, the knowledge-based theory clarifies on existing innovations and trends of the firm and has comprehensive consequences for the practice of management (Grant, 1996). Social relationships, which are evidently influenced by strategic management, are perceived as a well-organized constituent of the knowledge development within the organization. When the management team is better organized and the knowledge flows within the company is exceptional, the organization tends to be more advanced and innovative (Katzy, Bondar, & Mason, 2012).

Sveiby (2005), puts forward nine fundamental knowledge transfers/conversions, which can potentially create value for an organization. These are knowledge transfers/conversions between individuals, from individuals to external structure, from external structure to individuals, from individual competence into internal structure, from internal structure to individual competence, within the external structure, from external to internal structure, from internal to external structure, within internal structure and the maximization of value creation. This theory relates to this study because implementation of strategic management processes involves use of institutional knowledge to aid in decision making.

2.2.8 Strategic Management and Organizational Performance

There are several studies that have concluded that strategic management indeed plays a role in the performance of organizations. Previous studies have mainly paid attention to the direct influence of strategic management on corporate performance but they have not been focusing on the specific steps that make up the strategic management (Arasa & K’Obonyo, 2012). An organization’s established strategic plans relative to its performance in all fronts of operations should be ascertained so as to assess the level of success or failure of the firm (Poku, 2012). Formal planning systems assist managers make better strategic decisions
according to Hill, Jones and Schilling (2013), and it thus leading to a positive impact on an organization’s overall performance.

While studying the strategic management system characteristics in Jordanian small industrial firms, Aldehayyat and Twaissi (2011), found a concrete source of data in regard to a variety of practices associated with strategic management in these industrial firms. There was empirical evidence about the involvement of top management in planning, the use of environmental screening, and the use of strategy tools and techniques. Their study also found a strong positive relationship between strategic management and organizational performance. McIlquham-Schmidt (2010), also concluded that strategic management plays a positive role on corporate performance and both the organization and the personnel benefit from strategic management such that the organization can achieve its goals and objectives whereas the workers benefit from the clarity of individual responsibilities given by a strategic plan hence they are motivated.

Jenster and Søilen (2012), established that better planning had a positive effect on a number of key business performance measures with the different strategies selected having different impact on the organizational performance. Reactors as a type of strategy performed worse than organizations which use one of the other strategies. Further, their study found differences between different planning activities and Organizational Performance, and that activities associated with Competitive Intelligence were more important for Organizational Performance than the other planning activities, on the average.

Results from a study by Ongonge (2013), conducted on ActionAid Kenya also strongly affirmed that strategic management directly contributes to organizational performance. However, according to the study, there is a difference between the results and methods of determining strategic management effectiveness and company performance. This concurs with the argument that there must be a lot of caution during the selection of the appropriate method of measuring relationship between strategic management and organization performance.

However, according to Genç and Şengül (2015), there is no sufficient evidence to support the supposition that strategic management has a direct association with organizational performance, and it remains ambiguous whether any other influencing factors that might
influence this association exist. Additionally, a number of public management scholars and specialists have reservations about the concept of using strategic management tools in a public setting, and deliberate that the public sector should create management tools and approaches of its own since public and private fields are very different. Some scholars give attention to the issues and inconsistencies strategic management might encounter when used in the public sector. For example, Joyce (1999) asserts that strategic management may work in contradiction of creativity and innovation as the long-term strategic plans may limit employees into thinking realistically in the short term and this could inhibit them from making decisions quickly. Thus, strategic management can be regarded as a constraint to short-term performance in companies listed at NSE.

2.2.9 The Process of Strategic Management

The process of strategic management is made up of three main stages such as strategy formulation, strategy implementation, and strategy evaluation. Strategy formulation involves developing a vision and mission, identifying a company’s external opportunities and threats, defining internal strengths and weaknesses, creating long-term objectives, coming up with alternative strategies, and choosing specific strategies to follow. In this stage, the management decides what new businesses to venture into, what businesses to drop altogether, resource allocation, whether to expand or diversify tasks, whether to go into global markets, and whether to merge or form a joint venture among others (David, 2011; Pearce & Robinson, 2011). Strategy formulation decisions commit the organization to specific products, markets, resources and technologies over an extended period of time. Strategies determine long-term competitive advantages of the organization. Strategic decisions have a major multifunctional consequences and enduring effects on an organization (David & David, 2016).

Strategy implementation dictates than an organization creates annual objectives, comes up with policies, motivates staff, and allocates adequate resources to enable the execution of formulated strategies. It involves developing a culture that supports strategy, forming an effective organizational structure, readdressing marketing forces, preparing budgets, developing and making use of information systems, and associating staff compensation to organizational performance (David, 2011). According to Hill, Jones and Schilling (2013),
strategy implementation is whereby the strategies are put into action by taking actions consistent with the selected strategies of the company at all the levels and by allocating roles and responsibilities among managers. The process also includes allocating resources, setting both departmental and organizational short-term objectives; and designing the organization’s control and reward systems. A strategic plan results from tough managerial choices among numerous good alternatives and it signals commitment to certain markets policies, procedures and operations in lieu of other less desirable courses of action.

Strategy evaluation is the ultimate stage in strategic management where the management must know when specific strategies are not working properly. Strategy evaluation is the main means for determining when specific strategies are not functioning well. All strategies can always be modified in the future because both external and internal factors keep changing. The three essential activities by which strategies are evaluated include reviewing external and internal factors on which current strategies are based on measuring performance, and taking corrective actions (David, 2011; Pearce & Robinson, 2011). Conducting performance evaluation at least annually is very much important on long term status or on the mission or the vision of the organization. This step of evaluation compares performance of current time and previous time after strategy implementation. This helps the management come up with necessary changes or adjustments to the strategies. The revised plan of the organization should respond to the emergent strategies which can affect the organization’s intended courses (Athapaththu, 2016).

Strategy evaluation is very important since success of a business today does not guarantee it success in the future. In addition, success comes about with new and different problems which cannot be faced or dealt with the old strategies. This means that constant evaluation is very necessary in order to come up with new and improved strategies that fit current situations, complacent organizations experience demise. This is to mean that generally, strategy formulation, implementation and evaluation should be performed on a continual basis, not just at the end of the year or semi-annually like most organizations do (David & David, 2016). The two further state that strategy formulation, implementation and evaluation activities occur at three hierarchical levels in large organizations. These levels are corporate, divisional or strategic business unit and, the functional unit. By fostering communication among individuals in all the three levels, strategic management helps an organization
function as a competitive team and it is highly recommended that managers and employees should all be involved in the strategic-management activities.

2.2.10 Levels of Strategy

In strategic management, there are three levels of strategy including business-level strategy, corporate-level strategy and the functional-level strategy (Nickols, 2016). Business level strategy’s key focus is on how the organization is intended to compete whether through customer intimacy, product or service leadership, or lowest total cost and what the differentiation is based on. This strategy essentially spells out the way an organization positions itself in the market to achieve a competitive advantage, in addition to the various strategies that can be applied in various business situations for positioning (Hill, Jones & Schilling, 2014). Each product or business unit is what concerns this level of strategy. Focus is on how the business entity competes within its sector for clienteles. At this level, strategic decisions relate to the trend and degree of research and development, level of advertising, changes in products, development of new products, equipment and amenities, as well as the development or reduction of products (Daft & Marcic, 2016).

Corporate level strategy spells out what the organization wants to achieve. It communicates the future plan and structure of the organization, in addition to influencing the motivation of the organization and the industry which it expects to compete in (Ritson, 2011). Daft and Marcic (2016) add that strategic activities at the corporate level are concerned with getting hold of new businesses, diversification or additions of products, plants or business units, and joint ventures with other firms. In general, this strategy involves selections managements need to make in determining which businesses and sectors an organization should compete in, choosing the value creation undertakings it should execute, and deciding the manner in which the firm should enter, associate, or exit sectors or businesses or industries (Hillet et al., 2014).

Functional or operational level strategy concentrates on how the organization intends to grow, whether through market penetration, market development, product development, or diversification. It relates to the fundamental operating subdivisions within the business unit. These strategies consist of all the major functions such as marketing, finance, manufacturing, production and research and development (Daft & Marcic, 2016). Functional level strategies
focus on the creation and management of resources by which business level strategies can be achieved successfully and resourcefully. Majority of the organizational decisions are executed at the functional level and therefore in case an organization is unsuccessful in outlining the functional levels and the responsibility of each of these functions, the effectiveness of the organization as a whole is jeopardized.

2.2.11 Benefits of Strategic Management

The benefits of strategic management can either be financial benefits and non-financial benefits. Financial benefits include improvement in sales, profitability, and productivity. There are also non-financial benefits. Strategic Management improves the understanding of competitor’s strategies by enabling a company to understand the difference with its competitors and being aware of threats. It allows reducing resistance to change, enables the exploitation of more opportunities, defines the management issues objectively, provides a framework for an organization to coordinate and control the activities, promotes the communication among the employees and managers and finally, it encourages people to think about more about the future of a company (Huiru, 2011).

One of the benefits of strategic management as summarised by Aldehayyat and Twaissi (2011), in their study is to improve co-ordination within an organization by bringing together all the departmental strategies within the overall organizational strategy. Strategic management is also important for controlling through reviewing the organizational performance and its progress toward goals or objectives. Further, a strategic plan is used for identifying and pursuing future marketing opportunities, for enhancing communication between staff internally within an organization; and for improving the overall organizational performance. Poku (2012), adds that organisations plan and monitor their activities in order to focus resources and efforts for their ultimate survival. Strategic management also increases the organizational efficiency and effectiveness through the improvement of both present and future operations. It offers a background for the management’s vision of the future and thus determines how the organization will change eventually to benefit from the new opportunities (Poku, 2012).

Further, Bryman (2011) explains that strategic management helps organizations (whether private, public or non-profit) think strategically. It also helps an organization clarify its future
direction, enables it to make today’s decisions while considering their future consequences. Strategic plans develop a coherent and defensible basis for decision making as well as exercising maximum discretion in the areas under organizational control. Finally, strategic management helps solve major organizational problems, improve overall corporate performance, deals effectively with rapidly dynamic environment and helps build teamwork and expertise. Bryson (2011) adds that strategic management is beneficial to organizations through enhancement of strategic thinking, acting, and learning within an organization as it helps in understanding context, clarifying mission, selecting the best strategies, negotiating measures and standards of performance. It also leads to improved decision making as it helps the personnel make decisions related to organizational purposes and in relation to future strategic outcomes. Enhanced organizational effectiveness, responsiveness, and resilience can also be attributed to strategic management. Strategic management also enhances effectiveness of broader societal systems; improves organizational legitimacy; and has direct benefits for the people involved through improved morale, fulfilment of job responsibilities, improved competency, enhanced job prospects, and reduced anxiety.

The most significant benefits of practising strategic management in an organization are; it ensures the company’s ability to prevent problems, provides unity in conception and action at all hierarchical levels within the company, it ensures consistency of strategic decisions with the current and tactical ones and better coordination of all operational and functional units within the company, contributes to the clarification and understanding of the organization’s mission and the purpose of the organization and, by defining explicit strategies, helps to increase employees’ motivation and to reduce resistance to change. It’s also believed that the most important advantage of the strategic management is that it significantly improves economic and financial results of an organization, quickly develops and strengthens its market position, and appreciably improving its competitiveness (Braduțan & Sarbu, 2012). According to Athapaththu (2016), the benefits of strategic management include enhanced communication through dialogue and participation; this leads to greater commitment towards achieving objectives, commitment to implement strategies and commitment to working hard. The result is that both the managers and the subordinates come together to help the organization succeed.
According to David and David (2016), strategic management allows organizations to be more proactive than reactive in shaping its own future as it allows organizations to initiate and influence (rather than just respond to) activities. This helps an organization to exert control over its own destiny. They further state that the principal benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical and rational approach to strategic choice. According to Huiru (2011), strategic management has other benefits that are not necessarily financial benefits to an organization. These benefits include improving managers’ understanding of their competitor’s strategies, it allows reducing resistance to change, it defines the management problems objectively, it provides a framework for a company to coordinate and control the activities in an organization, it promotes the communication among the employees and managers in an organization, and, it encourages having a strategic thinking style by inspiring the people to think more about the future of the company.

2.2.12 Barriers to Effective Strategic Management

Strategic management may also face several barriers. Several studies that have been previously conducted have established a number of barriers that organizations face in strategic management. Madegwa (2013), categorizes the barriers into internal and external factors. The internal factors include management, communication, human factors such as resistance to change, leadership, organizational structure, information systems and technology. The external factors include changes to the operating environment, unforeseen competition or the entry of new industry players in the sector and changes in government policies.

Nazemi, Asadi and Asadi (2015), discuss eight different barriers to strategic management including cultural barriers, insufficient resources, structural barriers, lack of effective performance measures, managerial barriers, environmental barriers, human resource management barriers, and inadequate strategy formulation. Similarly, according to Latif, et al (2013), the most common barriers in effective strategic management which organizations frequently face in strategy formulation and implementation include strict time limits, duplicate procedures, unaccountability, power and influence.
Pindelski and Mrowka (2011), similarly discuss eight different barriers that impede the strategic management. Having an unclear strategy which is formulated in a general manner with unclear and ambivalent goals is one such barrier. Some organizations use improperly selected methods and the guidelines on the fulfilment of the strategies are equally unclear although these methods play an important role in translating organizational visions into substantial goals and tasks. Furthermore, insufficient or improper communication is also a barrier such that there is no verification of the level of understanding the message. Another barrier is the wrong selection of the appropriate resources and improper allocation of resources which is an inappropriate amalgamation. Lack of control and monitoring of strategy performance progress, the lack of consistence in monitoring and supporting the employees in the performance is also another major barrier. Finally, ignoring the varying elements of environment and the lack of space for the possible strategy changes during its performance, improper adaptation of the strategy to the varying enterprise environment and improper motivation of the employees also impede the strategic management.

Finally, Canhada and Rese (2011), discuss the barriers of strategic management such as lack of consensus, understanding and transparency on the meaning of the company’s mission and vision; the lack of relation between strategic content and strategic management; lack of consistency between strategic management and resource allocation; lack of strategic feedback; a relatively inflexible formal structure due to Information Technology and lack of involvement of the company’s management and the use of strategic management models that are not suited to organizational reality.

Effective change management and leadership, accountability of employees and regular checks are crucial for successful effective strategic management. It is also required that the management involves the employees in decision making process, while clearly describing their roles within the organization in order to get rid of these barriers (Madegwa, 2013). To counter such barriers, the organization must conduct regular revisions of the strategy and its assumptions, ideas and predictions and it must be continuously ready to change parts or even the whole of the strategy. The effective organizational performance also requires the strategy to be clear, considerable and logically translated into feasible and consistent goals. Employees must understand the strategies and be able to transfer the strategies to their daily routine and they should have the possibility of converting their actions into the total effect of
the organization’s business. The goals that support the anticipated results of the strategy performance should be elaborated and agreed upon (Pindelski & Mrowka, 2011).

Ndambiri (2015), in her research to investigate the barriers that are encountered in execution of a strategy found that there are two factors that often hinder the implementation of a formulated strategy, namely: the organization’s vision and an organization’s business processes. With regard to vision she stated that there is often a problem linking the organization’s vision to the strategy. She stated that managers have a problem linking what needs to be done to where they want to go. This happens managers are not able to draw the bigger picture in relation to strategy, structures and processes. This also happens when the people involved in strategy implementation do not understand the vision. The missing of targets brings about disconnect often found in the vision, the strategies and objectives.

The business processes include the structures and the program that are designed to facilitate the operation of an organization like control systems, reward and disciplinary systems, resource distribution and allocation and structures. This becomes a barrier in strategy management when these processes are not aligned with strategies. In strategy management, for there to be effective strategy implementation then structure, strategy, skills, staff, styles, systems and shared values should all be aligned together. Aligning business processes with strategy helps in realizing goals and objectives that are intended when formulating objectives. This can be done through management systems, process owners and process operators working together as a system though in their different unique tasks (Ndambiri, 2015).

2.2.13 Balanced Scorecard (BSC)

The BSC offers policy makers with four different angles from which they select measures within their organizations. The BSC supplements conventional financial indicators with measures of performance for customers, internal processes, and innovation and improvement activities (Kaplan & Norton, 1998). The balanced scorecard translates the strategy into relevant operational terms and reflects the organization’s detailed understanding of the causal linkages between measures and quadrants. It is the groundbreaking provided by the recording of achieved results (lag indicators) and the illustration of expected results. A properly executed scorecard process requires that every level of the organization has a clear and
agreed understanding of the fundamental goal of the organization, the values of the organization, the critical measures that will make a real difference to the organization’s performance, who the stakeholders are and how their views can be collected and reflected in the respective quadrants of a balanced scorecard and, finally, how the scorecards and measurements link together to ensure the organization moves towards its strategic goals and objectives. The balanced scorecard is known to have four quadrants, namely: the financial quadrant, the internal business processes quadrant, the learning and growth quadrant and lastly, the customers’ quadrant (Mackay, 2005).

The Learning and Growth Perspective includes staff training and organizational cultural attitudes that relate to individual and organizational self-development. People are usually the main resource in a knowledge-employee company. It is becoming essential for employees in the current environment of where technology changes rapidly, to be in a constant learning mode. Measurements can be set up to lead managers in directing funds for training where they can be most helpful. Moreover, learning and development create the crucial foundation for success of any organization (Kaplan & Norton, 1998; Kaplan, 2008). Kaplan and Norton (2008) contend that learning also includes things like mentors and coaches within the organization, in addition to the ease of communication among the employees which lets them to freely get assistance on an issue when it is required. Learning also includes technological tools. According to Mackay (2005), the objectives measured within this perspective deal with the strategic investment in people, processes and information systems and organizational culture.

The Business Process Perspective is all about internal business processes. Measurements that are based on this perspective permits the policy makers to know how well their business is functioning, and whether the company’s products and services fit in the customer requirements. These metrics should be prudently designed by individuals who are well acquainted with these processes most intimately (Kaplan, 2008). Non-financial measures are commonly used for monitoring operational processes which provides a mechanism for control and improvement of an organization’s processes. These measures should not focus solely on enhancing processes only but should also focus those capabilities that deliver competitive advantage for the organization (Mackay, 2005).
In the Customer Perspective, the primary indicators are such that if the customers are not satisfied, they will eventually find other providers who will meet their needs. Although the current financial outlook may appear good, poor performance from this perspective is therefore a primary indicator of future decline. While creating metrics for satisfaction, customers should be examined in terms of the customer types and the types of processes for which the company is providing a product or service to the particular customer groups (Kaplan & Norton, 2004). Measures of customer satisfaction record the success the organization has achieved to date in pleasing its existing customer base with its products and services. Measures of customer loyalty and retention can provide the management with an insight into longer term trends in its association with these customers. Measures of customers’ attitudes towards the organization and levels of recognition within selected segments can help identify the future markets of an organization (Mackay, 2005).

Finally, in the Financial Perspective, well-timed and accurate financial data is essential and prioritized, and thus managers must endeavour to provide it. Consequently, there is a great deal of handling and processing of funding data. There is expectation that more of the information processing can be centralized and automated with the implementation of an organizational database. Additionally, there may be a need to include additional data related to financing, including risk assessment data and cost-benefit data in this category. According to Mackay (2005), the financial quadrant would include measures that indicate whether money has been spent as agreed and in accordance with procedures, that resources have been used efficiently and, whether the resources have been used to achieve the intended result.

The balanced scorecard has its strengths in that it links performance measures with the strategies of the business units, the balanced scorecard helps the organization align its strategies focussing on the business units and employees about their role in fulfilling the organization’s mission, it’s a hierarchical system of strategic objectives spread over four prospects, less strategy and aligned with the financial perspective and, it’s balanced in both the internal and external aspects of the business. A well designed balanced scorecard should describe the strategies through the objectives, it also allows the employees to understand the strategies and objectives and it clarifies the operational strategies and facilitates communication in an organization, it can be applied to companies of any size to manage and evaluate business strategy, monitor operation efficiency and, communicate related processes
to all the employees and, helps managers to understand how measurement results are affected by their actions through communication. The development of the balanced scorecard was one of the answers to criticisms of the traditional forms of assessment accounting for knowledge-based companies and, as the balanced scorecard requires organizations concretely define a mission, a vision and an organizational strategy, it can be seen as a means of communication and strategy implementation (Gomes & Romao, 2014).

Nevertheless, the balanced scorecard has been criticized severally. These critics include the fact that the causality relationships between the areas of measurements in the balanced scorecard, are un-directional and too simplistic, there is no cause and effect relationship between some of the suggested areas of measurements in the balanced scorecard, the balanced scorecard neglects the time dimension the balanced scorecard lacks validation, the balanced scorecard lacks integration between top-levels and operational levels’ measures, the balanced scorecard puts all focus on internal factors and, the balanced scorecard is ineffective to corporate sustainability (Salem, Hasnan & Osman, 2012). There is also a critique of the balanced scorecard that it doesn’t define the key performance indicators adequately therefore hampering identification. The balanced scorecard has also been accused of being rigid in the conception of performance measurements because it reduces all performance measures into four measures. The balanced scorecard is also inflexible which is viewed as a significant limitation to its implementation. The balanced scorecard is also not flexible enough to be used in organizations that operate in highly dynamic business environments. The balanced scorecard has been found to hamper a firm’s innovation capability which it could derive from external networks which is as a result of it focusing on internal aspects only. The lack of a bottom line or a unified view of the balanced scorecard is a limitation during implementation. The balanced scorecard is also complex and resource intensive in its implementation (Awadallah & Allam, 2015).
2.3 Conceptual Framework

Independent variables

- Leadership
- Budget
- Environmental context

Dependent variable

- Revenue
- Market share

- Tools
- Contingencies

Source: Author Data (2017)

Figure 2.1: Conceptual Framework
This conceptual framework is based on BSC and strategic management theories. The dependent variable in this study is the organizational performance. Gavrea, et al. (2011), argue that organizational performance may be comprehended differently according to the person assessing the organizational performance. Therefore, to define the concept of performance, it is necessary to know its elements unique to each area of responsibility. Reporting an organization's performance level also requires one to be able to quantify the results. Gavrea, et al. (2011), perceive organizational performance in terms of information technology, leadership, innovation and development, employees, quality, and corporate governance.

The independent variables in this study are strategy formulation (Leadership initiative, budget/finances and environmental context), strategy implementation (staff participation, organisational structure, policy and empowerment), and strategy evaluation (tools and contingencies). The moderating variable in the study is regulation by the NSE. Employee participation refers to the degree of involvement of management and employees in strategic planning process (Aldehayyat & Khattab, 2013). The tools of strategic management include Financial Analysis, SWOT and PESTEL analyses that are used to assess an organization’s operating environment and performance. Implementation involves procedures carried out at the functional, business, and corporate levels of an organization to execute a strategic plan (Hill, Jones & Schilling, 2013).

### 2.3.1 Measurement of Variables

#### Table 2.1: Independent and Dependent Variables

<table>
<thead>
<tr>
<th>Strategic Management Variables</th>
<th>Description of measures</th>
<th>Performance Measures</th>
<th>Hypothesis</th>
<th>Research Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Management</td>
<td>The process of creating a strategy for either an individual, or an organization</td>
<td>Leadership initiative</td>
<td>H0: There is a significant relationship between formalities of strategic management and organizational performance of companies listed at</td>
<td>What is the relationship between formalities of strategic management on organizational performance of companies listed at</td>
</tr>
</tbody>
</table>
Strategy implementation

- Employee participation
- Structure
- Policy

Activities at the functional, business, and corporate levels to effect a strategic plan.

Staff participation Empowerment

H₀: There is a significant relationship between implementation of strategic plan and organizational performance of companies listed at NSE.

What is the effect of implementation of strategic plan on organizational performance of companies listed at NSE?

Strategy evaluation

- Tools
- Contingencies

The determination of the effectiveness of a particular strategy in achieving the company goals and taking corrective actions if necessary

Utilization Balance score card

H₀: There is a significant relationship between tools of strategic management and organizational performance of companies listed at NSE.

What is the relationship between tools of strategic management and organizational performance of companies listed at NSE?

Organizational Performance

- Revenue
- Market share

The competitive advantage in comparison to its competitors in the market or financial performance of the company.

Profitability, gross profit, return on asset, return on investment, revenue growth, market share, stock price, sales growth, liquidity and operational efficiency.

H₀: There is a significant relationship between strategic management process and Organizational Performance.

What is the influence of strategic management process on organizational performance?

Source: Author Data (2017)
2.4 Empirical Review

This section presents the empirical review of studies relevant to this study. Empirical review includes reference to studies that are necessary for the analysis of this study, whereas the conceptual framework outlines the concepts, assumptions and theories that support and inform this study.

2.4.1 Role of Strategic Formulation on Organizational Performance

Strategy formulation is the process of creating a strategy for either an individual, or an organization. It involves the development of long term plans for the effective management of environmental opportunities and threats while taking into account the company’s strengths and weaknesses and incorporating outlining the corporate mission, specifying feasible objectives, developing strategies and setting policy guideline. The process includes the planning and decision making that results in the setting up of the organization’s goals and the creation of a strategic plan (Daft, 2004; Bordean, et al., 2010).

In strategy formulation, strategic leadership involves managing an organization’s strategy making process in the most effective manner in order to create competitive advantage. Strategy-making process involves the selection and the subsequent implementation of a set of strategies that strive for achieving a competitive advantage (Hill, Jones & Schilling, 2014).

Andrews, et al. (2009), examined the independent impacts of strategy formulation variables such as rational planning, logical instrumentalism and strategy process absence and strategy content on organizational performance. The findings revealed that variables of strategy formulation including logical incrementalism and strategy absence had negative influence on performance while variables including prospecting and defending were established to likely bring about greater amounts of organizational performance.

2.4.1.1 Role of Strategic Leadership on Organizational Performance

Leaders help to determine the vision and mission of the company as well as facilitating the organization to implement effective strategies to achieve the vision (Azhar, Ikram, Rashid, & Saqib, 2012). According to Taylor, de Lourdes Machado and Peterson (2008), organizational
leaders are tasked with effectively moving the company forward by taking the organization from its current state to a new and better state in terms of capacity and performance.

Leaders further acts as a connection between the soul and the body of a company. During the process of strategic management, leaders act as change enablers/drivers, guides, innovators, strategists, care takers, analysts, evaluators, organizers, developers, decision makers, risk managers, collaborators, debtors, and motivators (Azhar et al., 2012). In order to gain competitive advantage, leaders identify organizational resources, enter inputs into the planning process, single out the capabilities that allow the organization to improve and then select a strategy that best enables the organization to exploit its resources and capabilities (Taylor, de Lourdes Machado & Peterson, 2008).

A company’s leadership is involved in creating a vision of the organization’s future, developing a set of guiding principles such as behavioural norms necessary to achieve that vision, clarifying the mission of the organization, and developing strategic goals (Wells, 1998). Crafting the organization’s mission statement is the first component of the strategic management process. The mission statement outlines what the company engages in and is composed of four main parts, namely: a statement of the reason for existence (mission), a statement of some anticipated future state (the vision), a statement of the organization’s key values and a statement of main goals. This statement briefly defines why the organization exists and what it intends to achieve. The vision similarly outlines an anticipated future state of the organization and it boldly articulates what the organization would like to achieve. A vision statement covers the specific features or attributes that describe the organization in its future desired position and it is used to motivate and inspire the organization’s personnel, and it should be achievable (Taylor et al., 2008; Hinton, 2012; Hill, Jones & Schilling, 2014).

O’Reilly, Caldwell, Chatman, Lapiz and Self (2010), carried out a research with an aim of finding out how a leader’s effectiveness in strategic implementation impacts the organizational performance. The study was conducted by collecting primary data from physicians in eight specialty departments working in six medical centres in US. The data was then analysed using a series of statistical techniques including descriptive statistics analysis, correlation analysis, hierarchical linear modelling and, regression analysis. The
results indicated that the more the leader showed more support for new strategic initiatives the more the increase in organizational performance.

Singh and Panda (2015), carried out a research with an aim of investigating the impact of organizational culture on strategic leadership development. For purposes of that study they collected data through a survey questionnaire sent to the executives of Nalco Holding Company in Minnesota, United States, using snowball sampling technique across its various departments. The data was then processed using statistical analysis procedures such as descriptive statistics analysis and one-sample t-test. The results of their study indicated that there is a significantly positive relationship between organizational culture and strategic leadership development. In their study they concluded by stating that the positive culture existing in the organization is supportive for the development of future strategic leaders who are the key catalyst for the consistent increase in organizational performance of organizations such as NALCO. Their study therefore implies that there is a significantly positive relationship between strategic leadership development and organizational performance.

Aslan, Diken and Sendogdu (2011), carried out a research with an aim of investigating the effects of strategic leadership on strategic change on innovativeness of SMEs in a perceived environmental uncertainty. Strategic leadership was divided into three main components namely transformational leadership, transactional leadership and visionary leadership. The survey was carried out by first collecting primary data from employees working in SMEs in Konya Province of Turkey. All analysis was conducted on SPSS validity of questionnaire constructs was done by performing confirmatory factor analysis. The data was then analysed using correlation analysis and structural equation modelling. Strategic leadership was found to have a positive relationship with environmental uncertainty, strategic change and innovativeness. Transactional leadership was found to have a significantly positive relationship with environmental uncertainty and strategic change but not with innovativeness. Vision development was also found to have positive relationship with strategic change, innovativeness and environmental uncertainty. The general result indicated that strategic leadership has a significantly positive effect on strategic change and innovativeness through environmental uncertainty. Hence, strategic management has a significantly positive effect on organizational performance.
Ozer and Tinaztepe (2014), carried out a research with an aim of investigating the effects of strategic leadership styles on firm performance. The study was carried out by first collecting data from employees working in an export company in Turkey by sending them questionnaires via an electronic link. They divided strategic leadership styles into three leadership styles namely; transformational leadership, relationship-oriented leadership and management by avoidance. All analysis for the study was conducted by use of SPSS and they made use of statistical analysis processes such as descriptive statistics analysis, correlation analysis, tests of internal consistency via Cronbach’s alpha, Bartlett’s tests of sphericity and, multiple and simple regression analysis. The results indicated that there were weak but positive relationship between firm performance and relationship-oriented leadership. Firm performance was found to have a stronger positive relationship with transformational leadership whereas management by avoidance was found to be negatively correlated with firm performance. They also found that transformational leadership has a stronger positive relationship with firm performance. The general result showed partial support for the hypothesis suggesting that there is a positive relationship between strategic leadership and firm performance.

Supriyadi (2012), conducted a research with an aim of examining the influencing effect of strategic leadership on a firm’s innovative and inventive performance. The study was carried out by first collecting secondary data regarding chief executive officers and chief scientific officers who managed biopharmaceutical companies in Indonesia. The data was then analysed using statistical techniques mainly by use of a 3-level mixed effect Poisson regression hierarchical modelling. The results from this study indicated that strategic leadership has a positive and significant effect on a firm’s inventive and innovative performance.

Kaliappen and Hilman (2013) carried out a research with an aim of examining how to enhance organizational performance through strategic alignment of cost, leadership strategy and competitor orientation. The study was carried out by first collecting primary data through questionnaires from three to five-star rating hotels’ managers in Malaysia. Analysis of the data was done by conducting descriptive statistics analysis and correlation analysis. From their results, they concluded that strategic leadership has a positive and significant impact on
competitor orientation and, that leadership strategy has a significant and direct impact on organizational performance.

Bauml (2014) carried out a research with an aim of investigating the impact of strategic performance management on the alignment of employees and organizational performance of SMEs. They divided strategic performance management into components such as formalization, breadth and alignment of an organization’s strategies. The study was conducted by collecting primary data through sending emails to owner-managers and managing directors of Swiss and Singaporean manufacturing SMEs in Switzerland and Singapore. Data for the study was then analysed through several statistical techniques such as descriptive statistics analysis and to estimate the relationships in the empirical model the study employed variance-based advanced structural equation modelling (SEM) technique, that is, partial least squares. They also carried out tests such as indicator loadings, composite reliability and AVE. The results of their study indicated that use of measures is positively associated with strategic alignment, which in turn improves organizational performance. Their general results indicated that strategic performance management positively affects organizational outcomes such as organizational performance.

Hamedani and Zare (2014), carried out a research with an aim of finding out the effects of strategic thinking skills in leadership on the effectiveness of strategic team performance in organizations. They divided strategic thinking skills of leadership into several components namely strategic thinking, strategic action skills and, influence and strategic influence. To be able to do this they carried out a descriptive survey on a sample of employees and managers of the bank branches in Qom Province in Iran using stratified random sampling method. They utilized Cronbach’s alpha to test internal consistency of the constructs. All the analysis was done on SPSS and AMOS software using analysis techniques such as correlation analysis (Spearman’s correlation coefficient), regression analysis and structural equation modelling. The results from the study confirmed that there is a significant relationship between strategic thinking skills of leadership on strategic team performance effectiveness.

Al-rbabah (2015), conducted a research with an intention of investigating the effects of strategic leadership on managing organizational change. In their study they repeatedly mentioned that the main aim of organizational change is to improve organizational
performance. The study was conducted by first collecting primary data from the staff (staff and managers) of Zarqa University in Jordan. The study classified strategic leadership into three categories namely creative leadership, transformational leadership and transactional leadership. The data was then processed in several ways such as descriptive statistics analysis, correlation analysis, regression analysis and ANOVA. The results indicated that the relationships between creative leadership and management of organizational change and, transactional leadership and management of organizational change, are both positive and significant. They also found that there is no effect of transformational leadership on management of organizational change in Zarqa University. This study concluded by stating that there is a significantly positive effect of strategic leadership on management of organizational change. This is to mean that strategic management has a significantly positive effect on organizational performance.

Serfontein (2010) carried out a research with an aim of investigating the impacts of strategic leadership on the operational strategy and performance of business organizations in South Africa. Strategic leadership was divided into constructs namely action, coherence and discipline. The study was conducted amongst CEOs and executive team members of top performing organizations as listed in the financial mail. The questionnaires were sent to them via email. They then adapted and developed measurement instruments which were then verified as reliable using Cronbach’s alpha and consequently tested for validity by testing convergent validity, discriminant validity, face validity and Nomo-logical validity. The data was then analysed using descriptive statistics and correlation analysis (Spearman’s correlation analysis). The results from this study indicated that the relationship between strategic leadership and performance of business organizations is positive but indirect.

Koskei, Katwalo and Asienga (2013), conducted a research with an intention of investigating the influence of strategic leadership capability on organizational performance of research institutions in Kenya. In the research methodology they used stratified random sampling technique, and they tested reliability using Cronbach’s test of internal consistency, quantitative research design and they analysed the data by conducting factor analysis, analysis of variance (ANOVA), Pearson correlation analysis and regression analysis. The results from regression analysis indicated that strategic leadership capability was positively and significantly related to research institution’s performance.
Nthini (2013) carried out a research with an aim of investigating the effect of strategic leadership on performance of commercial and state corporations in Kenya. The study was conducted amongst employees working in charge of strategy and human resource department. They used descriptive survey design and collected data using questionnaires. Strategic leadership was divided into several components namely determined corporate strategic direction, effectively managed corporate resource portfolio, emphasized effective organizational culture, emphasized ethical practices and balanced organizational controls. The analysis of strategic leadership in commercial and financial state corporations showed that, in positive organizational culture core values, symbols and ideologies are shared. Balanced organizational controls showed a positive strong relationship with annual employee turnover. All the components of strategic management correlated highly with customer satisfaction, return on investment, net profit margin and low annual employee turnover. This implied that effective strategic management promotes organizational performance.

Kitonga, Bichanga and Muema (2016), carried out a research with an aim of investigating the relationship between strategic management and organizational performance in not-for-profit organizations. The study was carried out by collecting primary data from the NPOs (also known as CEOs and Directors etc.) and other members of top management team (project managers) from the sampled not-for-profit organizations in Nairobi county, Kenya. Strategic leadership was subdivided into components namely strategic direction, human capital, ethical practices and organizational control. The study tested for reliability of measurement constructs using Cronbach’s alpha and tested for validity by calculating content validity index. The data was then analysed using statistical techniques such as descriptive statistics analysis, multiple regression analysis and correlation analysis. The regression analysis results indicated that all the components of strategic leadership named correlate positively with organizational performance. The results further indicated that strategic decision and human capital correlate significantly with organizational performance while ethical practices and organizational control do not have a significant correlation with organizational performance. Their general conclusion is that strategic leadership has a positive significant relationship with organizational performance.

2.4.1.2 Role of Strategic Budgeting on Organizational Performance
The strategic management resource requirements must be incorporated into the budgeting process. Managers at each level of management in an organization create operating budgets that regulate how they are supposed to attain objectives once they have been given an objective to achieve (Wells, 1998; Hill, Jones & Schilling, 2014).

An operating budget is a plan that summarizes how managers are supposed to use company resources to achieve organizational goals in the most efficient manner. Usually, managers in a higher level allocate to managers in a lower level to use in providing goods and services. Lower-level managers must decide how they will allocate finances for different organizational activities once a budget is determined (Hill, Jones & Schilling, 2014).

Pina and Vieira (2010), contend that through good communication, enhanced responsibility, improved feedback flows, and a better choice of non-financial key performance indicators, an organization can improve the budget, make it a more efficient and reliable process, and align it with the overall company strategy.

According to Barclay, van Schalkwyk and Pauw (2011), there are constraints in the management, budget format and independence that may inhibit the strategic management. Findings from the previous studies indicated that it is difficult to directly relate strategic management and budgeting where amounts are involved. Hinton (2012) argues that in organizations that conduct budgeting without a strategic plan, the trend is usually to formulate decisions that are budget-based. This tendency leads to incremental change rather than strategic change such that the organization only improves or changes as much as the budget allows. Further, key changes and initiatives are observed as a supplement to the company’s current budget.

The overall performance of an organization is likely to be enhanced when budgeting and strategic management are used properly. Any disconnections between budgeting and strategic management will lead to budgets that inhibit implementation of the organization's strategies or strategies that cannot be supported by the organization's finances (Blumentritt, 2006). Mansfield and Beresford (2014), recommended the integration of strategic and planning process into a ‘smart budgeting cycle’ which is made up of a number of elements such as focusing on outcomes, engaging members of the organization, utilising and integrating financial and non-financial evidence, and planning for prevention.
Stratton (2015) recommends that in order to create an effective budget, there must be the identification of the decision makers in the organization and involving them in the budget creation process, using technology to coordinate and consolidate the budgeting efforts with the team, creating a budget that reflects the organization’s strategic plan for the company, engaging the team in reviewing and comparing the budget to actuals in order to highlight strengths and weaknesses, identifying issues quickly and creating a plan for immediate resolution, and also by considering the budget as a tool that translates the organization’s goals and strategies into money.

Abdullahi, Abubakar, Muhammad and Kuwata (2014), examined the role of budget and budgetary control on organizational performance focusing on Tahir Guest Palace in Kano. Purposive sampling was used to select a sample of 278 staff from whom primary data was collected using questionnaires, while the secondary data was obtained through the financial statements of Tahir Guest Palace from 2007-2012. Results from the regression analysis revealed that budget target setting, budget administration, and budget process all have substantial impact on an organization’s performance. The study suggested that the top-level management should uphold suitable standard on budget administration and preparation, and budget practice.

Precisely, using the current budget process on previous budget performance should be given emphasis in determining performance every year, since it will allow the management to observe the company’s growth and performance as budgeted. Additionally, the staff of various units should also be permitted to participate in the budget target setting and the budgeting process to further enhance the performance of the organization (Abdullahi, Abubakar, Muhammad & Kuwata, 2014).

Lambe (2014) sought to carry out an inclusive and analytical assessment of the impact of budgeting and planning on the performance of financial institutions in Nigeria with specific focus on the policies to be considered in developing budgeting and planning schedules, to determine the factors that lead to inflexibilities and structural imbalance in budgeting and planning programmes of Nigerian financial institutions and then evaluate the impact of budgeting and planning on their performance. Primary data was collected using structured questionnaires administered to management and non-management staff of carefully chosen
institutions, interviews and participant observations. The results showed that programmes related to budgeting and planning are limited to few top management staff, but budgeting and planning can be used as a major policy instrument to align commercial banking operations with the policy framework of regulatory bodies, particularly the central bank.

Furthermore, overtime budgeting and planning has positively influenced the effective performance of banks. Thus, financial institutions must function as a single system whereby all its component units are closely inter-related for greater enhancements in overall operations and for maximum impact of budgetary provisions (Lambe, 2014).

Kabayaga (2012) carried out a study on the role of budgeting in organizational performance with focus on Hima Cement Limited and with specific emphasis being on establishing the roles for budgeting in organizations, the contribution of budgeting on the workers performance and the relationship between budgeting and the financial performance of the firm. The study used a case study research design and thematic content analysis to analyse the data. From the findings, it was concluded that budgeting contributes greatly on the financial performance of private companies whereby through budgeting, costs are managed and controlled, firms can realize when costs are high and make some adjustments and the firms can establish targets to meet through budgeting and through this, costs are managed and controlled for increased financial performance.

Since budgeting serves as performance indicator, model of communication, measure of control, means of motivation, it is recommended that organizations in developing countries always perform the budgeting process. Human resource should formulate and adhere budgeting as it is drafted and follow its contents to the latter in the day to day running of the organizations’ activities. Consequently, negative attitude of the human resource in such businesses will be reduced and this will result into proper allocation of resources (Kabayega, 2012).

Maritim (2013) carried out a study to determine the impact of budgeting on the financial performance of Kenyan manufacturing and commercial state-owned enterprises. The study adopted a descriptive research design and used a questionnaire to collect primary data. Results from the regression analysis indicated that the budgeting practices that are common among the firms are budget planning, budget participation, budget participation and
budgetary sophistication. On the other hand, employee involvement in the budgeting process led to better performance in actualization of the plan specified in a certain period followed by budget planning.

The findings of this study thus emphasized the necessity of a participatory budgeting process in which staff at all levels, through their departmental heads are involved and their opinions are integrated in the budget process (Maritim, 2013).

Onduso (2013) carried out a study to find out the impacts of budgets on financial performance of Nairobi County manufacturing companies. Cross-sectional research method targeting eighteen (18) manufacturing firms listed in the Nairobi Securities Exchange was used and a census survey to cover all manufacturing firms in Nairobi County. Both primary and secondary data used for the study was analysed using the Statistical Package for Social Sciences and regression to establish the correlation between the dependent and independent variables of the study. From the results, it was established that a strong positive effect of budgets on financial performance on manufacturing companies as measured by return on assets (ROA) exists. The study suggested that effective budget implementation must be expedited via capacity building, vigorous systems and processes prioritization, and meticulous monitoring for evaluation.

2.4.1.3 Role of Environmental Context on Organizational Performance

An organization’s industry environment is analysed with an aim of evaluating the industry’s profit potential and identifying the sources of the company’s competitive advantage. Porter’s Five Forces of Competition framework which links the structure of an industry to the competitive intensity within it and to the profitability that it realizes is usually used in analysis of the external environment (Grant, 2015).

Partidário (2012), suggested the use of strategic environmental assessment, which is a strategic framework tool that assists in creating a development context towards sustainability by incorporating environment and sustainability concerns in decision-making, evaluating strategic development alternatives and issuing guiding principles to help in the implementation. Additionally, it ensures that allowances are made for environmental and sustainability issues during the formulation or early phases of strategic decision-making processes (Tetlow & Hanusch, 2012).
During the strategy formulation stage of the strategic management, the external and internal environment which an organisation operates in can be analysed using a SWOT matrix. This is carried out to help identify the key opportunities and threats for the company’s work in the external context of the plan, identify the internal strengths and weaknesses of the firm, which determines the organization’s capacity to react effectively to the opportunities and threats, prepare for the identification of strategic goals by removing conflicts between company’s capacity and the needs that the company is attempting to concentrate on (Thomas, 2005).

Analysis of the external environment provides information on all the external factors that can influence the organization, but which the organization cannot change. The analysis of external environment focuses on resources, the legal situation, other power groups, and training and research activities. Analysis of the internal environment on the other hand offers information on everything relevant that has occurred and occurs within the company. It is recognized that the company has the complete ability to act, transform and change its internal environment. The analysis of external environment involves the analysis of clients or customers, competitors, providers or suppliers and the owners (Perera, & Peiró, 2012). Precisely, the external analysis comprises environmental/competitive analysis.

Osorio and Frutos-Juarez (2014) argued that the general business environment has a significant impact on the strategic decisions of companies, although this varies depending on their nature and context. Additionally, the interpretation of those individuals who manage the company is the factor that determines how their strategic content decisions and strategic management is designed. Strategic management is a continuously evolving process and that there is a tendency to gain formality in this process.

In as much as every sector of business is unique, competition and profitability arise from the systematic influences of a common set of structural elements. The Porter's Five Forces tool offers an easy yet powerful organizing method for recognizing the relevant attributes of a sector’s structure and predicting their consequences for competitive behaviour. It is specifically useful for predicting the sector’s profitability, positioning the company with regard to these influences, and singling out how the company can improve market attractiveness (Grant, 2015).
In their research paper on the impacts of strategic environmental scanning on organization performance in a competitive business environment, Babatunde and Adebisi (2012), examined Nestle Nigeria Plc and Cadbury Nigeria Plc by using structured questionnaires to seek the opinions of the selected respondents. Analysis and interpretation of the collected data was through regression and coefficient of correlation method. Results confirmed that there is significant relationship between strategic environmental scanning and organization performance whereby it was found that 30% of the variation or change in effective organization performance is caused by variation in strategic environmental scanning.

Using strategic environmental scanning to estimate the opportunities and threats of a business organization therefore helps in grasping the opportunities and eluding threats and consequently leading to organization profitability. The study recommended that organizations should periodically, continuously and strategically involve in strategic environmental scanning and focus on the threats and opportunities in the environment (Babatunde& Adebisi, 2012).

Cancellier, Junior, Jose and Rossetto (2014), examined the interaction between the organizational strategy and the environment of small companies in order to analyse the link between environmental information scanning, strategic behaviour and performance of organizations using the survey research method. Data collected using questionnaires was analysed using correlations and analysis of variance to verify the differences among companies in their scanning efforts and use of information sources. These organizations were categorized as defender, prospector, and analyser. Findings indicated that prospectors probe information from the competition as well as technological characteristics and access written sources of information and internal sources of information more regularly than those that use another type of strategic behaviour. Generally, the study found out that the scanning of information sources was more linked with the performance than with the strategy measured by the strategic behaviour classification.

Kumar, Subramanian and Strandholm (2001), examined the relationship between scanning and strategy in the health care industry and they extended the current research on the link between strategy and scanning to include performance. From their study, it was found that environmental scanning activities play the moderating function in the relationship between
strategy and performance, therefore presenting further confirmation for the contingency relationship among the environment, the firm's internal processes, and performance.

Odundo (2012) examined the moderating effect of environmental context on the link between level of implementation of strategic plans and performance of Kenyan parastatals. The indicators of the environmental context were political goodwill and support, and policy framework, whereas proportion of strategies in the strategic plan implemented was the independent variable. The dependent variables used were return on sales to measure financial performance, return on assets used to determine efficiency and customer satisfaction to measure effectiveness. Both cross-sectional survey design and relational study design were used in the study whereby questionnaires were used to collect data from 83 state owned enterprises. The results revealed that none dimensions of environmental context (neither political goodwill and support, nor policy framework) moderate the relationship between the extent of implementation of strategic plans and effectiveness of parastatals.

The study therefore confirms the notion that effective strategic planning and implementation, carried out in a positive environment of political goodwill and support, leads to better and enhanced performance. Policy makers should thus consider the feasibilities of implementing government policies while managers ought to nurture political support and goodwill and have in place healthy organizational structures that guarantee effective service delivery. However, being a cross-sectional study in nature and it being generalized across industries, the study did consider the competitive forces that may be exclusive to certain sectors (Odundo, 2012).

Njuguna-Kinyua, Munyoki and Kibera (2014), empirically examined the effect of the external organizational environment on performance of community-based HIV/AIDS organizations in Nairobi County, Kenya. Survey data from 163 Community Based HIV/AIDS organizations, in Nairobi County between January and March 2013 was used. The results showed that the external environment of an organization influences its efficiency, effectiveness, financial viability and relevance with greater effects on the relevance performance pointers.

External environment can be evaluated using the scopes of domain consensus, uncertainty, capacity, dynamism and heterogeneity. There was a statistically significant positive relationship between external environment and CBOs external environment and effectiveness.
efficiency, relevance and financial viability and thus it was concluded that appropriate scanning of external environment effects all undertakings of a firm beginning with planning to implementation. The study suggested that there should be increased focus on external environment in program identification and planning as this influences strategy implementation (Njuguna-Kinyua, Munyoki & Kibera, 2014).

2.4.2 Role of Strategic Implementation on Organizational Performance

Strategic implementation is described by Hill, Jones and Schilling (2014) as the procedures carried out at the functional, business, and corporate levels of an organization to execute a strategic plan. It is the process by which strategies and policies are put in to action through the development of programs it usually involves changes within the overall organizational culture, organization structure and management system of the entire organization. This process involves the use of managerial and organizational instruments to direct resources towards achieving strategic results (Daft, 2004). The implementation of strategies is done through a set of programs, budgets and procedures.

In a study seeking to examine the relationship between strategy implementation and public service performance, Andrews, Boyne, Law and Walker (2011), collected data from different levels of management of the Welsh local authority departments. The findings from the statistical tests indicated that implementation style has no effect on the organization performance when a single style of strategy implementation was used. However, in combination with suitable strategic choices, strategy implementation influenced the organizational performance. Out of the recognized methods of strategic implementation such as the rational, and incremental approach, none of them was found to be likely to result in better firm performance.

2.4.2.1 Role of Strategic Employee Participation on Organizational Performance

According to Wairimu and Theuri (2014), the involvement of staff in the strategic management is of essence in every organization since the employees are directly participating in the implementation of strategies. When the top-level and departmental memos are communicated throughout the company, everyone in every subdivision will align their regular tasks with helping the company achieve its strategic goals (Kaplan, 2001). According to Eyceoz (2009), any organization is made up of people and all the policies or
strategies are implemented by the people. Thus, logic would dictate that every organization looks for and value the involvement of its staff.

Most corporate organizations are now attempting to change from the authoritarian organizational style to more democratic and participative way of working by allowing their staff to offer views and involving employees more in the process of making organizational decisions (Irawanto, 2015). Chimanzi and Morgan (2005), argued that organizations which involve all the members of their staff significantly attain higher degrees of strategy implementation and thus firms should involve all their staff for the success of the strategy.

Richmond (2015), explains that the success of strategic management and innovation efforts rely largely on execution of staff at every level of the organization. Donald, Lyons and Tribbey (1999), contend that joint strategic management which involves employees has a great potential for the organization to form its own goals and ensure that they are integrated into a main plan for personnel and management. Decision-making patterns can also be essentially changed through the experience of joint strategic planning.

Employees at the lower levels of the hierarchy in an organization are usually not aware of the strategic management or their roles in the strategic management process (Wairimu & Theuri, 2014), and hence they may not actively participate in the strategic management. This discourages them from positively contributing to the achievement of the organization’s or departments goals. Additionally, individuals should be involved all over the company to ensure that planning is not removed from organizational reality (Johnson, Scholes & Whittington, 2002).

Considering the morale and attitudes of staff towards strategic management, failure to involve the staff members, especially the junior employees has led to some of them not owning the strategic management process. Therefore, for any company to succeed in the accomplishment of its obligation, it must put in place a strategy that serves as a manual toward the achievement of its objectives and this strategy must be thoroughly communicated and explained to all employees within the company (Wairimu & Theuri, 2014). According to Irawanto (2015), the participation of staff in the strategy formulation and implementation process increases their work motivation and, additionally, make them feel secure in their job.
Eyceoz (2009), argued that the involvement of staff should be planned for and included in the implementation of a sustainability strategy. It is important to have an in-depth implementation plan that takes staff involvement into account. Members of the staff involved in strategic management must be aware of their environment, the strategies, vision and mission for the successful accomplishment of the strategic plans. However, some managers may be cautious with increasing employee involvement and participation fearing the loss of authority.

Blahová and Knápková (2011), argue that when CEO can create and follow through great strategy and not isolate from their own workforce, information becomes flawless as it goes through each management level resulting in good strategy. However, most managers do not spend time with employees at all levels and they may not listen without passing judgement.

Sofijanova and Zabijakin-Chatleska (2013), explored the association between employee involvement in decision making and problem solving, and perceived organizational performance. The theory of employee involvement was examined by entrenching it in a national culture setting. The data for the study was collected from 36 companies belonging to the Macedonian manufacturing industry by way of a survey. Quantitative method and statistical analysis of data were used to test the research hypotheses. The results from the analysis established that the effective use of employee involvement is positively correlated to perceived organizational performance.

Employee participation and empowerment programs, and the use of self-managing teams have a direct and statistically significant relationship with the managerial opinion of the organizational performance. Organizations should therefore implement employee involvement programs in order to improve performance, growth and competitiveness on both the regional and global markets (Sofijanova & Zabijakin-Chatleska, 2013).

Sosiawani, et al. (2015), on their empirical study to examine whether strategic management helps firms to uplift performance found a positive relationship between employee participation and organizational performance. Participation of employees in the strategic planning process contributes to the effectiveness of the development of strategy and consequently leads to enhanced effectiveness of implementation of the strategic plan.
Obeng and Ugboro’s (2008), study to identify the characteristics of strategic management systems of transit agencies that enhance these agencies’ ability to respond effectively to federal legislative requirements and mandates is also in agreement with the aforementioned studies. The study argues that for strategic management to be effective, it requires the involvement and commitment of both top and lower level managers. Additionally, they argued that effective strategic management requires involvement of employees, mostly those tasked with the implementation of the final plan, and it must corroborate with the management and decision-making styles of managers across all levels.

Niyonzima (2015) examined the employees’ involvement, decision-making to productive organizational citizen behaviour in Kigali city, Rwanda. Structured questionnaires were used to collect data from 258 respondents working in insurance organizations. The results of the analysis pointed out that a strong significant relationship between workers’ involvement, decision making process and organizational citizenship behaviour exists in the insurance companies. Thus, the involvement of workers prompts them to vigorously participate and commit to the organizations’ goals. The autonomy to decision making in relation to the employees’ respective work areas also becomes a gateway to organizational success. Managers should therefore ensure that the workers are involved and they participate in the organization’s decision making.

Akelo (2014) used content analysis in her study seeking to establish strategic management practices at Nairobi City Water and Sewerage Company and its effects on the firm’s performance. Results indicated that there were challenges facing the company, such as lack of harmonization between the company’s strategic plan, its performance contracting, departmental and individual work plans; the company’s departments not working well together and delayed decision-making process. All these arose because the strategic management process was not inclusive of all the employees, and all the departments did not develop and apply their strategic plans.

2.4.2.2 Role of Strategic Organizational Structure on Organizational Performance

Effective organizational structures provide the stability a company may require to effectively implement its strategies and maintain its current competitive advantages. It is crucial to have a clear organization structure in place in the strategy implementation effort such that there is
no ambiguity on who is authorized to make decisions. The organization structure must be made clear, relatively decentralized and formalized because decisions may be made more quickly. Clear procedures, rules and responsibilities may give organizational members certainty during an implementation effort and may increase the motivation of organizational members (Munyoroku, 2012).

According to Mbaka and Mugambi (2014), a transformational organizational strategy needs a transformation structure and if the structures are not aligned with the new strategies, the organization structure will prevent the company from successfully implementing the strategy. The company’s management should create an organizational structure which is aligned to the new strategy as well as aligning its own organizational structure to what the strategy requires in order to improve effectiveness of communication and coordination during the strategy implementation process. The management can execute this by reducing the organizational structure from tall to flat structures (Mbaka & Mugambi, 2014). Similarly, when there is no agreement between processes, work systems and other dimensions of the organization with the organizational strategy, the strategy implementation is likely to fail (Sial, Usman, Zufiqar, Satti & Khursheed, 2013).

A study by Ibrahim, Sulaiman, Al Kahtani and Abu-Jarad (2012), indicated that there is a moderating effect of formalized organizational structure on the relationship between strategy implementation and performance of the manufacturing firms measured by return on equity. The formality of organizational structure can strengthen the influence of strategy implementation on the performance of an organization. Markiewicz (2011), proposes changes in the static organizational structure as well as changes in the methods of approach to employees’ operations within the company for an organization to achieve its defined strategic goals.

For the successful implementation of strategy, there must exist a proper organizational design which includes proper communication channels (between different hierarchical levels and functions), coordination, monitoring and incentive systems; activities and tasks must be sufficiently defined across functions or divisions; there must be adequate alignment between phases of the processes; there should also be proper information and knowledge transfer
Empowerment encourages change and strengthens the level of job commitment which in turn increases the degree of individual employee commitment and aids in achieving company goals. Staff who exhibit strong organizational commitment have emotional attachment to the company and strong aspiration to contribute greatly towards the firm’s success, and this results in enhanced accountability, competitiveness, high innovativeness, low wastage, the desire to improve overall job performance and risk taking. Further, enhanced individual and work group or team commitment leads to improved team performance, interpersonal interaction, and improves individual performance and satisfaction level (Sahoo & Das, 2011).

Hao, Kasper and Muehlbacher (2012), examined the link between organizational structure and organizational performance using evidence from Austria and China, particularly via organizational learning and innovation. Data was collected from a sample of about 90 Austrian and 71 Chinese samples using questionnaires and it was analysed using Partial Least Squares and the results tested by bootstrap methods. The results confirmed that organizational structure has more impacts on organizational learning than on innovation, whereas organizational learning was found to be having an indirect effect on performance through innovation, but it did not have the direct effect of organizational structure on organizational performance.

Additionally, in industries with high technology or are knowledge intensive, organizational structures influence organizational performance largely through innovation and organizational learning whereas organizational structure affects organizational performance chiefly via innovation in the labour-intensive or capital-intensive industry. The study further established that senior managers believe that organizational structure improves performance directly and also via innovation whereas the middle and lower level managers think organizational learning has a significant mediating impact on organizational performance. The study suggested that innovation is a chief mediating variable in the impact of organizational structure on organizational performance and thus innovation should be furthered at the strategy level and not at the implication level (Hao, Kasper & Muehlbacher, 2012).
Hilman and Siam (2014), examined the influence of organizational structure and organizational culture on the performance of the higher educational institutions in Palestine. Data was collected from 255 respondents representing the top, medium and low management level of the higher educational institutions in Palestine using a quantitative questionnaire. Analysis of the data was carried out using the partial least squares-structural equation model PLS-SEM. The results showed that organizational structure and organizational culture are significantly correlated to the performance of higher educational institutions in Palestine. Further, it was established that strategy communication does not moderate the influence of both organizational structure and organizational culture on the organizational performance.

In their study which was attempting to define and measure organizational structure and its impact on the organizational effectiveness and trust, Latifi and Shooshtarian (2014), drew a sample of all employees of companies in medium and large industries in the Fars Province of Iran. The results indicated that there is a significant correlation between organizational structure and trust dimensions. In regard to effectiveness dimensions, a significant relationship between organic structure and effectiveness was found, although there was no significant relationship between mechanistic structure and effectiveness dimensions.

Csaszar (2012), sought to develop and test a model of how organizational structure influences organizational performance. The construct of organizational structure was conceptualized as the decision-making structure among a group of individuals. More than 150,000 stock-picking decisions made by 609 mutual funds were analysed for the study. Organizational structure, which was the independent variable, was coded according to the fund management depictions developed by Morningstar, and approximations of the errors of omission and commission were computed by a novel technique that uses bootstrapping to create measures that are comparable across funds. The results suggested that organizational structure has significant and predictable impacts on a wide range of companies. Specifically, it was shown that increasing the consensus level needed by a committee tasked with the selection of projects results in more errors of omission, fewer errors of commission, and less approved projects.
Maduenyi, Oke, Fadeyi and Ajagbe (2015), examined the effect of organisational structure on organisational performance. Secondary data which was obtained from articles, text books, internet and journals were mainly used for this study. The results showed that organisational structure has an effect on organizational performance and thus organizations should attempt to have in place properly defined structures to help them achieve the set goals and objectives.

Hunter (2015) empirically compared and contrasted a couple of paradigms from the information processing perspective and the social network perspective with regard to their views of organizational structure and the relationship between organizational structure and organizational performance. From the results, it was established that the path distances over which information moves through the organization are reduced when informal connections are used, corresponding to the distance as measured by the formal structure only. The study concluded that the best proof of any correspondence between formal and informal organizational structures can be demonstrated by an empirical study that directly assesses for a link between these path-distance decreasing impacts of informal connections and organizational performance.

Wachira (2013), carried out an evaluation of the correlation between performance of financial sector companies listed in the Nairobi Securities Exchange and the competitive strategies they have implemented in the previous 3 years. Primary data for the study was collected using a questionnaire while secondary data was gathered from past records from the NSE and Capital Markets Authority library. The findings from the regression analysis revealed that the companies have realized improvement with regards to organisational performance measured using different indicators. However, according to the study, there was no particular strategy but it was largely an amalgamation of different competitive strategies in general. It was recommended that for the companies to uphold their competitiveness in the sector, they should be concentrating on the cost and expansion of their market coverage with various products and services.

Similarly, in an empirical study of 113 corporations in the UK, Falshaw, Glaister and Tatoglu (2006), investigated the association between formal strategic planning, an element of strategic management and financial performance. The key dependent variables identified by previous researchers such as organizational size, environmental turbulence and industry were
considered in this study. Primary data was collected using a postal questionnaire and analysed by way of a succession of multivariate analyses to test the hypotheses. The findings revealed that no relationship exists between formal planning process and independent company performance. Research limitations/implications – measurement validity may be a problem. However, the causal linkages among the variables could not be strongly established. Organizational performance therefore is a function of previous planning and other management practices, and not the current.

2.4.3 Role of Strategic Evaluation on Organizational Performance.

Strategic evaluation is the process that involves the determination of the effectiveness of a particular strategy in achieving the company goals and taking corrective actions if necessary. This process involves the methodical attempt of setting performance criteria with planning objectives, creating information feedback arrangements, contrasting actual performance with those predetermined criteria, determining whether any deviations exist, measuring the significance of these standards and taking corrective actions that are necessary for all organizational resources to be utilised in the most effective and efficient way (Chelimo, 2010).

Managers create strategic control systems to assist them in monitoring and evaluating if their strategies and structure are working as planned, how the strategies could be improved, and how they should be improved or modified if they are not effective (Hill, Jones & Schilling, 2014). The tools of strategic management that are used in strategic evaluation include the PESTEL and SWOT analyses. These tools are used in determining the organization’s competitive advantage by examining its internal and external operating environments.

According to Chelimo (2010), strategy evaluation gives a definition of what time and the order in which the functions of a strategy are assessed, replaced and what structure the replacement assumes. Strategies of most organizations have eventually failed completely as a result of poor or absence of evaluation practices.

In their paper to review and combine prior studies regarding the conceptualization and operationalization of control within International Joint Ventures, as well as the relationship between International Joint Venture control and performance, Geringer and Herbert (1989), found that although there are many control mechanisms in place, managers of some
organizations have received little knowledge about when and how to use them, in addition to knowing about the potential trade-offs between the alternative control options. Consequently, many organizations have entered ventures haphazardly and they may find themselves missing potentially valuable opportunities and ultimately eliminating themselves as viable rivals in the industry. Literature review in this surely indicated that control is a crucial organizational process and thus influences performance.

Hanafi and Fatma (2015), sought to improve a model that could be used in controlling organization and enhancing their performance. Results from their literature on management control systems and organizational performance indicated that it is better for an organization to analyse its internal capabilities to determine its strengths and weaknesses, and to analyse its external environment as well, to determine its opportunities and threats. However, there was limited evidence to ascertain which management control system tool could be used to improve organizational performance.

Moti and Vambe (2009), in their paper on SWOT analysis and organizational development in the Nigerian public service used secondary data and a purely descriptive approach to examine the concept of public service and organizational development. The study prescriptively presented SWOT as a strategic management tool that can enhance the performance of public service organizations. This is largely because the use of SWOT analysis framework can help improve the efficiency, effectiveness and sustainability of organizations.

Similarly, Aremu and Oyinloye (2014), in their study on the impact of strategic management on organizational performance with a focus on some selected banks in Ilorin Metropolis, Nigeria argued that SWOT analysis is a very valuable tool in the aspect of strategic management because of its positive contributions towards organizational performance. They explain that SWOT analysis makes managers be more cognizant of the external environment of their organizations without neglecting its internal environment while searching for opportunities which contributes to the organization’s overall performance. This is in agreement with Harrison (2010), who opines that SWOT analyses promote a better understanding of barriers to change, innovation, and the transfer of knowledge to practice; they lead to improved results; and further enhance efficiency in the allocation of resources.
Babatunde and Adebisi (2012), in their paper on the impacts of strategic environmental scanning on organization performance in a competitive business environment by studying Nestle Nigeria Plc and Cadbury Nigeria Plc established that that there is significant relationship between strategic environmental scanning and organizational performance. The use of strategic environmental scanning in evaluating the external environmental influences (i.e. opportunities and threats) was found to be helpful in seizing the opportunities and avoiding threats and thereby leading to profitability of the company.

Chelimo (2010), carried out a research to ascertain the practices initiated by organizations in the evaluation of strategy with focus on the largest social security provider in Kenya, the National Social Security Fund (NSSF). Interview guides were handed out to different departments such as, HR and administration, IT and finance departments to collect primary data and this data was analysed using Content analysis. The study findings indicated that an appropriately organized information system is key in supporting the strategy evaluation process. Audits of the Strategy should be made an essential component of the organizational structure in determining the organization’s performance. The results also indicated that strategy supervision committees play a major part in making sure that the desired outcomes are realized. Customer satisfaction survey was also found to be an important tool that can be used to determine the degree of customer satisfaction with the products or services offered to the customer.

Maroa and Muturi (2015), utilized a descriptive study design to research on 5 respondents from each of 10 floricultural companies in Kiambu County firms which were selected using purposive sampling from a target population of 21 floricultural companies. Data was collected using structured questionnaires and were analysed using Chi-Square test. The results from the analysis indicated that most floricultural companies carry out strategy evaluation mostly within 12 months and that strategy evaluation have an effect organizational performance.

A number of challenges such as absence of resources, workers’ defiance, and ambiguous strategy evaluation method were found to have an effect on the process of strategy evaluation. Regarding strategy control, the study ascertained that strategy control influences performance to a moderate extent. Additionally, most of the organizations take remedial
actions on the strategic management procedures by assessing them, and that the companies’ strategic control process was acceptable (Maroa & Muturi, 2015).

The future is entirely unpredictable and as a result some strategic plans of a company may fail if managers do not make allowances for such contingencies. Similarly, the business environment can be unpredictable and the technology used may change from standard to a complex one. The elements of the contingency planning include training, communication, coordination, security, and environmental issues (Kişi, 2002).

Scenario planning as discussed by Hill, Jones and Schilling (2014) involves devising plans that are grounded on imaginable scenarios about the future. Managers are tasked with developing particular strategies to manage each scenario then a set of indicators is selected as indications to pursue trends and find the probability that any specific scenario is happening.

2.4.4 The Moderating Effect of Regulation on the Relationship between Strategic Management Process and Organizational Performance

According to the NSE (2002), there are operational and procedural rules issued by the Nairobi Securities Exchange Limited for purposes of ensuring orderliness, efficiency of the market in the initial admission of securities to the Official list of the Exchange, the listing of additional shares, and the continuing listing obligations in compliance with the Capital Markets Act and the Regulations and Guidelines issued thereunder. The listed companies in NSE are categorized into real estate investment trust, telecommunication and technology, manufacturing and allied, investment services, investment, insurance, energy and petroleum, construction and allied, commercial and services, banking, automobiles and accessories, and agricultural.

Before a company is listed at the exchange, proper accounts from the first year of operation must be in place since Financial information are fundamental to listing and must be kept consistently. The Growth Enterprise Market Segment at the Nairobi Securities Exchange requires that a company be in operation for a year and no proof of profitability is necessary. For a private company, it needs to be converted into a public limited company with the aim of allowing easy transferability of shares. The firm can also do a private placement where specific investors are invited to invest in the company. This ensures that the firm’s shares are already available and can be traded at the Over the Counter Market (OTC) and that the
minimum float required to list the company is met. Additionally, if the company is family owned, the board structure will have to change. Preferably, a board should have the right combination of persons that blend gender sensitivity with skills. One third of board members should ideally be skilled, qualified female members. The procedure for listing at the NSE involves several steps as spelled out by the NSE Listing Manual (2002).

An issuer submits its application and prospectus for approval to the Capital Markets Authority (CMA) with a copy to the NSE through the sponsoring stockbroker. The NSE then submits its observations or remarks, if any, to the CMA within ten working days of receipt of the copy of the application. CMA then subsequently considers as appropriate the remarks of the NSE while granting approval to listing. Finally, the NSE approves the listing without any other conditions on receipt of a letter of approval to listing from the CMA in compliance with the Capital Markets Act (NSE, 2002).

In a research analysing whether shareholders attach importance to high regulatory standards for listed companies, Jenkinson and Ramadorai (2007), utilised the uncommon regulatory environment witnessed in London, whereby two substitute supervisory authorities have the same trading technology, to analyse these concerns. Focus was placed on the 218 corporations that opted to shift their trading from the extremely regulated Main market to the casually regulated Alternative Investment Market, and another 56 organizations that shifted to the Main market. The corporations that shifted experienced, on average, publication returns of approximately -4% and +5% although these early consequences are upturned several months after the real shift. These findings therefore imply that there are specific investor clients for the two markets, and other venture capitalists who do not prefer the greater regulatory standards end up being the significant marginal stockholders when firms shift to the Alternative Investment Market.

Liu, Santoni and Stone (2009), examined the effect of statutes of federal securities on the mean and variance of total real U.S. stock market returns using the exponential generalized autoregressive conditional heteroskedastic with mean model. This research covered a longer period of time, utilized a wider selection of stocks and scrutinized the influence of the eight most important federal securities acts and their 573 amendments starting from 1933 to 2007. The study findings showed that these statutes of national securities and amendments had no
statistically significant effect on the mean or variance of total real stock returns over the past 75 years, the widespread petition of this legislation notwithstanding.

In another study on regulation of securities markets, Goergen, McCahery and Renneboog (2003), investigated whether the European new markets live up to their responsibility of supporting start-up businesses through provision of liquidity as well as a means for divorcing proprietorship and control swiftly after the formation of the high risk or high growth corporation. This article establishes that substantial performance inconsistencies exist through the European new markets. According to indication from initial trading, the most important contributing factors to performance are the characteristics of the company and of the industry, and not differences in listing and disclosure prerequisites. Thus, regulation in this case has no impact on the performance of the firms.

Using the international asset pricing models, Hooper, Sim and Uppal (2009), examined the relationship between the superiority of government organizations and the global stock markets’ performance. Determinants of performance inspected for the representative sample of countries were the Sharpe ratio and the average stock index excess gains per month. The determinants of performance were altered for worldwide and local risk aspects that usually explain their international discrepancy. The quality of control was also established to be negatively linked with securities market total risk and individual risk, in accordance with the concept that stable institutions are associated with diminished differences in equity gains. The link between determinants of securities market performance and the quality of the institutional environment was positive and significant. These results advocate that countries with better developed governance structures have securities markets with greater returns on equity and lesser risk levels. Thus, a prerequisite for the development of financial market is the improvement of the institutions which oversee the securities exchange.

Raub (2013), carried out a study to investigate the effect of various independent and joint moderating variables influencing the implementation of strategic plan and the impact on firm performance in the United States seafood sector. Using validated research apparatus and Predictive Analysis Software to gather data and determine the interaction of these variables, the results indicated that independently, the moderating effect of rate of change in government regulation had a statistically significant effect on the relationship between
implementation of strategic plan and its effect on firm performance. However, the moderating influence of organizational size did not seem to influence the interaction between independent and dependent variable. The two moderating variables jointly indicated a significant effect on the relationship of strategic plan implementation and its effect on organizational performance.

Akande, Olowe and Asabi (2015), looked at the influence of regulations and reforms of securities market on the recurrent loss of wealth usually faced by stockholders in the Nigeria Stock Exchange Markets beginning from March 2008. Secondary data was collected from the First Bank of Nigeria and Union Bank of Nigeria which had been listed on the Nigeria Stock exchange market before April 2003. These banks were selected using the random selection. Descriptive statistical method of time series and Simple Percentage Method (SPM) were used to analyse this data and provide results. The findings indicated that the values of share are attractive and significantly steady with regard to return to investment of investors during the pre-share crisis as a result of the efficacy of the empowering stock market codes of practice, then during the post-share crisis when value of shares was increasingly deteriorating. Currently, the stock market regulations and reforms are subject to serious problems because the ratio of original stockholders has decreased considerably from 19 percent to below 14 percent in the Nigeria Stock Exchange markets. It is recommended therefore that more practical regulations and reforms, adequately powerful to rekindle confidence to venture capitalists during this post-share crisis.

Gakeri (2012), attempted to describe the regulatory and enforcement concepts of the Kenyan securities markets in the background of the international regulatory and implementation viewpoints. The findings from his study showed that the regulatory model in Kenya is indistinguishably national or governmental with insignificant self-regulation. Even though the legislative framework preserves self-regulation, the applicable requirements are unclear and ineffective such that the concept of self-regulation is a misapprehension.

The regulator of the Kenyan securities exchanges, which is the CMA, has complete legislative and supervisory controls over market intermediaries and listed companies and it is not subjected to significant accountability structures. Modifications to the Capital Markets Act and the regulations have combined the CMA’s status as a principal regulator. The history
of implementation history of the CMA reveals no understandable notion. Implementation activities have been recurrent and indicate no obligations. The significance of an ideal regulatory and implementation medium in developing securities markets cannot be exaggerated and countries that have profound and dynamic securities markets in general have operational regulatory and implementation principles (Gakeri, 2012). The Nairobi Securities Exchange may suspend a listing of securities in accordance with the procedures set out in the Act and with the approval of the CMA and according to the provisions of the Act if the company has failed to comply with the listing requirements (NSE, 2002).

In order to list a company, the NSE requires full name of the issuer; the address of the registered office in Kenya, information regarding the issuer’s share capital, a statement as to the market segment of the Official List in which listing is applied for and the abbreviated name of the issuer, and the nominal amount and number of securities of each class (NSE, 2002).

Regarding organisational performance, studies carried out by turnover researchers have indicated that performance can be categorized into either proximal (workforce-related) outcomes and distal (financial, market, and shareholder return) results (Park and Shaw, 2013). According to Park and Shaw (2013), the most proximal aspects of a company’s performance are those related to employee interactions and attitudes such as customer satisfaction, employee work attitudes and absenteeism while the most distal tend to be financial performance.

The financial factors of organizational performance include Return on Investment (ROI), Return on Equity (ROE), sales revenue, and cost reduction. The non-financial factors as listed by Zuriekat, Salameh and Alrawashdeh (2011), include innovation (such as new product development success, and development cycle time), customer (market share, customer satisfaction, customer retention); operational performance (cycle time, productivity, and safety), employee (employee turnover, employee satisfaction, and workforce capabilities); quality (such as defect rates, quality awards), and also supplier (on-time delivery, and their input into product design).
2.5 Chapter Summary

This chapter reviewed studies that have been previously carried out that are in relation to the current study on strategic management process and organizational performance. The chapter presented a review of theories that included; strategic management theories, theory of change, knowledge theory, agency theory and resource based view theory among others. Additionally, the study reviewed empirical literature that was relevant to strategic management process, regulation by the NSE and organizational performance. The reviewed literature showed that very few studies investigated the influence of strategic management process and organizational performance. The study developed a conceptual framework which it postulates that strategic management process that is, strategy formulation, implementation and evaluation influences organizational performance and regulation moderates the relationship between strategic management process and organizational performance. The next chapter presents the research methodology.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is described by Rajasekar, Philominathan and Chinnathambi (2006), as a systematic way to solve a problem. It is further described as the science that studies how research is to be carried out and also the study of methods through which knowledge is gained with the aim of providing a work plan of research. Creswell (2013) described research methodology as the overall approach to the process of conducting research entailing all the stages beginning from the theoretical foundation to the final collection and analysis of data. The research methodology chapter presents the philosophy in which the study is anchored, the research design, target population, sampling design, data collection methods and analytical methods used to test the study hypotheses.

3.2 Research Philosophy

Research philosophy involves the way by which phenomena or objects are viewed in the world (Saunders et al., 2012) and it focuses on the theories that support the research strategy and the methods selected as part of a research paradigm (Ihuah & Eaton, 2013). A review of
literature by Saunders, et al. (2012), shows that there are three main research philosophies, that is, realism, interpretivism and positivism. These types of research philosophy are discussed below.

The principle of a realist research philosophy is that what the senses show us as reality is the truth such that objects have an existence independent of the human mind i.e. a reality quite independent of the mind exists (Saunders, et al., 2012). Critical realism ontologically assumes that a reality exists although it is usually difficult to understand. Realism differentiates between the real world, the actual events that are created by the real world and the empirical events which a researcher captures and records. Further, in realism it is argued that there are entities in the real world which have powers to act and are prone to be acted on by others (Easton, 2010).

Realism holds that a reality which does not depend on the human mind exists. Thus, realism is the opposite of idealism which argues that there is only the human mind and its contents. Realism is akin to positivism because it supposes a scientific methodology to the improvement of knowledge (Saunders, Lewis & Thornhill, 2015).

Realism agrees that a real world exists and human knowledge of it is processed through our senses, brains, language and culture although we can improve our understandings of reality because the ‘reality’ limits the interpretations we can reasonably make of it (Wong, et al, 2012). Eaton (2010), contends that realism can however provide a basis for justification and guidelines for conducting case research and formulation of theory. Emmel (2013), outlines several principles of realism: both the material and social world are assumed to be real; with all scientific enquiry being mediated by humans and there is no such thing as final truth or knowledge; interventions and research are created by theory; all social systems are open although context matters in every explanation; and, finally, what we see and measure as humans are powers, liabilities, and natures that form what we observe and all these processes are causal.

According to Saunders, Lewis and Thornhill (2015), there are two types of realism which are critical realism and direct realism. Direct realism contends that whatever is experienced through human senses accurately depicts the world. Critical realism on the other hand holds that the human experiences are merely sensations of the things in the real world and not
necessarily the things absolutely and thus it draws attention to how frequently human senses 
mislead us.

Interpretivism on the other hand, holds that the researcher needs to understand the differences 
between humans’ roles as social actors in an effort to emphasise the difference between 
conducting research among people and not objects (Saunders et al., 2012). According to 
Petty et al. (2012), in interpretivist studies, prior reasoning strategies are used to explore, 
describe, understand, explain, change, and evaluate. Interpretivist researchers tend to have 
some sort of prior knowledge of the research background but they assume that this cannot 
suffice in developing a fixed research design due to the complex, multiple and unpredictable 
nature of the perceived reality (Hudson & Ozanne, 1989). As Saunders et al. (2012) 
explained, it is important that a researcher in an interpretivist philosophy 
adopts a compassionate position so that he or she enters the social world of the research 
subjects and understands their world from their perspective. In qualitative research, 
interpretivism refers to a situation where the researcher associates themselves with those they 
learn from by interviewing or observing participants over a long period of time for a real 
connection for the research (Ihuah & Eaton, 2013).

Interpretivism is a leading philosophical methodology that aids a researcher’s comprehension 
of the social sphere by meaningful construal of the world inhabited by people, which has 
been interpreted already by the implications they produce and reproduce as an essential 
segment of their routine undertakings together (Chowdhury, 2014). Wright and Losekoot 
(2012), contend that the greater part of an interpretative study involves observation of the 
research participant and this is done with the intention of allowing the researcher to gain 
access to symbols and meanings. The close interaction and involvement in the day to day 
undertakings of the study participants is essential for comprehending the sense of activities 
and for defining circumstances and setting. According to Mack (2010), the ontological 
assumptions of interpretivism are such that reality is indirectly created grounded on one’s 
own interpretation and it is subjective; individuals interpret and create their own sense of 
events which are characteristic and are not generalizable; numerous perceptions exist on one 
occurrence and causation in social sciences is ascertained by interpreted symbols and 
meaning. Epistemological assumptions on the other hand contend that knowledge is obtained 
by way of a strategy that shows considerations for the differences between individuals and
the objects of natural sciences and thus needs the social researcher to understand the independent sense of social act. Additionally, knowledge is obtained inductively to construct a philosophy; it results from specific circumstances, it cannot be reduced to simplistic interpretation and it is obtained by way of and individual’s personal experience.

In any interaction study with close connection, interactions cannot stay absolutely freed from value obligations. Generally, investigators make use of their standards in selecting what to research on and their individual standards are pre-set by the world they live in, which will always be present irrespective of how hard the researchers strive to be objective in how they carry out the study. In case they are depending purely on qualitative methods, results of the study are constrained by what is inferred from interpretation of symbols, and through interpretation of setting (Wright & Losekoot, 2012). As Aliyu, Bello, Kasim and Martin (2014) argue, an interpretivist investigator supports the notion that no all-inclusive and universal truth exists. The investigator in such a case understands, grasps and deduces from their individual framework of alignment and allusion, and the researcher is of the opinion that casual and undistinguished independence is unrealistic and the sensibleness of context and surroundings is very important. Interpretivist researchers have a correspondingly relativist and a prejudiced or idiosyncratic notion or interpretation of the world.

This study was based on positivism research philosophy. Positivism suggests that occurrences directly determine an individual’s perception of them and therefore there exists a direct correlation between things and their representation (Willig, 2013). Saunders et al. (2012) explain that in positivism, only phenomenon that is observable leads to the production of credible data and while generating a research strategy to collect data an existing theory is largely used in the development of hypothesis. A positivist researcher must be distant and independent from the research subject, attempt to control for bias, and select a universal or general sample so as to be objective in studying a phenomenon (Creswell, 2013). Positivism fits this study since there is direct correlation between strategic management processes and performance of companies listed at NSE.

Scotland (2012), opines that most positivists assume that reality is not mediated by our senses and thus they aim to formulate laws and develop a foundation for prediction and generalization. In a positivist study, the objective is also to reduce the ideas into a small,
discrete testable sets such as the variables that make up hypotheses and the research
questions. This theory suggests that a direct relationship exists between the universe and the
human perception and understanding of the universe hence what is ‘out there’ can be
described and can be correctly obtained (Willig, 2013). Further, a positivist researcher will
start with developing a theory, collecting data that either confirms or disproves the theory,
and then makes necessary revisions and conducting additional tests (Creswell, 2013).
However, it is perfectly possible to adopt some of the characteristics of positivism in a study,
for example testing a hypothesis using data that was originally collected in in-depth
interviews (Saunders, et al., 2012).

According to Kaboub (2008), real events can be observed empirically and explained with
logical analysis in a positivist research. The principle for assessing the validity of a scientific
theory is by checking whether predictions based on theories are consistent with the
information obtainable through using senses. According to Petty, et al. (2012), facts in a
positivist study can be obtained from direct observation or experience, theories, hypotheses,
background knowledge and values. Research question and hypotheses are clearly defined at
the start of the research, valid and reliable external instruments are often used, research
participants are passive and variables are controlled. The study utilized positivism research
philosophy since it is objective and independent of the researcher with no human interest of
the study. This philosophy has been applied in various research topics that related to strategic
management and organizational performance. Some of the authors who have applied this

3.3 Research Design

Research design is the plan and structure of investigation so conceived as to obtain answers
to research questions, expressing the research problem-framework, organization, or
configuration of the relationships among variables of the study (Cooper & Schindler, 2008).
It aids the researcher in the allocation of resources by presenting crucial choices in the
methodology. Creswell (2014), on the other hand simply describes a research design as a
“procedure of inquiry”. Kothari (2004), describes a research design as the conceptual
structure within which research is conducted, it makes up the outline for the data collection,
measurement and analysis. It summarizes the activities that the researcher is involved in from writing the hypothesis to the conclusive analysis of data.

A research design includes what the study is about, reasons for conducting the study, the location where the study was conducted, the type of data required, prospective sources of the data, the time periods of the study, the sample design, data collection techniques to be used, data analysis methods and the style of reporting the final results. According to Trochim (2006), a research design is used to structure the research, to show how all of the major parts of the research project i.e. the study samples, measures, and methods of assignment, work together to attempt to address the major research questions.

Kothari (2004), further splits the research design into the sampling design, the observational design, the statistical design and operational design, whereas Trochim (2006), categorizes research design into experimental designs which use random assignment and the quasi-experimental designs that do not use random assignment.

Creswell (2013), categorizes research designs into qualitative, quantitative and mixed methods. Quantitative designs include experimental and non-experimental designs; qualitative designs include narrative research, phenomenology, grounded theory, ethnographies and case studies; whereas mixed methods include convergent, explanatory sequential, exploratory sequential and transformative designs. Kothari (2004), similarly categorizes research designs in terms of exploratory research studies, descriptive and diagnostic research studies, and hypothesis-testing research studies. Surveys numerically describe trends, attitudes, or opinions of a population by researching on a sample of that population. Experimental research on the other hand seeks to establish whether a specific behaviour influences an outcome. The researcher assigns a specific behaviour to one group and withholds it from another group and then concludes how both groups scored on the results (Creswell, 2014).

Cooper and Schindler (2014), further categorize research designs as exploratory, explanatory and descriptive. Explanatory research design seeks to establish the relationship between variables while exploratory research designs seeks to identify insights regarding a certain phenomenon. Descriptive research design seeks to give a narration or description of a certain phenomenon. This study utilized explanatory research design since it is useful in establishing
the relationship between variables. For instance, it was used to examine the effect of strategy formulation, strategy implementation, and strategy evaluation on organizational performance of companies listed at the NSE. This research design was utilized by Cooper & Schindler (2014), Creswell (2014) and Trochim (2006).

3.4 Target Population

Huck (2009), defines population as the larger group from which a sample is extracted or considered to have come from. Mugenda and Mugenda (2003) noted that population refers to individuals, events or objects having a common observable characteristic. It is the aggregate of all that conforms to a given specification. The study’s target population comprised 325 senior managers in 65 companies listed at the Nairobi Securities Exchange as of year 2017. The distribution of the senior managers in various companies listed at NSE is presented in Table 3.1.

<table>
<thead>
<tr>
<th>Segment/category</th>
<th>Number of companies</th>
<th>Number of senior managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>Automobiles and Accessories</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Banking</td>
<td>11</td>
<td>55</td>
</tr>
<tr>
<td>Commercial and Services</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>Construction and Allied</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Energy and Petroleum</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Insurance</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Investment</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Investment services</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Manufacturing and Allied</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>Telecommunication &amp; Technology</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>65</strong></td>
<td><strong>325</strong></td>
</tr>
</tbody>
</table>

Source: NSE (2017)

3.5 Sampling Design
Kothari (2004) discusses different sampling designs such as systematic sampling which selects every $i$th item on a list; stratified sampling which is drawn when a population does not constitute a homogeneous group; sequential sampling whose size is determined according to mathematical decision rules based on the information generated as survey advances; and cluster sampling whereby the total population is divided into subdivisions which are clusters of even smaller units and then some of these clusters are randomly selected for inclusion in the general or final sample. This study discusses sampling frame, sampling technique and sample size as components of sampling design.

### 3.5.1 Sampling Frame

Also referred to a source list, a sampling frame includes the names of all items of a universe and it must be prepared if it is not available. The source list must be comprehensive, correct, reliable and appropriate and it must be as representative of the population as possible (Kothari, 2004). A sample frame is also described by Cooper and Schindler (2014) as the list of elements from which the sample is actually drawn and as such it comprises of a complete and correct list of only the members of a population. The researcher has to accept a sampling frame that includes people or cases other than those in which he or she is interested. The sampling frame for this study was 325 senior managers of 65 companies listed at NSE. Senior managers refer to the uppermost level of managers in an organization directly under the board of directors”(NSE, 2017).

### 3.5.2 Sampling Technique

There are two main different sampling techniques namely probability or representative sampling, and non-probability or judgemental sampling (Saunders, et al., 2012; Kothari, 2004). Otherwise referred as deliberate sampling, judgement sampling or purposive sampling, non-probability sampling does not provide any foundation for estimating the probability that each item in the population has of being included in the sample. The chance of an item being selected from the total population is not known and it is not possible to answer research hypotheses or achieve research objectives that require the researcher to statistical infer about the characteristics of the population. Items for the sample are selected intentionally by the investigator and what the researcher chooses concerning the items is superlative.(Kothari, 2004; Saunders, et al., 2012). Although a researcher can generalise from
non-probability samples about the population, this cannot be done on statistical basis (Saunders, *et al.*, 2012).

For the random sampling the possibility of each item in a probability sampling being selected from the population is known and it is usually equal for all the items. Therefore, probability sampling, a researcher can answer the research hypotheses and also achieve research purposes that require statistical estimation of the characteristics of the population from the sample (Saunders, *et al.*, 2012). A random sample gives each item in the population an equal probability of being in the sample and all choices are independent of one another. Further, each possible sample combination has an equal probability of being selected (Kothari, 2004).

The study utilised stratified random sampling technique to select the individual respondents. Stratified random sampling involves dividing the target population into homogenous strata and then conducting simple random sampling within the strata (Cooper and Schindler, 2014). Stratified random sampling is the process by which a sample is compelled to include elements from each of the segments (Cooper & Schindler, 2014). According to Creswell (2014), in stratified sampling, specific attributes of individuals are represented in the sample. The sample shows the correct percentage of individuals with particular characteristics in the population (Cooper & Schindler, 2014). This study divided the target population into strata based on the sector in which a company operates. Thus, there were 12 strata namely; agricultural, automobiles and accessories, banking, commercial and services, construction and allied, energy and petroleum, insurance, investment, investment services, manufacturing and allied, telecommunication and technology, and real estate investment trust. This technique was selected since it is affordable in administering research instruments and it is generally applied in order to obtain a representative sample. This technique has previously been used by (Huck, 2009).

### 3.5.3 Sample Size

A sample size is described as the number of items that are selected from the population to make up a sample (Kothari, 2004). Mugenda and Mugenda (2003), contend that the sample for a study should be prudently selected to be representative of the population, also the researcher needs to ensure that there are accurate provisions for data analysis. Saunders, *et al.* (2012) argue that when selecting a sample size for a survey, the researcher should be guided
by the confidence in the data, the tolerable margin of error, the types of analyses to be carried out, and the size of the total population from which the study sample is taken. According to Noordzij, et al. (2010), a sample size should be calculated with caution or the designing phase of the study should be done with statistical expertise since sample size calculations are sensitive to errors.

Saunders, et al. (2012), uses the following formula to obtain the adjusted minimum sample size for smaller sample size in researches involving a population of less than 10000 in order to avoid interfering with the accuracy:

\[ n' = \frac{n}{1 + \left(\frac{n}{N}\right)} \]  

Where: \( n' \) denotes the adjusted minimum sample size, \( n \) is the minimum sample size and \( N \) is the total population.

Yamane (1967), developed a formula that requires specification of the precision error as shown.

\[ n = \frac{N}{\left[1 + N(\epsilon^2)\right]} \]  

Where \( n \) is the sample size, \( N \) is the target population and \( \epsilon \) is the precision error. The conventional precision error is 0.05.

This study used Yamane (1967) sample formula size where the precision error of 0.05 was specified. This formula is simple, scientific and can be used in studies that involve large populations. Additionally, this approach has been utilized by several studies such as (Huck, 2009; Daft, 2004; Bordean et al., 2010). Based on this formula the sample size was 179 senior managers of companies listed at the NSE.

3.6 Data Collection Methods

The study used questionnaire as the basic data collection instrument to collect cross section data from senior managers in 65 listed companies at NSE. A structured questionnaire was developed and it had seven sections whereby section one collected general information of the senior managers, section two captured the profile of the companies listed at NSE, section three captured the firm performance, section four, five and six collected data on strategic formulation, strategic implementation and strategic evaluation respectively. The last section
of the questionnaire collected data on NSE regulation. The use of questionnaire was preferred since it allows the researcher to collect data from a wide geographical area at a relatively low cost. It is also free from unfairness and guarantees non-disclosure of the respondent’s identity. Questionnaires have widely been used by various authors such as (Daft, 2004; Bordean, et al. 2010). According to Huck (2009), responses given in the questionnaires are in own words of the respondents and respondents have ample time to give appropriate responses. Moreover, the questionnaire does not require the respondent to reveal their identity.

3.7 Research Procedure

3.7.1 Pilot Study

A pilot study is a ground work survey carried out to test the weaknesses of the research’s questionnaire that may exist and, as such, it replicates and rehearses for the main survey (Kothari, 2004). The study conducted pilot study to test the reliability and validity of the questionnaire. The study collected data for pilot study from 18 (10% of 179) senior managers. According to Hair, Money, Samuel and Page (2007), the number of respondents (10% of 179) is adequate. The senior managers who filled the questionnaires during pilot study were excluded during the main survey. This study discusses the reliability and validity as follows.

3.7.2 Reliability of the Instruments

Reliability refers to the consistency of measurement obtained and is frequently assessed using the test-retest reliability method. It is the extent to which a measurement method can be depended on to produce consistent results upon repeated application (Weiner, 2007). According to Sullivan (2011) reliability seeks to confirm if a measurement instrument in a study gives the same consistent results each time it is used in the same setting with the same type of subjects and whether it produces dependable results. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures.

According to Creswell (2008), reliability can be of five different forms. The test-retest reliability describes how far a score of one sample is stable at different testing times; the
alternate forms reliability uses the same instrument to measure the relationship concept or variable in a group of individuals; the alternate forms and test-retest reliability considers the level of re-testability over time and the equality of items; the inter-rater reliability is used when making behavioural observations and it includes observations made by individuals against the behaviour of an individual or several individuals; and, finally, the internally consistent reliability that shows the scores indicating internal reliability of all items on a study instrument.

Similarly, Sydorenko (2012), discusses three types of reliability. The test-retest reliability is yielded in cases where a test produces the same score for every respondent when they accomplish the test on another occurrence. Test-retest is the association between the test-scores of objects tested determined at two different instances. The test-retest reliability coefficient ought to be greater than 0.70 for study apparatuses that evaluate the abilities and individuality characters of people. Parallel-test reliability on the other hand is determined by the association between two different versions of the same test. Finally, the internal consistency postulates the extent to which each item of the apparatus is calculating the same measure. The most widespread method of assessing internal consistency is through the Cronbach’s α coefficient, which computes the relationship between average co-inconsistency between items and average discrepancy of items. Similarly, a Cronbach’s α value greater than 0.70 is regarded as appropriate.

Reliability is tested using Cronbachα. The values of Cronbachα ranges between zero and one with values close to one indicating that the questionnaire is reliable and values close to zero indicate that the questionnaire is unreliable. Sullivan (2011), argued that the threshold for Cronbachα should be 0.7 consequently Cronbachα values greater than or equal to 0.7 indicates that the questionnaire is reliable while values less than 0.7 indicate that the questionnaire is unreliable. This study tested the reliability of the questionnaire using Cronbachα. Cronbachα values greater or equal to 0.7 indicated that the questionnaire is reliable while values less than 0.7 implied that the questionnaire is unreliable.

The study used Cronbach’s α to test the reliability of the research instrument. The study found that, Cronbach’sα for strategy formulation; leadership, budget and environmental context were 0.731, 0.651 and 0.683 respectively. These Cronbach’sα values were all equal
or greater than 0.7 suggesting that strategy formulation construct was reliable. Cronbach’s $\alpha$ for strategy implementationviz, employee participation, organizational structure and policy and empowerment were 0.698, 0.761 and 0.843 respectively. These Cronbach’s $\alpha$ values were all equal or greater than 0.7 suggesting that strategy implementation construct was reliable. Cronbach’s $\alpha$ for strategy evaluation; tools and contingencies were 0.679 and 0.653 respectively. These Cronbach’s $\alpha$ values were all equal or greater than 0.7 suggesting that strategy evaluation construct was reliable. Cronbach’s $\alpha$ for regulation was 0.663 and this value was equal to 0.7 suggesting that regulation construct was reliable. Cronbach’s $\alpha$ for firm performance was 0.799, greater than 0.7, suggesting that firm performance construct was reliable (Table 3.2).

### Table 3.2: Values of Cronbach’s Alpha

<table>
<thead>
<tr>
<th>Variable</th>
<th>Construct</th>
<th>Cronbach’s $\alpha$</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Formulation</td>
<td>Leadership</td>
<td>0.731</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Budget</td>
<td>0.651</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Environmental context</td>
<td>0.683</td>
<td>3</td>
</tr>
<tr>
<td>Strategy Implementation</td>
<td>Employee Participation</td>
<td>0.698</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Organizational Structure</td>
<td>0.716</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Policy and empowerment</td>
<td>0.843</td>
<td>3</td>
</tr>
<tr>
<td>Strategy evaluation</td>
<td>Tools</td>
<td>0.679</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Contingencies</td>
<td>0.653</td>
<td>3</td>
</tr>
<tr>
<td>Regulation (NSE)</td>
<td>Laws</td>
<td>0.663</td>
<td>3</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>Organizational performance</td>
<td>0.799</td>
<td>3</td>
</tr>
</tbody>
</table>

**Source: Author Data (2017)**

Cronbach’s $\alpha$ for the whole questionnaire was 0.699. This value was equal to 0.7 indicating that the whole questionnaire was reliable (Table 3.3).
Table 3.3: Value of Cronbach’s α for Whole Questionnaire

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach α</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>0.699</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

3.7.3 Validity of the Instruments

Validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity measures the degree to which data collected using a particular instrument represents a specific content or domain of a particular concept. Mugenda and Mugenda (2003), contend that the usual procedure in assessing the content validity of a measure is to use experts or professionals in a particular field.

There are two methods of determining the validity of an instrument namely convergent validity and discriminant validity (Alarcón & Sánchez, 2015; Zaiţ and Bertea, 2011). Convergent validity refers to the extent of confidence that a researcher has that an attribute is well measured by its indicators (Alarcón & Sánchez, 2015). It is the agreement between measures of the same paradigm measured by different methods (Guo et al., 2008). According to Raykov (2011), the convergent validity coefficients are the correlations between measures of the same attribute that are obtained with different measurement techniques. A finding of them being consistently high supports the construct validity in relation to that characteristic because they indicate a linear relationship between indicators of the same characteristic.

Zaiţ and Bertea (2011) contend that according to discriminant validity, items are supposed to correlate higher among them than they correlate with other items from other constructs that are not supposed to correlate theoretically. It is the singularity of different paradigms (Guo et al, 2008). Discriminant validity coefficients are correlations of two categories. The first type includes the correlations between measures of different attributes that are provided by the same method of measurement, and are also referred to as heterotrait-monomethod coefficients. The second discriminant validity comprises of correlations between measures of different attributes that are attained by using different methods of measurement, and are also known as the heterotrait-heteromethod coefficients (Raykov, 2011). It is thus the extent to which measures of different attributes are unrelated (Alarcón & Sánchez, 2015).
Discriminant validity can be tested using the Q-sorting, chi-square difference test and the average variance extracted (AVE) analysis. The AVE test is carried out to determine if the square root of every AVE value that belongs to each underlying construct is much larger than any correlation among any pair of underlying constructs (Zaiț & Bertea, 2011; Alarcón & Sánchez, 2015). While using the AVE analysis, it can be measured by comparing the amount of the variance capture by the construct ($AVE\varepsilon_j$) and the shared variance with other constructs ($\emptyset_{ij}$). The levels of square root of the AVE for each construct should therefore be greater than the correlation linking the constructs

$$\sqrt{AVE\varepsilon_j} \geq \emptyset_{ij} \forall i \neq j \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots 3.3$$

The levels of the AVE for each construct should otherwise be greater than the squared correlation involving the constructs as shown.

$$\sqrt{AVE\varepsilon_j} \geq \emptyset_{ij}^2 \forall i \neq j \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots 3.4$$

According to Zaiț and Bertea (2011), AVE is also calculated as:

$$AVE = \frac{\sum[\lambda_i^2]}{\sum[\lambda_i^2] + \sum[Var(\varepsilon_i)]} \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots 3.5$$

The Q-sorting method intends to separate items in a multi-dimensional construct according to their precise sphere. This technique is used on experts and other persons of interest for the research and it helps eliminate items that do not properly distinguish well between sets of items. The Chi-Square on the other hand lets the researcher to compare two models whereby in one of the models, the constructs are correlated and in another they are not correlated (Zaiț & Bertea, 2011).

The study tested discriminant and content validity. The study used the average variance extracted (AVE) method to test discriminant validity. To test content validity, the study sought views of experts in the field of strategy management. The views of the experts facilitated the necessary revision and modification of the research instruments thereby enhancing validity.
The study tested for construct validity by administering the questionnaire to the experts in the field of strategic management and organizational performance. The experts were professors and consultants in strategic management. They provided comments on how the questionnaire should be improved to ensure that questions asked are valid.

3.7.4 Administration of the Instruments

The main method of data collection that was used in this study is questionnaire. Wilkinson and Birmingham (2003), argued that questionnaire is a widely used tool since it offers a cheap and effective way of collecting data in a structured and manageable way.

Once the questionnaire is designed, it was critically examined to check for validity and reliability. According to Brancato, et al. (2006), questionnaires make up the foundation of every single inquiry-based statistical evaluation. Questionnaires are without a doubt the most essential assessment instruments that researchers make use of to understand the observations to be assessed or evaluated. Nonetheless, inaccuracies that may arise as a result of an unsatisfactory questionnaire can almost not be made up for at later phases of the data collection procedure. Therefore, in order to have great data quality, it is imperative that the questionnaire be systematically designed and tested to reduce the measurement inaccuracy.

The researcher recruited research assistants who assisted in the distribution and administration of the questionnaires. The data collection took place on working days and working hours, that is, weekdays from 8am to 5 pm. Follow up was also done via phone calls, emails and visits to the organisations to increase response rate. The collected data was coded and entered in Statistical Package for Social Sciences (SPSS) for analysis.

3.7.5 Ethical Considerations

Studies that consist of human as research participants must be carried out in a way that shows consideration for the self-respect, security, and civil liberties of the participants. Researchers worldwide have progressively more acknowledged the necessity of external supervision in gaining ethical guidance thus sovereign ethics boards or institutions have been founded to conduct this function. Similarly, a great number of intellectual studies and global regulation have offered the theoretical and operational guidelines for refining the ethical behaviour of studies and also assisted in creating necessary precautions (Hurst et al., 2013). According to
Powell, Fitzgerald, Taylor and Graham (2012), ethics mechanisms, such as ethical rules and guiding principles, and research ethics boards are ways of ensuring that moral principles are nurtured and maintained in studies.

Harriss and Atkinson (2013), discuss six ethical considerations that should be adhered to by a researcher while carrying out a study that involve humans as the research participants. The first ethical consideration, the basic principles, states that the civil rights and wellbeing of study participants must be given priority over all other interests. The ethical review contends that the study must be assessed and approved by the suitable ethics body before the study starts and before modifications are used. The research protocol states that the research, research design and data analysis technique must be unambiguously defined, reasonable and applicable. Furthermore, the study participant should give informed consent freely and this assent would preferably be in writing, although oral consent may be properly authenticated and endorsed if the written assent cannot be acquired or is not suitable. The study must also be carried out in agreement with suitable risk management, by properly competent researchers and support workforce, skilfully and carefully, and in the correct location so that the privacy of study participants and privacy of their particular information is protected and consistent with laws and regulations of the country. Finally, any critical undesirable incidents that may take place in the course of the study must be reported to the ethics board that reviewed and approved the study (World Medical Association, 2013).

The concerns regarding ancillary use of data are largely based on probable maltreatment of distinct subjects and the problem of consent. When the secondary data has no classifying information, or is absolutely lacking this information or it is correctly systematized with the intention of the making the researcher not have access to the cryptograph, then a complete review by the ethical committee is not necessary except the committee has to ascertain that the data is really anonymous. In case the data comprises classifying information on study members or it has information that could be associated to recognize the research participants however, the committee must then carry out a total evaluation of the proposal (Tripathy, 2013). The relevant board or committee in Kenya that is responsible for the review of such proposals is the National Commission for Science, Technology and Innovation (NACOSTI).
Ethical considerations were pertinent to this study because of the nature of the problem, the methods of data collection and the kind of persons serving as research participants. Participants were informed of the nature and purpose of the study and allowed to choose whether to participate or not. There is wide consensus among social scientists that research involving human participants should be performed with the informed consent of the participants. The researcher therefore ensured that participants know that their involvement is voluntary at all times. To safeguard the privacy of the participants, respondents were kept in a private environment away from passers-by or intruders. Asking participants not to write their names on the questionnaires during the research also helps to ensure anonymity. While preparing for data collection and analysis, the researcher maintained anonymity by separating information such as code numbers from the data itself. Additionally, a research permit was obtained from the National Commission for Science, Technology and Innovation (NACOSTI).

3.8 Data Analysis Methods

Kothari (2004), categorizes analysis into causal analysis, and correlation analysis. Correlation analysis delves into the mutual discrepancy of two or more variables for ascertaining the degree of relationship the variables. Causal analysis is focused on investigating how variables have an impact on variations in another variable, and is thus an investigation of practical associations that may exist between two or more variables, and can be referred to as regression analysis. Regression analysis is regarded as comparatively more essential in experimental studies, while in a good number of social and business studies where more focus is on comprehending and regulating correlations among variables then with finding out causes as such and hence correlation analysis is regarded as comparatively more essential in such cases (Kothari, 2004).

The data analysis methods were broadly based on descriptive and inferential analysis. Descriptive analysis as described by Zikmund, Babin, Carr and Griffin (2013), refers to the process where unrefined data is transformed into a manner that makes the data easily understandable and interpretable through rearrangement, ordering, and manipulation of data to produce descriptive facts. Descriptive statistics assists the researcher to make huge volumes of data simple in a practical manner whereby each descriptive statistic condenses
plenty of data into an easier abridgement. There are two basic methods of presenting descriptive statistics namely numerical and graphical approaches. A researcher is able to calculate statistics which communicate information about the average, for instance, the mean and standard deviation, through the numerical approach. Comprehensive information about the dissemination is contained in the plots. In the identification of patterns in the data, they are more appropriate than numerical methods. Numerical methods on the other hand are more specific and unbiased. In practice, it is recommended that one uses both numerical and graphical methods because they supplement each other (Jaggi, 2003). Descriptive analysis for this study comprised of estimation of means, standard deviations and frequencies.

In inferential analysis, the researcher surveys a small subsection of the population referred to as a sample. The sample is then analysed and an inference is made about the population depending on the sample. The reliability of the inference can be determined by means of probability theory and the Central Limit Theorem. This is because a statistical research is carried out to gain an interpretation about occurrences in a population. Thus, inferential analysis involves the estimation or tests of hypotheses of a population’s considerations using data obtained from a random sample (Geraghty, 2014). Inferential analysis for this study comprised of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis.

3.8.1 Factor Analysis

Factor analysis was used for data reduction. However, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett’s sphericity tests was used to test the appropriateness of factor analysis. Values of KMO greater or equal to 0.5 qualified use of factor analysis while a significant Bartlett's test confirmed the usefulness of factor analysis (Anastasiadou, 2011). Being the most widely used multivariate method in social sciences, Factor analysis is a method which is applied when there is a methodical interrelationship between a group of variables and the study is concerned with establishing a more essential or covert thing which generates this commonality. It thus attempts to solve a great set of quantified variables with regard to the factors (Kothari, 2004; Yong & Pearce, 2013). In factor analysis, a factor refers
to a fundamental measurement that gives an explanation for a number of observed variables. Factor-loadings on the other hand are the values that describe how directly the variables are linked to each of the ascertained factors. Communality \((h^2)\) indicates the extent of how each variable is elucidated by the fundamental factor altogether. The higher the value of communality, the lesser the variable remaining after whatever the factors represent is provided for. Eigen value or latent is the sum of squared values of factor loadings relating to a factor. Eigen value points out the comparative importance of each factor in justifying the specific group of variables under investigation. Total sum of squares is the resulting value when Eigen values of all factors are summed (Kothari, 2004; Knafl, & Grey, 2007). According to Yong and Pearce (2013), the two methods of factor analysis are Exploratory Factor Analysis (EFA) which tries to find out multifaceted patterns through the investigation of the dataset and examination of predictions, and Confirmatory Factor Analysis (CFA) which tries to substantiate the study hypotheses by making use of path analysis illustrations to represent variables and factors. Kothari (2004) contends that these techniques of factor analysis do not essentially produce the same outcomes hence factor analysis is a set of methods and not a single unique technique. These techniques include the maximum likelihood technique, the principal components analysis (PCA) and the centroid analysis. The study utilized factor analysis to reduce data and create a summated score for strategy formulation, strategy implementation, strategy evaluation and regulation constructs.

### 3.8.2 Correlation Analysis

Correlation is an alternative method of evaluating the association between variables. Particularly, it evaluates the degree of correlation between the layouts of two random variables. Regression and correlation greatly resemble each other save for the different methods of interpretation of the correlation. Correlation analysis is utilized in the assessment of a potential linear relationship between two uninterrupted variables. It is preferred due to its simplicity both in calculation and interpretation. Misapplication of correlation is however common among investigators such that some researchers have wished it never been in existence in any way (Mukaka, 2012).
The correlation coefficient (denoted by $r$) allows the study to compute the intensity of the linear association between two variables. This coefficient $r$ can assume any value between -1 and +1 whereby a value of +1 indicates an absolute positive relationship. This has the implication that the two variables are indeed associated and hence as the values of one variable rise, values of the other variable will subsequently rise. On the other hand, a value of -1 indicates an absolute negative association such that the two variables are accurately associated and as the values of one variable rise, the values of the other variable will however decline. When the value of $r$ is between -1 and +1, it shows a weaker positive and negative relationship, whereas a value of 0 implies the variables are completely independent. (Saunders, Lewis, & Thornhill, 2015).

Kendall’s rank correlation coefficient (Kendall’s tau) and the Spearman’s rank correlation coefficient (Spearman’s $rho$) are two of the most widely used correlation coefficients. Both coefficients make the assumption that the sample is randomly chosen and that the data is ordinal in situations whereby the data in use is obtained from a sample. Therefore, a researcher can use both Spearman’s rank correlation coefficient and Kendall’s rank correlation coefficient although Kendall’s rank correlation coefficient is commonly regarded to be the more applicable if the study data has tied ranks (Chok, 2010). The study conducted correlation analysis to measure the relationship between organizational performance and strategy formulation, strategy implementation, strategy evaluation and regulation constructs.

3.8.3 Analysis of Variance (ANOVA)

One-way analysis of variance (one-way ANOVA) examines the distribution of data values, otherwise known as variance, within and among groups of data through associating means and these variances are represented by the $F$ ratio or $F$ statistic. When the possibility of any variance between groups happening accidentally by itself is low, a large F ratio with a probability of less than 0.05 represent this scenario and it is labelled as statistically significant (Saunders, Lewis, & Thornhill, 2015).
While investigating the correlation between variables, either the $t$-test or ANOVA can be used to associate the means of two sets on the dependent variable. The $t$-test however can only be utilised in comparison of two groups while ANOVA can be utilised to associate two or more groups. ANOVA is preferable over $t$-test because the subsequent tests of ANOVA lets the researcher to control type one error better (Sow, 2014).

According to Ostertagová and Ostertag (2013), ANOVA is used to examine for substantial variances between the means of groups through the analysis the differences. When carrying out an analysis of variances, the researcher must make the following assumptions: the phenomena observed are independent of one another; these observations in each class originate from a normal distribution, and that the differences of population in each class are the same. The study conducted ANOVA to establish whether there was mean difference between the means of organizational performance and strategy formulation, strategy implementation, strategy evaluation and regulation constructs. This is because the ANOVA compares dispersion of samples in order to make inferences of their mean.

### 3.8.4 Regression Analysis

Saunders, Lewis and Thornhill (2015), describe regression analysis as the practice of computing coefficient of determination ($R^2$) and regression equation by means of one independent variable. According to Kothari (2004), regression refers to the process of ascertaining an arithmetical association between two or more variables. There are usually two variables simple regression whereby the independent variable influences the behaviour of the dependent variable.

Correlation analysis was used to establish the relationship between organizational performance and strategy formulation, strategy implementation, strategy evaluation and NSE regulation. One-way ANOVA was used to test the mean difference of organizational performance between different sectors of companies listed at NSE. Finally, the study used multiple linear regression to estimate the effect of strategy formulation, strategy implementation, strategy evaluation and NSE regulation on organization performance of companies listed at NSE. Before running the regression model, the study conducted diagnostic tests to test the violation of classical linear regression model. The study conducted
the following diagnostic tests; multicollinearity, autocorrelation, normality, heteroscedascity and function misspecification (Greene, 2012).

In most contemporary studies, Kothari (2004), contends that the multivariate analysis has been rapidly developed to analyze more than two variables from a sample of observations at the same time. Multiple regression analysis is utilized when one of the researcher’s dependent variable is postulated to be a function of two or more independent variables. This analysis is carried out to make an extrapolation regarding the dependent variable hinged on its covariance with all the involved independent variables. Multiple discriminant analysis on the other hand is suitable when the single dependent variable cannot be computed, but can be categorized into two or more clusters based on certain characteristic. This analysis is carried out to forecast the likelihood of an object having its place in a specific cluster with basis on a number of independent variables.

Multivariate analysis of variance is an annex to the two-way ANOVA, in which the proportion of ‘between group’ variance to ‘within group’ variance is calculated from an arrangement of variables. Canonical analysis on the other hand can be applied in case of both quantifiable and non-quantifiable variables so as to predict a group of dependent variables from their mutual covariance with a group of independent variables at the same time (Mukaka, 2012; Kothari, 2004).

For the multiple linear regression model, the study specified organizational performance as the dependent variable and strategy formulation, strategy implementation and, strategy evaluation as the independent variables while regulation was the moderator variable. The multiple linear regression model that was used is presented in equation 3.6.

\[
OP_i = \beta_0 + \beta_1 SF_i + \beta_2 SI_i + \beta_3 SE_i + \epsilon_i \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots (3.6)
\]

Where; OP represents organizational performance, SF denotes strategy formulation, SI denotes strategy implementation, and SE denotes strategy evaluation. \(\beta\)'s are the parameters to be estimated, \(\epsilon\) is the error term and \(i\) represents the individual manager.

The study used regression based approach to estimate the moderating effect of regulation. Regression based method requires the moderator and its interaction terms to be included in the multiple linear regression model as shown in formula 3.7.
\[ OP_i = \beta_0 + \beta_1 SF_i + \beta_2 SI_i + \beta_3 SE_i + \beta_4 (SF \ast R) + \beta_5 (SI \ast R) + \beta_6 (SE \ast R) + \beta_7 R_i + \epsilon_i \] (3.7)

Where; \(R\) represents the moderator regulations, \((SF \ast R)\) denotes the interaction between strategy formulation and regulation, \((SI \ast R)\) denotes the interaction between strategy implementation and regulation, \((SE \ast R)\) denotes the interaction between strategy evaluation and regulation by NSE. The other variables are as defined earlier.

### 3.9 Chapter Summary

This chapter discussed the general methodology used in this research to answer the research questions and to achieve the set study objectives. The research philosophy, research design, population of the study, sampling design, data collection techniques, research procedures and data analysis techniques used in this study are discussed. The study was based on positivism research philosophy and explanatory research design. The target population was 325 senior managers. The study used stratified sampling technique with the different sectors of NSE forming the strata. The study followed Yamane’s (1967), formula to come up with a sample size of 179 senior managers. Data was gathered from senior managers by means of a structured questionnaire. A pilot study to assess the reliability and validity of the questionnaire was conducted. The study conducted descriptive and inferential analysis, where descriptive analysis entailed, means, standard deviations and frequencies. Inferential analysis included correlation analysis, One-way Analysis of Variance (ANOVA), factor analysis and regression analysis. Before regression is utilised the study conducted tests of multicollinearity, autocorrelation, normality, heteroscedasticity and function misspecification to make certain that the suppositions of classical linear regression are not breached. The next chapter will present the results and findings of the study.

### CHAPTER FOUR

#### 4.0 RESULTS AND FINDINGS

#### 4.1 Introduction

This chapter offers a broad analysis of the research findings and it includes the general information obtained from the study data, results from factor and correlation analyses in addition to the multiple linear regression results which the study used to test the hypotheses.
4.2 General Information

The study intended to collect data from 179 senior managers of companies listed at the NSE but 147 responses were collected from the respondents translating to a response rate of 82.12%. The following subsections presents information on demographic characteristics of the respondents.

4.2.1 Gender of the Respondents

Majority of the respondents (59.3%) were male whereas the remaining 40.7% were female. This finding implies that the responses gathered were representative of both genders and the results could be generalized. This finding is shown in Figure 4.1.

Source: Author Data (2017)

Figure 4.1: Gender of the respondents

4.2.2 Age of the Respondents

The study showed that 45.9% of the respondents were aged between 41 and 50 years, followed by 30.1% who were aged between 31 and 40 years. 2.7 percent of the respondents were more than 60 years old. It implies that respondents across all age groups were represented in the study and the results reflects the reality that majority of senior managers are relatively old. This finding is summarized in Figure 4.2.
4.2.3 Education of the Respondents

Respondents with bachelor’s degree were 43.2%, followed by those with master’s degree (36.3%). About 7.5% of the respondents had PhD while 2.1% of the respondents indicated that they had completed primary school. This indicates that majority of the respondents had the education level required to understand management issues, that is, at least bachelor degree. Figure 4.3 shows this finding.
4.2.4 Job Title / Responsibility of the Respondents

The study revealed that 44.5% of the respondents were general managers/section heads, 19.9% were team leaders, 16.4% were managing directors, 14.4% were supervisors, 4.1% were Chief Executive Officers and 0.7% were owners of the business. This shows that majority of the respondents were in a position to fully understand issues on management affecting their companies. The finding is shown in Figure 4.4.
Source: Author Data (2017)

Figure 4.4: Job title / responsibility

4.2.5 Work Department of the Respondents

About 30% of the respondents indicated that they work in the human resources department, 25.2% work in the information technology department, 19.5% work in the finance department, 14.6% work in the operations, and 10.6% work in the marketing department. Thus, all departments in the organizations were represented in the study. The findings are shown in Figure 4.5.
4.2.6 Work Experience of the Respondents

The study found that 39.7% of the respondents had worked for their company for 4-6 years, 21.9% had worked for 7-9 years, 20.5% had work experience of 1-3 years, and 14.4% had worked for less than one year. Only 3.4% of the respondents had worked for 10 years or more. The result indicates that majority of the respondents had worked long enough to understand management issues in their organization and had a general understanding of macro-economic environment. Figure 4.6 summarizes this finding.
4.2.7 Length of Business in Operation

Majority of the companies (74.1%) had been in operations for a period of 10 years or more. Only 4.1% of the companies had been in operation for less than one year. This shows that majority of the companies were well established and needed to have implemented strategic management processes. This result is shown in Figure 4.7.

Source: Author Data (2017)

Figure 4. 6: Work experience of the respondent

Figure 4. 7: Length of business in operation
4.2.8 Nature of Business Ownership

Similarly, majority (80.7%) of the companies were public limited companies, 12.4% were private limited companies whereas 6.9% were partnerships. This shows that there was a good representation in terms of private and public sectors. This finding is shown in Figure 4.8.

![Pie chart showing the nature of business ownership]

Source: Author Data (2017)
Figure 4. 8: Nature of business ownership

4.2.9 Industries of Operation

The study showed that 21.8% of the companies were in the banking sector, followed by those in the commercial and services sector (15.5%) and manufacturing and allied (13.4%). This shows that all business segments at the NSE are well represented. Figure 4.9 shows this result.
4.2.10 Number of Employees

The study showed that 31.9% of the companies had less than 1000 employees, whereas 24.1% had more than 3000 employees. This shows that NSE companies needed to have implemented strategic management processes especially the components dealing with human resource management. This finding is shown in Figure 4.10.
4.2.11 Organizational Performance

Regarding the annual turnover, the study found that most of the companies had annual turnover of more than Kshs. 10 billion. The study found that majority (61.9%) of the companies had great to very great extent growth in their revenue for the last five years. About (74%) of the companies had great to very great extent growth in their sales for the last five years. Seventy-six percent of the companies experienced great to very great extent overall performance. Table 4.1 presents this finding.
Table 4.1: Organizational performance

<table>
<thead>
<tr>
<th>Organizational performance</th>
<th>Not at all</th>
<th>Small Extent</th>
<th>Moderate Extent</th>
<th>Great Extent</th>
<th>Very great extent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in Revenue</td>
<td>Frequency</td>
<td>4</td>
<td>7</td>
<td>45</td>
<td>52</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>2.7</td>
<td>4.8</td>
<td>30.6</td>
<td>35.4</td>
<td>26.5</td>
</tr>
<tr>
<td>Growth in sales</td>
<td>Frequency</td>
<td>6</td>
<td>32</td>
<td>58</td>
<td>49</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>4.1</td>
<td>22.1</td>
<td>40.0</td>
<td>33.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Overall performance</td>
<td>Frequency</td>
<td>2</td>
<td>2</td>
<td>31</td>
<td>58</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>1.4</td>
<td>1.4</td>
<td>21.2</td>
<td>39.7</td>
<td>36.3</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.3 Influence of Strategy Formulation on Organizational Performance of Companies Listed at NSE

One of the objective of this study was to investigate the influence of strategy formulation on organizational performance of companies listed at NSE. To test the study hypothesis, the study presented the descriptive statistics of strategy formulation, factor analysis, correlation analysis ANOVA and multiple linear regression results. This section presents the results for each analytical technique used to answer the first objective.

4.3.1 Descriptive Statistics for Strategy Formulation

The descriptive statistics that incorporates the frequency, percentages, mean and standard deviation for strategy formulation are presented in Tables 4.2, 4.2a and 4.2b. Majority of the respondents slightly agreed to strongly agree with various aspects of leadership initiative, budget/finances and environmental context. Majority of the respondents agreed to strongly agree that strategy formulation through leadership initiative were implemented in their companies.
Table 4.2: Descriptive statistics for strategy formulation (leadership initiative)

<table>
<thead>
<tr>
<th>Strategy formulation</th>
<th>ST</th>
<th>D</th>
<th>SL</th>
<th>N</th>
<th>SL</th>
<th>A</th>
<th>ST</th>
<th>T</th>
<th>M</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>The manager is actively involved in creating company mission and vision</td>
<td>Frequency</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td>13</td>
<td>21</td>
<td>67</td>
<td>35</td>
<td>14</td>
<td>5.6</td>
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<tr>
<td></td>
<td>Percentage</td>
<td>3.4</td>
<td>.7</td>
<td>2.7</td>
<td>.8</td>
<td>14.</td>
<td>45.</td>
<td>24.</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>The managers act as change enabler or drivers in the company</td>
<td>Frequency</td>
<td>2</td>
<td>1</td>
<td>11</td>
<td>20</td>
<td>68</td>
<td>43</td>
<td>14</td>
<td>5.9</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>1.4</td>
<td>.7</td>
<td>7.</td>
<td>13.</td>
<td>46.</td>
<td>29.</td>
<td>10</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>The managers are actively involved in making major decisions during the strategy formulation</td>
<td>Frequency</td>
<td>4</td>
<td>3</td>
<td>25</td>
<td>67</td>
<td>44</td>
<td>14</td>
<td>5.9</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>2.8</td>
<td>2.</td>
<td>17.</td>
<td>46.</td>
<td>30.</td>
<td>10</td>
<td>1</td>
<td>5</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

Where; STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively

Majority of the respondents agreed to strongly agree that strategy formulation through budget/finances were implemented in their companies (table 4.2a).

Table 4.3a: Descriptive Statistics for Strategy Formulation (Budget/Finances)

<table>
<thead>
<tr>
<th>Strategy formulation</th>
<th>ST</th>
<th>D</th>
<th>SLD</th>
<th>N</th>
<th>SL</th>
<th>A</th>
<th>ST</th>
<th>T</th>
<th>M</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>This company uses an operating budget which summarizes how managers are supposed to use company</td>
<td>Frequency</td>
<td>3</td>
<td>5</td>
<td>33</td>
<td>62</td>
<td>43</td>
<td>14</td>
<td>5.9</td>
<td>1.0</td>
<td></td>
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<tr>
<td></td>
<td>Percentage</td>
<td>2.1</td>
<td>3.4</td>
<td>22.</td>
<td>42.</td>
<td>29.</td>
<td>10</td>
<td>6</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

120
My company has aligned its budget with the company strategy through good communication, enhanced responsibility, and improved feedback flows.

This firm always makes decisions that are based on the budget.

Source: Author Data (2017)

Where; STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively.

Majority of the respondents agreed to strongly agree that strategy formulation through environmental context were implemented in their companies (table 4.2b).

Table 4. 4b: Descriptive Statistics for Strategy Formulation (Environmental Context)

<table>
<thead>
<tr>
<th>Strategy formulation</th>
<th>STD</th>
<th>D</th>
<th>SL</th>
<th>NA</th>
<th>SL</th>
<th>A</th>
<th>ST</th>
<th>T</th>
<th>M</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>This company makes use of tools such as PESTEL, Porter’s Five Forces, and SWOT Matrix to analyze the</td>
<td>Frequency</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>18</td>
<td>68</td>
<td>49</td>
<td>14</td>
<td>5.9</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>3.4</td>
<td>.7</td>
<td>3.4</td>
<td>12.</td>
<td>46.</td>
<td>33.</td>
<td>10</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>
This company incorporates environment concerns while making strategic decisions, evaluating strategic development alternatives and issuing guiding principles.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>This company</td>
<td>3 1 1 8 17 59 57 14 6.0 1.1</td>
<td>2.1 .7 .7 5.5 11. 40. 39. 10</td>
</tr>
<tr>
<td>environment</td>
<td></td>
<td>6 4 0 0</td>
</tr>
</tbody>
</table>

The strategic decisions of this company are based on the prevailing business environment context.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The strategic</td>
<td>3 1 1 15 64 62 146 3 6.1 1.0</td>
<td>2.1 .7 .7 10. 43. 42. 100 2.1</td>
</tr>
<tr>
<td>decisions</td>
<td></td>
<td>3 8 5</td>
</tr>
<tr>
<td>of this company</td>
<td></td>
<td></td>
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<tr>
<td>are based</td>
<td></td>
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<tr>
<td>on the prevailing</td>
<td></td>
<td></td>
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<tr>
<td>business</td>
<td></td>
<td></td>
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<tr>
<td>environment context</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source: Author Data (2017)**

Where; STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively.

### 4.3.2 Factor Analysis for Strategy Formulation

#### 4.3.2.1 KMO and Bartlett's Test for Strategy Formulation

The study carried out factor analysis so that the items of strategy formulation could be reduced. The construct of strategy formulation was measured using nine items thus the construct was factor analyzed to identify a suitable measure. The results showed that the KMO had a value of 0.839 and Bartlett's test had $x^2 = 631.331$, $p = 0.000$. This result confirmed that the construct of strategy formulation could be factor analyzed. The results are presented in Table 4.3
Table 4. 5: KMO and Bartlett's test for strategy formulation

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | 0.839 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 631.331 |
| df | 36 |
| Sig. | 0.000 |

Source: Author Data (2017)

4.3.2.2 Total Variance Explained for Strategy Formulation

The total variance explained for strategy formulation showed that two components explained about 65% of the total variability in the nine items. The results are presented in Table 4.4.

Table 4. 6: Total Variance Explained for Strategy Formulation

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tot % of Variance</td>
<td>Cumulative %</td>
<td>Tot % of Variance</td>
</tr>
<tr>
<td>1</td>
<td>4.6 50.910</td>
<td>50.910</td>
<td>4.6 50.910</td>
</tr>
<tr>
<td>2</td>
<td>1.2 13.929</td>
<td>64.839</td>
<td>1.2 13.929</td>
</tr>
<tr>
<td>3</td>
<td>.90 10.040</td>
<td>74.879</td>
<td></td>
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<td>4</td>
<td>.58 6.490</td>
<td>81.369</td>
<td></td>
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<td>5</td>
<td>.51 5.734</td>
<td>87.103</td>
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<td>6</td>
<td>.41 4.590</td>
<td>91.693</td>
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<tr>
<td>7</td>
<td>.30 3.329</td>
<td>95.021</td>
<td></td>
</tr>
</tbody>
</table>
4.3.2.3 Scree Plot for Strategy Formulation

The findings on the scree plot confirm that strategy formulation can be measured using two components since out of nine components only two components had Eigen values greater than one. The results of scree plot are presented in the Figure 4.11.
### 4.3.2.4 Rotated Component Matrix for Strategy Formulation

The study found that two factors could be used to create a summated score of strategy formulation. Based on the rotated component matrix, the two factors selected for creating the index are: a) “The managers are actively involved in making major decisions during the strategy formulation” which is heavily loaded to component one and had factor loading of 0.897; b) “This company uses an operating budget which summarizes how managers are supposed to use company resources” that is heavily loaded to component two and has factor loading of 0.863. The results for the rotated component matrix are presented in Table 4.5.

#### Table 4. 7: Rotated component matrix for strategy formulation

<table>
<thead>
<tr>
<th>Strategy Formulation</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>The manager is actively involved in creating company mission and vision</td>
<td>.845</td>
</tr>
<tr>
<td>The managers act as change enabler or drivers in the company</td>
<td>.567</td>
</tr>
<tr>
<td>The managers are actively involved in making major decisions during the strategy formulation</td>
<td>.897</td>
</tr>
<tr>
<td>This company uses an operating budget which summarizes how managers are supposed to use company resources</td>
<td>.147</td>
</tr>
<tr>
<td>My company has aligned its budget with the company strategy through good communication, enhanced responsibility, and improved feedback flows</td>
<td>.773</td>
</tr>
<tr>
<td>This firm always makes decisions that are based on the budget</td>
<td>.170</td>
</tr>
</tbody>
</table>
This company makes use of tools such as PESTEL, Porter’s Five Forces, and SWOT Matrix to analyze the external and internal business environments.

This company incorporates environment concerns while making strategic decisions, evaluating strategic development alternatives and issuing guiding principles.

The strategic decisions of this company are based on the prevailing business environment context.

**Source: Author Data (2017)**

### 4.3.3 Correlation Analysis Between Organizational Performance and Strategy Formulation

The Pearson correlation coefficient between firm performance and strategic formulation was 0.453 with a p value of 0.000. This implies that the relationship between firm performance and strategic formulation was positive and statistically significant at 5 percent significance level. The findings are summarized in Table 4.6.

**Table 4.8: Correlation analysis between organizational performance and strategy formulation**

<table>
<thead>
<tr>
<th>Strategy Formulation</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.453**</td>
<td>.000</td>
<td>142</td>
</tr>
</tbody>
</table>

**Source: Author Data (2017)**
4.3.4 ANOVA between Organizational Performance and Strategy Formulation

The results for the mean difference between organizational performance and strategy formulation reported F test of 5.669 with a p-value of 0.000 which was less than the p value of 0.05. These results showed that there was a significant mean difference between organizational performance and strategy formulation. The finding is summarized in Table 4.7.

**Table 4.9: ANOVA between Organizational Performance and Strategy Formulation**

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<th>Source: Author Data (2017)</th>
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</table>
Table 4.10: Unmoderated model summary for effect of strategy formulation on organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.463</td>
<td>.214</td>
<td>.197</td>
<td>2.09891</td>
<td>1.582</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

The ANOVA results for strategy formulation showed that the value of F statistic for unmoderated model was 12.428 with a p-value of 0.000 which was less than 0.05 suggesting that strategy formulation and other independent variables jointly explained the organizational performance. Table 4.9 summarizes this finding.

Table 4.11: Unmoderated ANOVA for effect of strategy formulation on organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>164.257</td>
<td>3</td>
<td>54.752</td>
<td>12.428</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>603.545</td>
<td>137</td>
<td>4.405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>767.801</td>
<td>140</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Author Data (2017)

The regression results indicated that the coefficients for strategy formulation was 0.608 and the p-value was 0.000 which was less than the p value of 0.05. This result indicate that strategy formulation has a positive and significant effect on organizational performance. The result is presented in Table 4.10.
Table 4.12: Unmoderated Coefficient for Strategy Formulation

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>3.578</td>
<td>1.394</td>
<td>2.566</td>
<td>.011</td>
</tr>
<tr>
<td>Strategy formulation</td>
<td>0.608</td>
<td>.150</td>
<td>.398</td>
<td>4.064</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.3.5.2 Moderated Regression Analysis on the Effect of Strategy Formulation on Organizational Performance

The study used regulation as the moderator and found the R square was 0.240 and the value of Durbin-Watson test of autocorrelation was 1.572. The R square indicated that 24% of variations in organizational performance were explained by strategy formulation. The Durbin-Watson test showed that the error terms were not related with each other. The results are as shown in Table 4.11.

Table 4.13: Moderated model summary for strategy formulation

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>.490</td>
<td>.240</td>
<td>.199</td>
<td>2.09866</td>
<td>1.572</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

The ANOVA results for strategy formulation showed that the value of F statistic for the moderated model was 5.913 with a p-value of 0.000 which was less than 0.05 implying that
the strategy formulation together with regulation jointly explained the organizational performance. Table 4.12 summarizes this finding.

**Table 4. 14: Moderated ANOVA for effect of strategy formulation on organizational performance**

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>182.306</td>
<td>7</td>
<td>26.044</td>
<td>5.913</td>
</tr>
<tr>
<td>Residual</td>
<td>576.974</td>
<td>131</td>
<td>4.404</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>759.281</td>
<td>138</td>
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</table>

*Source: Author Data (2017)*

For the moderated model, the regression results indicated that the coefficients for strategy formulation was 0.456 with a p-value of 0.643 that was greater than 0.05. This result indicate that strategy formulation does not significantly influence organizational performance when relationship is moderated by regulation. The result is presented in Table 4.13.

**Table 4. 15: Moderated Coefficients for Strategy Formulation**

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>.955</td>
<td>6.880</td>
<td>.139</td>
</tr>
<tr>
<td>Strategy Formulation</td>
<td>.456</td>
<td>.979</td>
<td>.298</td>
</tr>
</tbody>
</table>

*Source: Author Data (2017)*
4.3.6 Hypothesis Testing of the Effect of Strategy Formulation on Organizational Performance

The regression results for unmoderated model showed that the coefficient for strategy formulation was 0.608 and the p-value was 0.000 which was less than the p value of 0.05 while the coefficient for strategy formulation for moderated model was 0.456 with a p-value of 0.643. This finding implied the rejection of the null hypothesis which stated that strategy formulation does not significantly influence organizational performance. Thus, the study showed that strategy formulation positively and significantly influences organizational performance of companies listed at the NSE when regulation is not used as a moderator. This finding implies that strategy formulation has a positive and significance influence on organizational performance of companies listed at NSE.

4.4 The Influence of Strategy Implementation on Organizational Performance of Companies Listed at NSE

This section presents the results for the second objective that sought to investigate the influence of strategy implementation on organizational performance of companies listed at NSE. To test the study hypothesis, the study presented the descriptive statistics of strategy implementation, factor analysis, correlation analysis ANOVA and multiple linear regression results.

4.4.1 Descriptive Statistics for Strategy Implementation

The descriptive statistics for strategy implementation showed that most of the respondent slightly agreed to strongly agreed with various aspects of staff participation, organizational structure, policy and empowerment. This finding is presented in Table 4.14, 4.14a and 4.14b.

Table 4. 16: Descriptive statistics of strategy implementation (staff participation)

<table>
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<tr>
<th>Strategy implementation</th>
<th>ST</th>
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<tbody>
<tr>
<td>Departmental memos</td>
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<td>7</td>
<td>3</td>
<td>5.6</td>
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<th>3</th>
<th>6</th>
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<th>19</th>
<th>53</th>
<th>49</th>
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<th>3</th>
<th>8</th>
</tr>
</thead>
</table>

131
decisions are communicated all through this company and to every individual

All employees in this company align their regular tasks with the overall company strategy

This company engages in a more democratic and participative way of working by allowing employees to offer views and involving employees more in making organizational decisions

Source: Author Data (2017)

Where; STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively

The study found that most of the respondent slightly agreed to strongly agree that strategy implementation was done through organizational structuring (table 4.14a).

Table 4. 17a: Descriptive statistics of strategy implementation (organizational structure)
My company’s structure is aligned with the new strategies and with what the new strategies call for.

My firm has proper communication channels, monitoring and incentive systems, and performance measuring systems.

**Source: Author Data (2017)**

Where; STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively.

The study found that most of the respondent slightly agreed to strongly agree that strategy implementation was done through creation of necessary policies and empowerment (table 4.14b).

**Table 4. 18b: Descriptive statistics of strategy implementation (policy and empowerment)**

<table>
<thead>
<tr>
<th>Strategy implementation</th>
<th>Frequency</th>
<th>ST</th>
<th>D</th>
<th>SL</th>
<th>NA</th>
<th>SL</th>
<th>A</th>
<th>STA</th>
<th>T</th>
<th>M</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company’s policy is properly communicated to the staff and is clearly understood by employees</td>
<td>Frequency</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>17</td>
<td>66</td>
<td>52</td>
<td>147</td>
<td>5.97</td>
<td>1.22</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>2.7</td>
<td>0.7</td>
<td>0.7</td>
<td>4.1</td>
<td>11.</td>
<td>44</td>
<td>35.4</td>
<td>100</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>This company motivates its employees</td>
<td>Frequency</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>18</td>
<td>67</td>
<td>53</td>
<td>147</td>
<td>6.04</td>
<td>1.11</td>
<td></td>
</tr>
</tbody>
</table>
Employees in this company are emotionally attached to the company and exhibit high levels of commitment to the organization

Percentage 2 1.4 2.7 12. 45. 36.1 100
Frequency 1 2 13 11 50 69 147 6.11 1.16
Percentage 0.7 1.4 0.7 8.8 7.5 34 46.9 100

Source: Author Data (2017)

4.4.2 Factor Analysis of Strategy Implementation

4.4.2.1 KMO and Bartlett's Test for strategy implementation

Factor analysis was carried out by the study so that the items of strategy formulation could be reduced. The construct of strategy implementation was estimated using nine items thus the constructs were factor analyzed to identify the suitable measure. The study conducted Kaiser-Meyer-Olkin Measure (KMO) and Bartlett's Test to determine the worth of the factor analysis. The KMO had a value of 0.866 and Bartlett's test had $x^2 = 650.112$, $p = 0.000$. The $p$ value was less than 0.05 and this result confirmed that the construct of strategy implementation could be factor analyzed. The results are presented in Table 4.15.

Table 4.19: KMO and Bartlett's test for strategy implementation

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .866 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 650.112 |
| df | 36 |
Source: Author Data (2017)

4.4.2.2 Total Variance Explained for Strategy Implementation

The total variance explained for strategy formulation showed that one component explained 54.659% of the total variability in the nine items used to determine strategy implementation. Therefore, the component could be used to measure efficiency. The results are presented in Table 4.16.

Table 4.20: Total Variance Explained for Strategy Implementation

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>4.919</td>
<td>54.659</td>
</tr>
<tr>
<td>2</td>
<td>.916</td>
<td>10.176</td>
</tr>
<tr>
<td>3</td>
<td>.821</td>
<td>9.122</td>
</tr>
<tr>
<td>4</td>
<td>.578</td>
<td>6.422</td>
</tr>
<tr>
<td>5</td>
<td>.482</td>
<td>5.358</td>
</tr>
<tr>
<td>6</td>
<td>.444</td>
<td>4.933</td>
</tr>
<tr>
<td>7</td>
<td>.365</td>
<td>4.053</td>
</tr>
<tr>
<td>8</td>
<td>.285</td>
<td>3.161</td>
</tr>
<tr>
<td>9</td>
<td>.190</td>
<td>2.117</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)
4.4.2.3 Scree Plot for Strategy Implementation

The results shown in the scree plot also confirmed the findings of the total variances explained since only component one had Eigen value greater than 1. Figure 4.12 shows this finding.

Source: Author Data (2017)

Figure 4.12: Scree plot for strategy implementation

4.4.2.4 Component Matrix for Strategy Implementation
The results showed that one item, ‘Departmental memos and managerial decisions are communicated all through this company and to every individual’ had the highest factor loading of 0.838. This item was heavily loaded on component one and thus it was used to create a summated score of strategy implementation. The finding is shown in Table 4.17.

**Table 4. 21: Component matrix for strategy implementation**

<table>
<thead>
<tr>
<th>Strategy implementation</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmental memos and managerial decisions are communicated all through this company</td>
<td>.838</td>
</tr>
<tr>
<td>and to every individual</td>
<td></td>
</tr>
<tr>
<td>All employees in this company align their regular tasks with the overall company strategy</td>
<td>.625</td>
</tr>
<tr>
<td>This company engages in a more democratic and participative way of working by allowing employees to offer views and involving employees more in making organizational decisions</td>
<td>.765</td>
</tr>
<tr>
<td>In this company, there is no ambiguity on who makes particular decisions</td>
<td>.562</td>
</tr>
<tr>
<td>My company’s structure is aligned with the new strategies and with what the new strategies call for</td>
<td>.774</td>
</tr>
<tr>
<td>My firm has proper communication channels, monitoring and incentive systems, and performance measuring systems</td>
<td>.747</td>
</tr>
<tr>
<td>The company’s policy is properly communicated to the staff and is clearly understood by employees</td>
<td>.756</td>
</tr>
<tr>
<td>This company motivates its employees with both financial and non-financial incentives to enhance their job performance</td>
<td>.765</td>
</tr>
</tbody>
</table>
Employees in this company are emotionally attached to the company and exhibit high levels of commitment to the organization.

Source: Author Data (2017)

4.4.3 Correlation Analysis Between Strategy Implementation and Organizational Performance

The study found that the Pearson correlation coefficient between organizational performance and strategy implementation was 0.284 with a p value of 0.001. This finding suggested that strategy implementation is positively and significantly related to organizational performance. The finding is summarized in Table 4.18.

Table 4. 22: Correlation analysis between strategy implementation and organizational performance

<table>
<thead>
<tr>
<th>Strategy Implementation</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Performance</td>
<td>.284**</td>
<td>.001</td>
<td>145</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.4.4 ANOVA between Strategy Implementation and Organizational Performance

The ANOVA results for strategy implementation showed that the value of F statistic was 3.031 with a p-value of 0.008 which was less than p value of 0.05. This finding showed that there was a significant mean difference between strategy implementation and organizational performance. Table 4.19 summarizes this finding.
Table 4.23: ANOVA between Strategy Implementation and Organizational Performance

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>93.539</td>
<td>6</td>
<td>15.590</td>
<td>3.031</td>
<td>.008</td>
</tr>
<tr>
<td>Within Groups</td>
<td>709.772</td>
<td>138</td>
<td>5.143</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>803.310</td>
<td>144</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.4.5 Regression Analysis on the Effect of Strategy Implementation on Organizational Performance

4.4.5.1 Unmoderated Regression Analysis on the Effect of Strategy Implementation on Organizational Performance

The study carried out multiple linear regression on the effect of strategy implementation on organizational performance for unmoderated regression and found the R square of 0.214 and DW test of 1.582. This finding implied that 21.4% of variations in organizational performance are explained by strategy implementation and that the error terms of the regression are not correlated. The results areas shown in Table 4.20.

Table 4.24: Unmoderated model summary for the effect of strategy implementation on organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
</table>

139
The ANOVA results for strategy implementation showed that the value of F statistic for unmoderated model was 12.428 with a p-value of 0.000 which was less than 0.05 implying that the strategy implementation jointly explain the organizational performance. Table 4.21 summarizes this finding.

| Source: Author Data (2017) |

The regression results indicated that the coefficient for strategy implementation was -0.069 with a p-value was 0.663 which was greater than the p value of 0.05. This finding indicates that strategy implementation does not significantly influence organizational performance. The result is presented in Table 4.22.

<table>
<thead>
<tr>
<th>Table 4. 25: Unmoderated ANOVA for effect of strategy implementation on organizational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum of Squares</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

| Source: Author Data (2017) |

<table>
<thead>
<tr>
<th>Table 4. 26: Unmoderated coefficients for strategy implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td>B</td>
</tr>
</tbody>
</table>

140
4.4.5.2 Moderated Regression Analysis on the Effect of Strategy Implementation on Organizational Performance

The study carried out multiple linear regression on the effect of strategy implementation on organizational performance for moderated regression and found the R square of 0.24 implying that 24% of variations in organizational performance are explained by strategy implementation with regulation as the moderator. The value of Durbin-Watson test of autocorrelation was 1.572 suggesting that the model didn’t suffer from autocorrelation. The results are as shown in Table 4.23.

Table 4. 27: Moderated model summary for the effect of strategy implementation on organizational performance

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.490</td>
<td>0.240</td>
<td>0.199</td>
<td>2.09866</td>
<td>1.572</td>
</tr>
<tr>
<td>2</td>
<td>0.578</td>
<td>0.331</td>
<td>0.216</td>
<td>2.09866</td>
<td>1.572</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

The ANOVA results for strategy implementation showed that the value of F statistic for moderated model was 5.913 with a p-value of 0.000 which was less than 0.05 implying that jointly strategy implementation influences organizational performance. Table 4.24 summarizes this finding.

Table 4. 28: ANOVA for effect of strategy implementation on organizational performance

<table>
<thead>
<tr>
<th>Sum of df</th>
<th>Mean</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
</table>
### Table 4.29: Moderated coefficients for strategy implementation

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>.955</td>
<td>6.880</td>
<td>.139</td>
<td>.890</td>
</tr>
<tr>
<td>Strategy</td>
<td>-0.280</td>
<td>1.092</td>
<td>-.181</td>
<td>-.257</td>
</tr>
</tbody>
</table>

**Source: Author Data (2017)**

The regression result indicated that the coefficient for strategy implementation for moderated regression was -0.280 with a p-value of 0.798 which was greater than 0.05. This finding implied that strategy implementation does not influence organizational performance. The result is presented in Table 4.25.

### 4.4.6 Hypothesis Testing of the Effect of Strategy Implementation on Organizational Performance

The regression results for unmoderated model showed that the coefficient for strategy implementation was -0.069 with a p-value was 0.663 which was greater than the p value of 0.05. For the moderated model the coefficient for strategy implementation was -0.280 with a p-value was 0.798 which was greater than the p value of 0.05. This finding implied failure to reject the null hypothesis which stated that strategy implementation does not significantly influence organizational performance. Thus, the study showed that strategy implementation does not have significant effect on organizational performance of companies listed at the NSE.
4.5 Influence of Strategy Evaluation on Organizational Performance of Companies Listed at NSE

This section presents analytical results for the objective that sought to investigate the influence of strategy evaluation on organizational performance of companies listed at NSE. To test the study hypothesis, the study presented the descriptive statistics of strategy evaluation, factor analysis, correlation analysis ANOVA and multiple linear regression results.

4.5.1 Descriptive Statistics for Strategy Evaluation

The descriptive statistics for strategy evaluation showed that most of the respondents slightly agreed to strongly agreed with various aspects of strategy evaluation. This finding is presented in Table 4.26 and 4.26a.

Table 4. 30: Descriptive statistics for strategy evaluation (tools)

<table>
<thead>
<tr>
<th>Strategy Evaluation</th>
<th>STD</th>
<th>D</th>
<th>SLD</th>
<th>NA</th>
<th>SLA</th>
<th>A</th>
<th>STA</th>
<th>T</th>
<th>M</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>My company regularly analyses its INTERNAL capabilities to determine its strengths and weaknesses using tools of analysis such as SWOT, PESTEL and Porter’s Five Factor</td>
<td>Frequency</td>
<td>7</td>
<td>1</td>
<td>4</td>
<td>19</td>
<td>67</td>
<td>48</td>
<td>146</td>
<td>5.8</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>4.8</td>
<td>.7</td>
<td>2.7</td>
<td>13.0</td>
<td>45</td>
<td>32.9</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>My company regularly analyses its EXTERNAL environment to determine its opportunities and threats using tools of analysis such as SWOT, PESTEL and Porter’s Five Factor</td>
<td>Frequency</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>18</td>
<td>63</td>
<td>55</td>
<td>146</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>1.4</td>
<td>.7</td>
<td>1.4</td>
<td>3.4</td>
<td>12.3</td>
<td>43</td>
<td>37.7</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>My firm emphasizes on</td>
<td>Frequency</td>
<td>3</td>
<td>2</td>
<td>9</td>
<td>20</td>
<td>51</td>
<td>60</td>
<td>145</td>
<td>6.0</td>
<td>1.2</td>
</tr>
</tbody>
</table>
market research focused on entering new markets

<table>
<thead>
<tr>
<th>Strategy Evaluation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The managers of this firm make allowances for the unpredictable future and dynamic</td>
<td></td>
</tr>
<tr>
<td>business environment in the strategic plan.</td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>2.1 1.4 6.2 13.8 35 41.4 100</td>
</tr>
<tr>
<td>Percentage</td>
<td>2.7 1.4 2.7 14.4 41 37.7 100</td>
</tr>
<tr>
<td>My firm has in place strategies that are used to cope with unforeseen circumstances</td>
<td></td>
</tr>
<tr>
<td>in the business industry.</td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>2.1 1 2.7 14 41.1 38 100 2.1</td>
</tr>
<tr>
<td>This company has appropriate technology that helps manage the changing business</td>
<td></td>
</tr>
<tr>
<td>climates</td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>2.1 1 1 2 3 15 60 64 146 6 1.0</td>
</tr>
<tr>
<td>Percentage</td>
<td>.7 .7 1.4 2.1 10.3 41 43.8 100</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

Where; STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively.

The study showed that most of the respondents slightly agreed to strongly agree that their companies conducted strategy evaluation through contingencies mechanisms (table 2.26a).

Table 4. 31a: Descriptive Statistics for Strategy Evaluation (Contingencies)

<table>
<thead>
<tr>
<th>Strategy Evaluation</th>
<th>STD</th>
<th>D</th>
<th>SLD</th>
<th>NA</th>
<th>SLA</th>
<th>A</th>
<th>STA</th>
<th>T</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>The managers of this firm make allowances for the unpredictable future and dynamic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>business environment in the strategic plan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>21</td>
<td>60</td>
<td>55</td>
<td>146</td>
<td>6</td>
<td>1.2</td>
</tr>
<tr>
<td>Percentage</td>
<td>2.7</td>
<td>1.4 2.7</td>
<td>14.4</td>
<td>41</td>
<td>37.7</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My firm has in place strategies that are used to cope with unforeseen circumstances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the business industry.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>21</td>
<td>60</td>
<td>56</td>
<td>146</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Percentage</td>
<td>2.1</td>
<td>1</td>
<td>2.7</td>
<td>14</td>
<td>41.1</td>
<td>38</td>
<td>100</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>This company has appropriate technology that helps manage the changing business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>climates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>15</td>
<td>60</td>
<td>64</td>
<td>146</td>
<td>6</td>
</tr>
<tr>
<td>Percentage</td>
<td>.7</td>
<td>.7</td>
<td>1.4</td>
<td>2.1</td>
<td>10.3</td>
<td>41</td>
<td>43.8</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

Where; STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively.
4.5.2 Factor Analysis for Strategy Evaluation

The study conducted factor analysis for strategy evaluation and the results are presented in the following sections.

4.5.2.1 KMO and Bartlett's Test for Strategy Evaluation

The study carried out factor analysis so that the items of strategy evaluation could be reduced. The construct of strategy evaluation was measured using six items thus the construct was factor analyzed to identify a suitable measure. The results showed that the KMO had a value of 0.827 and Bartlett's test had $x^2 = 568.724$ with a p value of 0.000. This result confirmed that the construct of strategy evaluation could be factor analyzed. The results are presented in Table 4.27.

Table 4. 32: KMO and Bartlett's Test for Strategy Evaluation

| KMO: Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .827 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 568.724 |
| df | 15 |
| Sig. | .000 |

Source: Author Data (2017)

4.5.2.2 Total Variance Explained for Strategy Evaluation

The total variance explained for strategy evaluation showed that one component explained about 66% of the total variability in the six items. The results are presented in Table 4.28.

Table 4. 33: Total variance explained for strategy evaluation

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Variance</td>
<td>% of Total</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1</td>
<td>3.950</td>
<td>65.826</td>
</tr>
<tr>
<td>2</td>
<td>.907</td>
<td>15.121</td>
</tr>
<tr>
<td>3</td>
<td>.487</td>
<td>8.112</td>
</tr>
<tr>
<td>4</td>
<td>.257</td>
<td>4.287</td>
</tr>
<tr>
<td>5</td>
<td>.213</td>
<td>3.553</td>
</tr>
<tr>
<td>6</td>
<td>.186</td>
<td>3.102</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.5.2.3 Scree Plot for Strategy Evaluation

The findings on the scree plot confirm that strategy evaluation can be measured using one component since out of six components only one component had Eigen value greater than one. The results of scree plot are presented in the Figure 4.13.
Figure 4.13: Scree plot for strategy evaluation

### 4.5.2.4 Rotated Component Matrix for Strategy Evaluation

The study found that one factor could be used to create a summated score of strategy evaluation since it was heavily loaded on component one. Based on the rotated component matrix, the factor selected for creating the index was; “My company regularly analyses its INTERNAL capabilities to determine its strengths and weaknesses using tools of analysis such as SWOT, PESTEL and Porter’s Five Factor” that has factor loading of 0.878. The results for the rotated component matrix are presented in Table 4.29.
Table 4.34: Rotated component matrix for strategy evaluation

<table>
<thead>
<tr>
<th>Strategy Evaluation</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>My company regularly analyses its INTERNAL capabilities to determine its strengths</td>
<td>.878</td>
</tr>
<tr>
<td>and weaknesses using tools of analysis such as SWOT, PESTEL and Porter’s Five Factor</td>
<td></td>
</tr>
<tr>
<td>My company regularly analyses its EXTERNAL environment to determine its opportunities</td>
<td>.767</td>
</tr>
<tr>
<td>and threats using tools of analysis such as SWOT, PESTEL and Porter’s Five Factor</td>
<td></td>
</tr>
<tr>
<td>My firm emphasizes on market research focused on entering new markets</td>
<td>.806</td>
</tr>
<tr>
<td>The managers of this firm make allowances for the unpredictable future and dynamic</td>
<td>.856</td>
</tr>
<tr>
<td>business environment in the strategic plan.</td>
<td></td>
</tr>
<tr>
<td>My firm has in place strategies that are used to cope with unforeseen circumstances</td>
<td>.845</td>
</tr>
<tr>
<td>in the business industry</td>
<td></td>
</tr>
<tr>
<td>This company has appropriate technology that helps manage the changing business</td>
<td>.702</td>
</tr>
<tr>
<td>climates</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.5.3 Correlation Analysis Between Organizational Performance and Strategy Evaluation

The Pearson correlation coefficient between organizational performance and strategic evaluation was 0.374 with a p value of 0.000. This implies that the relationship between organizational performance and strategic evaluation was positive and statistically significant at 5 percent significance level. The findings are summarized in Table 4.30.
Table 4.35: Correlation analysis between organizational performance and strategy evaluation

<table>
<thead>
<tr>
<th></th>
<th>Strategy Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Performance</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.5.4 ANOVA between Organizational Performance and Strategy Evaluation

The mean difference between organizational performance and strategy evaluation had F test of 7.019 with a p-value of 0.000 which was less than 0.05. This suggested that there was statistically significant different between organizational performance and strategy evaluation means. The findings are summarized in Table 4.31.

Table 4.36: ANOVA between Organizational Performance and Strategy Evaluation

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>82.843</td>
<td>10</td>
<td>8.284</td>
<td>7.019</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>156.984</td>
<td>133</td>
<td>1.180</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>239.826</td>
<td>143</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.5.5 Regression Analysis on the influence of Strategy Evaluation on firm performance

4.5.5.1 Unmoderated Regression Analysis on the effect of Strategy Evaluation on organizational performance

The multiple linear regression results on the effect of strategy evaluation on organizational performance for both moderated showed $R^2$ of 0.214 and Durbin-Watson test of 1.582. The
DW test indicated that the error terms were not related with each other therefore the model did not suffer from autocorrelation (Table 4.32).

**Table 4. 37: Model summary for effect of strategy evaluation on organizational performance**

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>.463</td>
<td>.214</td>
<td>.197</td>
<td>2.09891</td>
<td>1.582</td>
</tr>
</tbody>
</table>

**Source: Author Data (2017)**

The ANOVA results showed F statistic of 12.428 with a p-value of 0.000 which was less than 0.05 suggesting that the independent variables jointly explain the dependent variable. Table 4.33 summarizes this finding.

**Table 4. 38: ANOVA for effect of strategy evaluation on organizational performance**

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>164.257</td>
<td>3</td>
<td>54.752</td>
<td>12.428</td>
</tr>
<tr>
<td>Residual</td>
<td>603.545</td>
<td>137</td>
<td>4.405</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>767.801</td>
<td>140</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source: Author Data (2017)**

For the unmoderated model, the regression results indicated that the coefficients for strategy evaluation was 0.250 with a p-value of 0.216 which was greater than 0.05. The result is presented in Table 4.34.

**Table 4. 39: Coefficients for strategy evaluation**

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
</table>
4.5.5.2 Moderated Regression Analysis on the effect of Strategy Evaluation on organizational performance

The $R^2$ for the moderated model had a value of 0.24 and the value of Durbin-Watson test of autocorrelation was 1.572. Since the error terms are not related, there was therefore no autocorrelation in the data. The results are as shown in Table 4.35.

Table 4. 40: Moderated model summary for strategy evaluation

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>.490</td>
<td>.240</td>
<td>.199</td>
<td>2.09866</td>
<td>1.572</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

The ANOVA results for strategy evaluation showed that the value of F statistic for the moderated model was 5.913 with a p-value of 0.000 which was less than 0.05. This suggested that the independent variables jointly explain the dependent variable. Table 4.36 summarizes this finding.

Table 4. 41: Moderated ANOVA for effect of strategy evaluation on organizational performance

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
</table>

Source: Author Data (2017)
Regression 182.306  7  26.044  5.913  .000  
Residual 576.974  131  4.404  
Total 759.281  138 

Source: Author Data (2017)

For the moderated model, the regression results indicated that the coefficients for strategy evaluation was 0.829 with a p-value was 0.543 which was greater than 0.05. The result is presented in Table 4.37.

Table 4.42: Coefficients for strategy evaluation (moderated model)

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.955</td>
<td>6.880</td>
<td>0.139</td>
<td>0.890</td>
</tr>
<tr>
<td>Strategy</td>
<td>0.829</td>
<td>1.526</td>
<td>0.439</td>
<td>0.543</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.5.6 Hypothesis Testing of the effect of Strategy Evaluation on organizational performance

The regression results for unmoderated model showed that the coefficient for strategy evaluation was 0.25 with a p-value of 0.216 which was greater than the p value of 0.05. For moderated model, the coefficient for strategy evaluation was 0.829 with a p-value of 0.588. This finding implied failure to reject the null hypothesis which stated that strategy evaluation does not significantly influence organizational performance. Thus, the study showed that
strategy evaluation has no significant effect on organizational performance of companies listed at the NSE.

4.6 Moderating Effect of Regulation on Organizational Performance of companies Listed at NSE

This section presents analytical results for the objective that sought to investigate the moderating effect of regulation on the relationship between strategic management processes and organizational performance of companies listed at NSE. To test the study hypothesis, the study presented the descriptive statistics of regulation, factor analysis, correlation analysis ANOVA and multiple linear regression results.

4.6.1 Descriptive Statistics of Regulation

The descriptive statistics for regulation that includes the frequency, percentages, mean and standard deviation are included in Table 4.38. The results showed that most of the respondents agreed to strongly agreed that regulation at NSE were a major factor that influence strategic management processes and organizational performance.

Table 4. 43: Descriptive statistics of regulation

<table>
<thead>
<tr>
<th>Regulation</th>
<th>STD</th>
<th>D</th>
<th>SLD</th>
<th>NA</th>
<th>SLA</th>
<th>A</th>
<th>STA</th>
<th>M</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listing requirements for companies makes it hard for companies to be listed at the NSE</td>
<td>Frequency</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>20</td>
<td>15</td>
<td>39</td>
<td>59</td>
<td>5.7</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>4.2</td>
<td>.7</td>
<td>2.1</td>
<td>14.0</td>
<td>10.5</td>
<td>27</td>
<td>41.3</td>
<td></td>
</tr>
<tr>
<td>Listing of many companies at the NSE has increased the buying of their shares</td>
<td>Frequency</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>19</td>
<td>43</td>
<td>69</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0.7</td>
<td>1.4</td>
<td>1.4</td>
<td>4.9</td>
<td>13.3</td>
<td>30</td>
<td>48.3</td>
<td></td>
</tr>
<tr>
<td>Listing of companies has made it easy for this company to increase the number of its stockholders</td>
<td>Frequency</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>8</td>
<td>16</td>
<td>44</td>
<td>69</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>5.6</td>
<td>11.2</td>
<td>30</td>
<td>48.3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Data (2017)
Where STD, D, SLD, NA, SLA, A, STA, T, M and S denotes strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree, strongly agree, total, mean and standard deviation respectively.

4.6.2 Factor analysis of Regulation

4.6.2.1 KMO and Bartlett's Test for Regulation

Factor analysis was carried out by the study so that the items of regulation could be reduced. The construct of regulation was estimated using three items thus the constructs were factor analyzed to identify the suitable measure. The study conducted Kaiser-Meyer-Olkin Measure (KMO) and Bartlett's Test to determine the worth of the factor analysis. The KMO had a value of 0.733 and Bartlett's test had \( x^2 = 209.250, \) \( p = 0.000. \) The \( p \) value was less than 0.05 and this result confirmed that the construct of regulation could be factor analyzed. The results are presented in Table 4.39.

Table 4. 44: KMO and Bartlett's test for regulation

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | .733 |
| Bartlett's Test of Sphericity | Appro. Chi-Square | 209.250 |
| df | 3 |
| Sig. | .000 |

Source: Author Data (2017)

4.6.2.2 Total Variance Explained for Regulation

The total variance explained for regulation showed that one component explained 79.506% of the total variability in the three items used to determine regulation. The results are presented in Table 4.40.

Table 4. 45: Total variance explained for regulation

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>---</td>
<td>-------</td>
<td>---------------</td>
</tr>
<tr>
<td>1</td>
<td>2.385</td>
<td>79.506</td>
</tr>
<tr>
<td>2</td>
<td>.355</td>
<td>11.843</td>
</tr>
<tr>
<td>3</td>
<td>.260</td>
<td>8.650</td>
</tr>
</tbody>
</table>

**4.6.2.3 Scree plot for regulation**

The results showed in the scree plot also confirmed the findings of the total variances explained since only component one had Eigen value greater than 1. Figure 4.14 shows this finding.
The results showed that all the three items had heavy factor loadings greater than 0.5 which were heavily loaded to component one. The finding is shown in Table 4.41.
Table 4.46: Component Matrix for Regulation

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Component 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listing requirements for companies makes it hard for companies to be listed at the NSE</td>
<td>.872</td>
</tr>
<tr>
<td>Listing of many companies at the NSE has increased the buying of their shares</td>
<td>.907</td>
</tr>
<tr>
<td>Listing of companies has made it easy for this company to increase the number of its stockholders</td>
<td>.896</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.6.3 Correlation Analysis between Regulation and organizational performance

The correlation between regulation and organizational performance showed a Pearson correlation coefficient of 0.291 with a p value of 0.000. This finding indicated that regulation and organizational performance were strongly and significantly related with each other. The findings are summarized in Table 4.42.

Table 4.47: Correlation Analysis Between Regulation and Organizational Performance

<table>
<thead>
<tr>
<th>Firm Performance</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation</td>
<td>Pearson Correlation</td>
<td>.291</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>141</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)
4.6.4 ANOVA Between Regulation and Organizational Performance

The ANOVA results for regulation showed that the value of F statistic was 4.401 had a p-value of 0.000 which was less than 0.05. This implied that the mean difference between regulation and organizational performance was significant. Table 4.43 summarizes this finding.

Table 4. 48: ANOVA between regulation and organizational performance

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>43.288</td>
<td>10</td>
<td>4.329</td>
<td>4.401</td>
</tr>
<tr>
<td>Within Groups</td>
<td>127.875</td>
<td>130</td>
<td>.984</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>171.163</td>
<td>140</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.6.5 Regression Analysis on the Moderating Effect of Regulation on Organizational Performance

The study used regulation as the moderator and found $R^2$ of 0.24 and Durbin-Watson test of 1.572. The results areas shown in Table 4.44.

Table 4. 49: Model summary for the effect of regulation on organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.490</td>
<td>.240</td>
<td>.199</td>
<td>2.09866</td>
<td>1.572</td>
</tr>
</tbody>
</table>

Source: Author Data (2017)
The ANOVA results for regulation showed that the value of F statistic was 5.913 with a p-value of 0.000 which was less than 0.05. This finding implied that the independent variables jointly explain the dependent variable. Table 4.45 summarizes this finding.

**Table 4.50: ANOVA for effect of regulation on organizational performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>182.306</td>
<td>7</td>
<td>26.044</td>
<td>5.913</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>576.974</td>
<td>131</td>
<td>4.404</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>759.281</td>
<td>138</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The regression results showed that the coefficient of regulation and its interactions with strategy formulation, strategy implementation and strategy evaluation all had p-values greater than 0.05. This indicates that regulation does not significantly moderate the relationship between strategy management and organizational performance. The result is presented in Table 4.46.
Table 4. 51: Coefficients for Regulation

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>.955</td>
<td>6.880</td>
<td>.139</td>
<td>.890</td>
</tr>
<tr>
<td>Regulation</td>
<td>.575</td>
<td>1.116</td>
<td>.264</td>
<td>.515</td>
</tr>
<tr>
<td>Interaction between Strategy Formulation</td>
<td>.021</td>
<td>.157</td>
<td>.148</td>
<td>.131</td>
</tr>
<tr>
<td>and Regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction between Strategy Implementation</td>
<td>.024</td>
<td>.175</td>
<td>.124</td>
<td>.140</td>
</tr>
<tr>
<td>and Regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction between Strategy Evaluation</td>
<td>-.100</td>
<td>.238</td>
<td>-.459</td>
<td>-.422</td>
</tr>
<tr>
<td>and Regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Data (2017)

4.6.6 Hypothesis Testing of the Effect of Regulation on Organizational Performance

The regression results for moderating effect of regulation showed the coefficients of the interactions between strategy formulation, strategy implementation and strategy evaluation had p-values greater than 0.05. This finding implied failure to reject the null hypothesis which stated that regulation does not significantly moderate the relationship between strategy management and organizational performance of companies listed at the NSE. The finding
suggests that though there are new NSE regulations, these regulations did not influence the relationship between strategic management processes and organizational performance of companies listed at NSE.

4.7 Chapter Summary

This chapter presented the results for descriptive statistics, factor analysis, correlation analysis, ANOVA and regression analysis. Correlation analysis results showed that strategy formulation was positively and significantly related with organizational performance. The ANOVA results indicated a significant mean difference between strategy formulation and organizational performance. The regression results showed that the coefficient for strategy formulation was 0.608 with a p-value was 0.000 indicating that strategy formulation positively and significantly influence organizational performance of companies listed at the NSE.

Regarding strategy implementation, correlation analysis showed that strategy implementation was positively and significantly related with organizational performance and the ANOVA results indicated a significant mean difference between strategy implementation and organizational performance. Both moderated and unmoderated regression results showed that strategy implementation does not significantly influence organizational performance of companies listed at the NSE.

The results of correlation analysis showed that strategy evaluation was positively and significantly related with organizational performance. Further, ANOVA results indicated a significant mean difference between strategy evaluation and organizational performance. The regression results for unmoderated and moderated models showed that strategy evaluation had no significant influence on organizational performance. Thus, strategy evaluation has no significant effect on organizational performance of companies listed at the NSE.

Finally, results of correlation analysis showed that regulation was positively and significantly related with organizational performance. The ANOVA results indicated a significant mean difference between regulation and organizational performance. The regression results showed that regulation does not moderate the relationship between strategy management and organizational performance of companies listed at the NSE.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter five summarizes the study, discusses the results and provides the conclusions and recommendations of the study. This chapter is divided into subsections wherein section 5.1 is the introduction, the summary of the findings is presented in section 5.2, and section 5.3 presents the discussions, while the conclusions are in section 5.4. Section 5.5 of this chapter presents the recommendations and areas of further research are reported in section 5.6.

5.2 Summary of the Findings

The overall objective of the study was to establish the influence of strategic management on organizational performance of listed companies at NSE. The study specifically sought to examine the relationship between strategy formulation and organisation performance, the relationship between strategy implementation and organizational performance of companies listed at NSE, the effect of strategy evaluation on organizational performance of companies listed at NSE, and the moderating effect of regulation on the relationship between strategic management and organizational performance of companies listed at NSE. The sample size for the study was 179 senior managers of companies listed at the NSE from which data was collected using questionnaires. The data was input into SPSS and analysed using descriptive and inferential analysis. The study gathered 147 responses from the sample of 179 which is 82.12% response rate.

The study found that strategy formulation, strategy implementation and strategy evaluation were positively and significantly related with organizational performance of companies listed at NSE. However, NSE regulation had a positive but insignificant influence of organizational performance of companies listed at NSE. The regression results showed that strategy formulation had a positive and significant influence on organizational performance of companies listed at NSE. Further the study found that strategy implementation and strategy evaluation did not significantly influence organizational performance of companies listed at NSE. The moderating effect of regulation on the relationship between strategic management and organizational performance of companies listed at NSE was found to be insignificant.
The study recommended that in order to achieve the organizational vision and consequently enhance their performance, companies listed at the NSE and other securities exchanges should select the most appropriate course of action in order to realize the goals and objectives of the organizations.

5.3 Discussions of Results

5.3.1 The Relationship Between Strategy Formulation and Organizational Performance of Companies Listed at NSE

The study had sought to establish the relationship between strategy formulation and organizational performance of companies listed at NSE. The study conducted descriptive analysis which comprised of estimation of means, standard deviations and frequencies. Inferential analysis on the other hand comprised of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis, whereas factor analysis was used for data reduction.

The results from the regression analysis indicated that organizational performance had a positive and significant correlation with strategy formulation. This indicates that the relationship between strategy formulation and organizational performance of companies listed at NSE is statistically significant. The implication of this result is that a single unit increase in any of the elements of strategy formulation brings about an equivalent increase in organizational performance of the companies listed at the NSE. The study found that the key drivers of strategy formulation such as leadership, budget and environmental context, affect the organizational performance of the listed companies in the NSE to a great extent.

Strategy formulation therefore has an effect on the performance of companies listed at the NSE. The process through which the companies listed at the NSE selects the most suitable modus operandi in order to achieve the company’s goals and objectives, will eventually have an effect on the performance of the company and also affect how effectively the company achieve its organizational vision.

Organizational performance in this case can be determined by return on assets which is also the economic profitability; return on equity which is the financial profitability; return on sales which is the proportion of profits with regards to billing volume; the company’s market
share according to its main products and markets and the growth of sales in the company’s key products and services (Garcia-Morales, Jiménez-Barrionuevo, & Gutiérrez-Gutiérrez, 2012).

The findings of this study that the relationship between strategy formulation and organizational performance of companies listed at NSE is statistically significant support the findings of Serfontein (2010), who had carried out a research with an aim of investigating the impacts of strategic leadership on the operational strategy and performance of business organizations in South Africa. The results from Serfontein’s study indicated that the relationship between strategic leadership and performance of business organizations is positive nonetheless indirect.

This study’s findings that the correlation between strategy formulation and organizational performance of companies listed at NSE is significant also support the findings of Supriyadi (2012), who had examined the influencing effect of strategic leadership on a firm’s innovative and inventive performance. The results from this study indicated that strategic leadership has a positive and significant effect on a firm’s inventive and innovative performance.

The activities of strategy formulation which include setting the objectives of an organization, evaluation of the organizational environment, setting quantitative targets, analysis of performance, and choosing the strategy, all play an important part in influencing the performance of an organization and thus these activities are key in determining the organizational performance of companies listed at the NSE.

The results of this study confirm the underlying assumptions of the theory of change which, according to Kail and Lumley (2012), was developed from evaluation planning methods such as the logic models and was designed to be more valuable in planning composite interventions than the other methods since it indicates a more detailed causal model to explain why the intervention will function. The theory of change is focused on describing all the essential and sufficient preconditions required to bring about a particular long-standing result (Anderson, 2004). An appropriate theory of change discloses whether a company’s activities make sense in relation to the goals; whether there are things the organization does that does not help it accomplish its objectives; the specific activities and outcomes that can
be achieved alone and which cannot be achieved alone; and how to measure the organization’s impact.

However, this study’s findings are in contradiction of findings by Wachira (2013), who evaluated the correlation between performance of financial sector companies listed in the Nairobi Securities Exchange and the competitive strategies they have implemented in the previous 3 years. Using primary data collected using a questionnaire and secondary data gathered from past records from the NSE and Capital Markets Authority library and regression analysis. The findings revealed that the companies have realized improvement with regards to organisational performance measured using different indicators. However, according to the study, there was no particular strategy but it was largely an amalgamation of different competitive strategies in general.

5.3.2 The Relationship Between Strategy Implementation and Organizational Performance of Companies Listed at NSE

The study examined the relationship between strategy implementation and organizational performance of companies listed at NSE. Descriptive analysis which comprised of estimation of means, standard deviations and frequencies was carried out. Additionally, inferential analysis which comprised of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis was conducted, while factor analysis was used for data reduction.

Findings from the regression analysis indicated that there was no significant relationship between strategy implementation and organizational performance of companies listed at NSE since the p value was greater than 0.05. This finding implies that strategy implementation does not influence organizational performance of companies listed at NSE. The activities that are involved in the transformation of selected strategy into action by the organization in order to realize strategic goals and objectives do not influence the performance of companies listed at the NSE.

These results imply that the organization’s efforts towards development of an organization with the capability of executing strategy successfully; distribution of ample resources to key activities of the strategy; creation of policies that encourage strategy; the use of best policies and programs for continuous improvement, connecting reward structure to achievement of
results; and the use of strategic leadership do not have any effect on the organizational performance of companies listed at the NSE.

This research’s findings that the relationship between strategy implementation and organizational performance of companies listed at NSE is insignificant is in agreement by results from Andrews, Boyne, Law and Walker’s (2011), study which examined the relationship between strategy implementation and public service performance, focusing on the Welsh local authority departments. The findings from the statistical tests indicated that implementation style has no effect on the organization performance when a single style of strategy implementation was used. However, in combination with suitable strategic choices, strategy implementation had an effect on the organizational performance. Out of the conventional methods of strategic implementation such as the rational, and incremental approach, none of them was found to be likely to result in better firm performance.

This research’s findings that the relationship between strategy implementation and organizational performance of companies listed at NSE is insignificant contradict findings by Chimanzí and Morgan (2005), who contended that organizations which involve all the members of its staff significantly attain higher degrees of strategy implementation and thus firms should involve all its staff for the success of the strategy and consequently better performance of the organization.

The findings of Eyceoz (2009), which indicated that the involvement of staff should be planned for and included in the implementation of a sustainability strategy in order to enhance performance also contradict the findings of this study. A comprehensive implementation plan that takes staff involvement into account is important for better organizational performance. Members of the staff involved in strategic management must be aware of their environment, the strategies, vision and mission for the successful accomplishment of the strategic plans.

The study’s findings indicating that strategy implementation has no effect on organizational performance could be justified by Otiso’s (2013), argument that the procedure of organizing various company stakeholders and coordinating their activities to focus on the common organizational goal encounters several challenges which include leadership styles, communication system, organization culture and organizational structure. Some of those
challenges which are commonly encountered during strategy implementation within an organization, and which can result in the strategy implementation phase not affecting performance, include the rivalry between the firm’s subsidiaries, poor communication mechanism and the absence of comprehension of the general organizational direction and goals aims and direction, and the lack of support from various organizational stakeholders (Brinkschröder, 2014).

5.3.3 Effect of Strategy Evaluation on Organizational Performance of Companies Listed at NSE

The study also scrutinized the effect of strategy evaluation on organizational performance of companies listed at NSE. Descriptive analysis which comprised of estimation of means, standard deviations and frequencies was conducted. Furthermore, inferential analysis which comprised of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis was conducted, while factor analysis was used to reduce data. The results from the regression analysis indicated that strategy evaluation had no significant effect on organizational performance of companies listed at NSE since the p value was greater than 0.05. This implies that strategy evaluation has no significant influence on organizational performance of companies listed at NSE.

The study’s result which indicated that that strategy evaluation had no significant effect on organizational performance of companies listed at NSE is in agreement with the study by Hanafi and Fatma (2015), who had sought to improve a model that could be used in controlling organization and enhancing their performance. Results from their literature on Management control systems and organizational performance indicated that there was limited evidence to ascertain which management control system tool could be used to improve organizational performance.

However, the results of this study which indicated that strategy evaluation has no effect on organizational performance of companies listed at NSE contradict findings from the study by Aremu and Oyinloye (2014), on the impact of strategic management on organizational performance with a focus on some selected banks in Ilorin Metropolis, Nigeria. In their findings, they argued that SWOT analysis is a very valuable strategy evaluation tool because of its positive contributions towards organizational performance. According to their study,
SWOT analysis makes managers to be more cognizant of the external environment of their organizations without neglecting its internal environment while searching for opportunities which contributes to the organization’s overall performance.

Similarly, the results of this study which showed that strategy evaluation has no effect on organizational performance of companies listed at the NSE contradicts the results of a research by Babatunde and Adebisi (2012), on the impacts of Strategic Environmental Scanning on Organization performance in a competitive business environment by studying Nestle Nigeria Plc and Cadbury Nigeria Plc in which they established that that there is significant relationship between strategic environmental scanning, an element of strategic evaluation and organizational performance. They contended that the use of strategic environmental scanning in evaluating the external environmental influences was found to be helpful in seizing the opportunities and avoiding threats and thereby leading to profitability of the company.

Additionally, the findings of this study contradict findings by Maroa and Muturi (2015), who utilized a descriptive study design to research on floricultural companies in Kiambu County. The results from the analysis indicated that most floricultural companies carry out strategy evaluation mostly within 12 months and that strategy evaluation have an effect organizational on performance.

A number of challenges such as absence of resources, workers’ defiance, and ambiguous strategy evaluation method have an effect on the process of strategy evaluation. Regarding strategy control, the study ascertained that strategy control influences performance to a moderate extent. Additionally, most of the organizations take remedial actions on the strategic management procedures by assessing them, and that the companies’ strategic control process was acceptable (Maroa & Muturi, 2015).

According to Chelimo (2010), an appropriately organized system of information exchange is key in supporting the strategy evaluation process. Audits of the Strategy should be made a crucial component of the organizational structure in determining the organization’s performance. Furthermore, strategy administration committees play a major part in making sure that the desired outcomes are accomplished. Customer satisfaction surveys are also an
important tool that can be used to determine the degree of customer satisfaction with the products or services offered to the customer.

5.3.4 The Moderating Effect of Regulation on the Relationship Between Strategic Management and Organizational Performance of Companies Listed at NSE

The study also investigated the moderating effect of regulation on the relationship between strategic management and organizational performance of companies listed at NSE. Descriptive analysis comprising of estimation of means, standard deviations and frequencies was conducted. In addition, inferential analysis which comprised of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis was performed, whereas factor analysis was used in data reduction. The results from the regression analysis indicated that moderating effect of regulation on the relationship between strategic management and organizational performance of companies listed at NSE was statistically insignificant. The implication of this finding is that regulation (NSE) has no moderating effect on the performance of companies listed at the NSE.

This study’s findings that the moderator (NSE) has no significant effect on the relationship between strategic management and organizational performance however contradicts findings by Raub (2013), who had carried out a study to investigate the effect of various independent and joint moderating variables influencing the implementation of strategic plan and the impact on firm performance in the United States seafood sector. The results from his study indicated that independently, the moderating effect of rate of change in government regulation had a statistically significant effect on the relationship between implementation of strategic plan and its effect on firm performance. However, the moderating influence of organizational size did not seem to have an effect on the interaction between independent and dependent variable. The two moderating variables jointly indicated a significant effect on the relationship of strategic plan implementation and its effect on organizational performance.
5.4 Conclusions

5.4.1 The Relationship Between Strategy Formulation and Organizational Performance of Companies Listed at NSE

The study had sought to establish the relationship between strategy formulation and organizational performance of companies listed at NSE. Using inferential analysis comprising of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis, the study found out that the relationship between strategy formulation and organizational performance of companies listed at NSE is positive and significant. The study thus concluded that strategy formulation positively and substantially affects the organizational performance of companies listed at the NSE. This implies that the procedure by which a company develops and selects the most appropriate courses of action to accomplish its defined goals and objectives will in turn enhance its organizational performance. The procedure by which a company develops its vision, mission, analyses its external and internal environments and finally, creates and selects long-term strategic objectives to accomplish its defined goals has a positive impact on the organizational performance.

5.4.2 The Relationship Between Strategy Implementation and Organizational Performance of Companies Listed at NSE

The study had sought to establish the relationship between strategy implementation and organizational performance of companies listed at NSE. Inferential analysis comprising of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis was used. The study findings revealed that the relationship between strategy implementation and organizational performance of companies listed at NSE is statistically insignificant. This implies that strategy implementation has no influence on the organizational performance of firms listed at the NSE.

The study therefore concludes that strategy implementation has no influence on the organizational performance of companies listed at the NSE. This means that the manner in which an organization transforms the different strategies and plans into actions so as to
accomplish its strategic objectives and goals does not affect the organization’s ultimate performance.

5.4.3 Effect of Strategy Evaluation on Organizational Performance of Companies Listed at NSE

The study investigated the effect of strategy evaluation on organizational performance of companies listed at NSE. To analyze the data, inferential analysis comprising of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis was used. The findings indicated that strategy evaluation has no significant effect on the organizational performance of companies listed at NSE.

The study concluded that strategy evaluation has no significant effect on the organizational performance of companies listed at NSE. This means that the review of internal and external aspects, which are the pedestals for existing organizational strategies, measurement of performance, and carrying out restorative activities does not affect the performance of companies listed at the NSE.

5.4.4 The Moderating Effect of Regulation on the Relationship Between Strategic Management and Organizational Performance of Companies Listed at NSE

The study finally investigated the moderating effect of regulation on the relationship between strategic management and organizational performance of companies listed at NSE. Inferential analysis comprising of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis was conducted to analyze the data. The findings indicated that regulation of NSE has no moderating effect on the relationship between strategic management and organizational performance of companies listed at NSE.

The study hence concluded that NSE as the regulator has no moderating effect on the relationship between strategic management and organizational performance of companies listed at NSE. This implies that the principle or rules that are used in controlling, directing, or managing the activities of the NSE do not moderate the relationship between strategic management and organizational performance of companies listed at NSE.
5.5 Recommendations

The study had sought to establish the influence of strategic management on organizational performance of listed companies at NSE. The study performed descriptive analysis which comprised of estimation of means, standard deviations and frequencies as well as inferential analysis which comprised of factor analysis, correlation analysis, Analysis of Variance (ANOVA) and regression analysis. Additionally, factor analysis was used for data reduction. The recommendations as per the study findings are given as follows and discussed in two sections namely suggestions for improvements and suggestions for further research.

5.5.1 Suggestions for Improvements

Given the research findings, the study provides the following are suggestions for improvements.

5.5.1.1 The Relationship Between Strategy Formulation and Organizational Performance of Companies listed at NSE

The study found that the relationship between strategy formulation and organizational performance of companies listed at NSE is statistically significant. The study therefore recommends that in order to achieve the organizational vision and consequently enhance their performance, companies listed at the NSE and other securities exchanges should create conducive environment for effective strategy formulation such as ensuring all stakeholders are involved in formulation of strategies.

Leadership level of involvement, proper use of budgeting and thorough scrutiny of internal and external environmental analysis at the strategy formulation stage are critical in determining the success of a company strategy management process.

5.5.1.2 The Relationship Between Strategy Implementation and Organizational Performance of Companies Listed at NSE

The study established that the relationship between strategy implementation and organizational performance of companies listed at NSE is statistically insignificant. The study recommends that the companies listed at the NSE should not focus all their resources on the method in which the company develops, uses and integrates organizational structure, control
systems, policies and organizational culture but should ensure that the right implementation processes are followed.

5.5.1.3 The Effect of Strategy Evaluation on Organizational Performance of Companies Listed at NSE

The study established that strategy evaluation has no statistically significant effect on organizational performance of companies listed at NSE. The study consequently recommends that establishing the effectiveness of a particular strategy of an organization through evaluation should not supersede the importance of formulating the right strategies.

The processes that involve the determination of effectiveness of a particular strategy in achieving company’s goals should therefore not supersede the importance of strategy formulation.

5.5.1.4 The Moderating Effect of Regulation on the Relationship between Strategic Management and Organizational Performance of Companies Listed at NSE

The study found that regulation has no moderating effect on the relationship between strategic management and organizational performance of companies listed at NSE. Since the principles or laws designed to govern conduct at the NSE does not have an effect on performance of companies listed at the NSE, the study recommended that focus should not be much on the regulation principles at the expense of other management elements such as formulation of effective strategies.

5.5.2 Suggestions for Further Research

The objective of this study was to establish the influence of strategic management on organizational performance of listed companies at the Nairobi Securities Exchange (NSE). Since the focus of this study was mainly on the companies listed at the NSE, a Kenyan securities exchange, the scope of this study could be widened to include the securities exchanges in the East African bloc. This is because there are very scanty studies that have been conducted on the performance of companies listed at the various East African securities exchanges such as the Rwanda Stock Exchange, Dar es Salaam Stock Exchange, Uganda Securities Exchange and the ALTX East Africa Exchange.
Additionally, future studies could separate the foreign companies from the locally owned companies and could split the different companies listed at the securities exchange according to the different sectors that they operate in. For instance, future research can investigate the influence of strategic management on the performance of either real estate investment trust, telecommunication and technology, manufacturing and allied, investment services, investment, insurance, energy and petroleum, construction and allied, commercial and services, banking, automobiles and accessories, or agricultural companies listed at the NSE.
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APPENDICIES

Appendix 1: Request for data Collection

Re: Request for Data Collection

I am a doctoral candidate at the United States International University conducting a dissertation on “The influence of Strategic management Process on Organizational Performance of Listed Companies at the Nairobi Securities Exchange (NSE)”.

Your company has been identified as one of the potential respondent to this survey. I kindly request you to allow my research assistants to collect data from the following managers: Human Resources Manager, Financial Manager, Information Technology Manager, Administration Manager and Procurement Manager.

Your responses will be confidential. Thanking you in advance.

Best Regards

Silpah Owich
Appendix 2: Questionnaire

Please read each question carefully and answer all questions by circling/ticking the appropriate answer.

SECTION A: GENERAL INFORMATION

1. Kindly indicate your gender
   Male
   Female

2. In which of the following age groups do you fall into?
   20-30
   31 – 40
   41 - 50
   51-60
   Above 60 years

3. Please indicate your highest level of education
   Completed primary school
   Completed secondary school
   Diploma
   Bachelor’s degree
   Master’s degree
   PHD

4. Which of the following most closely matches your job title / responsibility in this enterprise?
   Owner/ President
   Chief Executive Office /CEO
Managing Director □ General Manager/Section Head □
Team Leader □ Supervisor □

5. In which department do you work in? If your department is not listed, please select 'Other' and specify the department.

Marketing □ Finance □
Human Resources □ IT □
Operation □

Other (specify)……………………………………………………………………………………………………………………

6. For how long have you worked for this company/business?

Less than one year □ 1-3 Years □
4-6 years □ 7-9 years □
10 years and above □

SECTION B: PROFILE OF BUSINESS

7. For how long has this business been in operation?

Less than one year □ 1-3 Years □
8. What is the nature of ownership of this business?

- Private limited company
- Public Limited Company
- Partnership

Other (specify)…………………………………………………………………………………………

9. Please choose the industry that best describes this business/enterprise.

- Automobiles and Accessories
- Banking
- Commercial and Services
- Construction and Allied
- Agricultural
- Energy and Petroleum
- Insurance
- Investment
- Investment Services
- Manufacturing and Allied
- Telecommunication and Technology
- Real Estate Investment Trust

Other (specify)…………………………………………………………………………………………

206
10. How many employees does your business have?

<table>
<thead>
<tr>
<th>Range</th>
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<tbody>
<tr>
<td>Less than 1000</td>
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<td>1001-1500</td>
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<td>1501-2000</td>
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<td>2001–2500</td>
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<td>2501–3000</td>
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<td>More than 3000</td>
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SECTION C: FIRM PERFORMANCE

11. What is the annual turnover for your business? (In Kshs.)

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<tr>
<th>Range</th>
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<tr>
<td>Less than 100 million</td>
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<td>100–200 million</td>
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<td>201–300 million</td>
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<td>301–400 million</td>
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<td>401–500 million</td>
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<td>More than 500 million</td>
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12. To what extent has your firm realized improved performance over the last 5 years, from 2011 to 2016? Where: 1 = Not at all, 2 = Small Extent, 3 = Moderate Extent  4 = Great Extent, 5 = Very great extent

<table>
<thead>
<tr>
<th>Firm performance</th>
<th>1</th>
<th>2</th>
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<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>12.1. Growth in Revenue</td>
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<td>12.2. Growth in sales</td>
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<td>12.3. Overall performance of your firm</td>
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SECTION D: STRATEGY FORMULATION

13. Please tick the correct answer for each of the statements below. Where: 1 = Strongly Disagree, 2 = Disagree, 3 = Slightly Disagree, 4 = Neither Agree nor Disagree, 5 = Slightly Agree, 6 = Agree, 7 = Strongly Agree

<table>
<thead>
<tr>
<th>Strategy formulation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<tr>
<td><strong>Leadership initiative</strong></td>
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<td>The managers are actively involved in creating company mission and vision</td>
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<td>The managers act as change enabler or drivers in the company</td>
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<td>The managers are actively involved in making major decisions during the strategy formulation</td>
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<td><strong>Budget /finances</strong></td>
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<td>This company uses an operating budget which summarizes how managers are supposed to use company resources</td>
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<td>My company has aligned its budget with the company strategy through good communication, enhanced responsibility, and improved feedback flows</td>
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</table>
This firm always makes decisions that are based on the budget

**Environmental context**

This company makes use of tools such as PESTEL, Porter’s Five Forces, and SWOT Matrix to analyze the external and internal business environments

This company incorporates environment concerns while making strategic decisions, evaluating strategic development alternatives and issuing guiding principles

The strategic decisions of this company are based on the prevailing business environment context

### SECTION E: STRATEGY IMPLEMENTATION

14. Please tick the correct answer for each of the statements below. Where: 1 = Strongly Disagree, 2 = Disagree, 3 = Slightly Disagree, 4 = Neither Agree nor Disagree, 5 = Slightly Agree, 6 = Agree, 7 = Strongly Agree

<table>
<thead>
<tr>
<th>Strategy implementation</th>
<th>1</th>
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<th>4</th>
<th>5</th>
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<tr>
<td>Staff participation</td>
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Departmental memos and managerial decisions are communicated all through this company and to every individual
All employees in this company align their regular tasks with the overall company strategy

This company engages in a more democratic and participative way of working by allowing employees to offer views and involving employees more in making organizational decisions

**Organizational structure**

In this company, there is no ambiguity on who makes particular decisions

My company’s structure is aligned with the new strategies and with what the new strategies call for.

My firm has proper communication channels, monitoring and incentive systems, and performance measuring systems

**Policy and empowerment**

The company’s policy is properly communicated to the staff and is clearly understood by employees

This company motivates its employees with both financial and non-financial incentives to enhance their job performance

Employees in this company are emotionally attached to the company and exhibit high levels of commitment to the organization
SECTION F: STRATEGY EVALUATION

15. Please tick the correct answer for each of the statements below. Where: 1 = Strongly Disagree, 2 = Disagree, 3 = Slightly Disagree, 4 = Neither Agree nor Disagree, 5 = Slightly Agree, 6 = Agree, 7 = Strongly Agree

<table>
<thead>
<tr>
<th>Strategy evaluation</th>
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<td><strong>Tools</strong></td>
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<td>My company regularly analyses its INTERNAL capabilities to determine its strengths and weaknesses using tools of analysis such as SWOT, PESTEL and Porter’s Five Factor</td>
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<td>My company regularly analyses its EXTERNAL environment to determine its opportunities and threats using tools of analysis such as SWOT, PESTEL and Porter’s Five Factor</td>
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<td>My firm emphasizes on market research focused on entering new markets</td>
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<td><strong>Contingencies</strong></td>
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<td>The managers of this firm make allowances for the unpredictable future and dynamic business environment in the strategic plan.</td>
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</table>
My firm has in place strategies that are used to cope with unforeseen circumstances in the business industry

This company has appropriate technology that helps manage the changing business climates

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<thead>
<tr>
<th>Regulatory Framework</th>
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<tbody>
<tr>
<td>Listing and delisting</td>
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<td>Listing requirements for companies makes it hard for companies to be listed at the NSE</td>
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<td>Listing of many companies at the NSE has increased the buying of their shares</td>
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<tr>
<td>Listing of companies has made it easy for this company to increase the number of its stockholders</td>
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Thank you very much.