 https://doi.org/10.56279/orseaj.C2024.11

# Strategic Management Institutionalization and Performance in State-Owned Corporations in Kenya

Phoebe Ngari[1] and Evans Aosa[2]

**Abstract**

*State-owned corporations (SOCs) have historically faced criticism for inefficiencies, lack of innovation, and poor performance, primarily due to political interference, misaligned strategies, and weak management structures. This study highlights the need for effective institutionalization of strategic management to address these issues. By embedding strategic objectives into daily operations, aligning organizational structures with strategic goals, and ensuring leadership commitment, SOCs can significantly enhance their operational efficiency, effectiveness, and overall performance. The research is grounded in Selznick's Institutional-Based Theory and Penrose's Resource-Based Theory, which explore how external pressures, such as regulatory frameworks and political dynamics, interact with internal resource management to shape strategic management practices. This theoretical framework provides insights into how SOCs can leverage their internal resources, such as leadership and organizational culture, while responding to external institutional demands. A desktop research design was adopted, analysing existing literature and case studies related to strategic management and organizational performance in SOCs.*

*The findings indicate that formalized structures, strong leadership, and supportive organizational cultures are crucial for successful strategy implementation. The study also identifies sector-specific challenges, such as resource constraints and bureaucratic inefficiencies, suggesting that SOCs must tailor their strategies to address these unique hurdles effectively. The study concludes that the institutionalization of strategic management practices can significantly improve SOC performance by optimizing resource allocation, streamlining decision-making, and aligning organizational goals with national development priorities. The recommendations include strengthening leadership commitment, aligning organizational structures with strategic objectives, fostering a culture that supports strategic initiatives, and implementing formalized monitoring and evaluation systems to track performance. By adopting these recommendations, SOCs can enhance their effectiveness and contribute more meaningfully to national economic growth and development.*

**Keywords**: strategic management institutionalization, state-owned corporations, organizational performance

[1] University of Nairobi – Kenya
Email: mbiyuphoebe600@gmail.com
[2] University of Nairobi – Kenya

## Introduction

The global public sector faces mounting pressure to enhance organizational outcomes and outputs while simultaneously boosting efficiency and effectiveness. Stakeholders demand value for money from government agencies, which may lack direct benchmarks aside from similar agencies abroad. Historically, many public entities have faced criticism for inefficiency, lack of innovation, subpar performance, and vulnerability to political interference. According to Mwaura (2012), strategic management has become central to these organizations, providing a platform to analyze environmental factors, establish strategic direction, and create targeted strategies. Increasingly, parastatals and public sector organizations have adopted a range of management principles and tools to drive improvements in efficiency and effectiveness (Gitongah & Macharia, 2023). However, Bashir (2023) identifies strategy implementation as a particularly challenging management issue across sectors, with obstacles rooted in the complexities of strategic planning, logistical challenges, cross-departmental coherence, and engaging employees and other implementers. Aligning organizational structures with strategic objectives, securing stakeholder commitment, fostering effective communication, and managing limited resources are also critical hurdles that impact the success of strategic initiatives. Together, these challenges can hinder effective strategy implementation, leading to costly inefficiencies, as noted by Muendo and Ogutu (2020). Addressing these barriers by institutionalizing strategic management practices is crucial to enhancing organizational performance, sustainability, and resilience in the public sector.

## Strategic Management

Strategic management is the comprehensive process through which top leadership shapes the long-term path and performance of an organization. This approach involves the meticulous formulation, effective implementation, and continual assessment of strategies. At its core, strategic management integrates and coordinates various management functions in an organized way to achieve the organization’s overarching goals and objectives. It involves the proactive planning, allocation, and efficient use of scarce resources to move closer to the organization’s vision, or its intended future state (Johnson & Scholes, 1993). Within the broader strategic management process, institutionalizing strategy represents a critical phase of implementation, where strategic objectives are not just set but embedded into the organization’s daily operations and culture. This stage, known as strategy institutionalization, is about aligning the organization’s structure, culture, and capacities with the newly formulated strategic direction, fostering a commitment from leadership, and ensuring clear communication of strategic goals throughout the organization. For state-owned corporations, which often operate within unique structures and complex stakeholder networks, the effective institutionalization of strategy is essential. According to Adobor (2020), establishing robust institutional mechanisms is necessary to embed the strategic plan deeply into every aspect of operations, ensuring that strategy becomes part of the organization’s functional and cultural fabric.

## Organizational Performance

Gasela (2021) defines organizational performance as the organization's capability to accomplish both short-term and long-term objectives with greater effectiveness and efficiency. He further suggests that enhancing organizational performance in today's highly competitive business landscape is tied to the successful implementation of strategies. This perspective underscores the importance of aligning strategic initiatives with organizational goals and objectives to drive performance improvements. Various authors have conceptualized and measured organizational performance differently, with some focusing solely on financial indicators like return on investment (ROI) or accounting returns (ROA and ROI), while others have combined financial and non-financial measures such as profitability, efficiency, customer satisfaction, and goal achievement. Financial measures have faced criticism for their limited scope in capturing organizational performance comprehensively, leading to the introduction of non-financial measures like customer satisfaction and perceived success. Non-financial measures are considered less prone to bias and offer uniformity in measurement, making them valuable for assessing performance across different state-owned corporations (Alatawi et al., 2023). Non-financial measures are considered less prone to bias and offer uniformity in measurement, making them valuable for assessing performance across different state-owned corporations. This study will adopt non-financial measures of performance, operationalized by goal achievement, customer satisfaction, efficiency, relevance, and effectiveness, to ensure consistency in measurement across all state-owned corporations.

**State Corporations (SCS) in Kenya**

State Corporations are governmental entities that engage in both commercial activities and public policy objectives, with varying degrees of government ownership. In Kenya, SCs are established under the State Corporations Act Cap 466 and are either fully or partially government-owned or managed by boards or councils (Ndegwa, 2022). These entities fulfill roles in commercial, non-commercial, oversight, and regulatory capacities, guided by policies and regulations set forth by the State Corporations Act and overseen by the SCs Advisory Committee (SCAC). The performance of Kenya-owned SCs is crucial for the government's development agenda, as outlined in Vision 2030, aiming to promote economic growth, enhance technical capacity, improve service delivery, create employment, and foster international partnerships (Ndegwa, 2022). However, challenges such as reliance on government funding, proliferation leading to duplication and inefficiencies, highlight the need for improvement in their contribution to the economy.

**Table 1: Major State Corporations in Kenya by Sector and Function**

| State Corporation | Sector | Primary Function |
|---|---|---|
| Kenya Revenue Authority (KRA) | Revenue Collection | Collection and administration of taxes and revenue |
| Kenya Power and Lighting Company (KPLC) | Energy | Distribution of electricity |
| National Social Security Fund (NSSF) | Social Security | Provision of social security and pension services |
| Kenya National Highways Authority (KeNHA) | Infrastructure | Construction and maintenance of highways |
| Kenya Ports Authority (KPA) | Transport | Management of port facilities and services |
| Kenya Bureau of Standards (KEBS) | Quality Standards | Setting and enforcing quality standards |
| Kenya Pipeline Company (KPC) | Energy | Transportation and storage of petroleum products |
| National Hospital Insurance Fund (NHIF) | Health Insurance | Provision of health insurance services |

| | | |
|---|---|---|
| Kenya Airports Authority (KAA) | Transport | Management of airports and aviation facilities |
| Kenya Railways Corporation (KRC) | Transport | Railway transport management and infrastructure development |
| Agricultural Finance Corporation (AFC) | Agriculture | Provision of financial services to the agricultural sector |
| Kenya Medical Supplies Authority (KEMSA) | Health Supplies | Procurement and distribution of medical supplies |
| Kenya Industrial Research and Development Institute (KIRDI) | Research and Development | Industrial research and innovation |
| Kenya Tourism Board (KTB) | Tourism | Promotion of tourism in Kenya |

**Strategy Institutionalization in State Corporations (SCS)**

Strategic management is deemed to be positively related to performance. Strategic management is vital as it directs all the business operational sections and assists companies forecast future challenges and possibilities (AlQershi, 2021). However good a strategy is, it may not achieve any results against the existing dynamic environment, unless backed by a clear and well aligned implementation process. Strategy implementation is therefore as vital as strategic planning as far as organizational performance is concerned (George, 2021). Different scholars have attempted to explain variation in organizational performance by carrying out empirical studies, those linking strategy implementation to performance are quite few (Kennedy et al., 2022). Various SCs in Kenya embed strategy institutionalization into their daily operations to align their structures with national development goals, though they encounter significant challenges in this process. The Kenya Revenue Authority, for example, has integrated strategic objectives into its operations through digital tax services, notably the iTax system, which allows for streamlined and automated tax processes. This move aims to boost revenue collection and compliance, but KRA faces resistance to digital adoption among taxpayers and challenges related to data security. To address these issues, KRA has implemented taxpayer education programs and enhanced security measures to build public trust in its digital platforms. Such initiatives help KRA align with the government's goal of maximizing revenue for national development.

Similarly, Kenya Power and Lighting Company (KPLC) has strategically institutionalized its commitment to sustainability by promoting electric vehicle (EV) adoption through infrastructure development, partnerships, and public awareness initiatives. By establishing a network of EV charging stations across key locations, KPLC ensures that EV owners have accessible and reliable charging options, embedding green energy goals into daily operations. Collaboration with automobile manufacturers, technology firms, and government agencies fosters a supportive EV ecosystem, aligning KPLC's activities with Kenya's agenda for reduced fossil fuel dependency. Additionally, KPLC's incentives, including subsidized EV charging rates and educational campaigns, make EV adoption more affordable and popular, reinforcing its strategic role in advancing Kenya's green energy transition. The objective of the study was to establish the impact of institutionalizing strategic management on performance of state-owned corporations. This study hence sought to answer the research question: What is the impact of institutionalizing strategic management on performance of state-owned corporations?

## Theoretical Review

This study anchored on two foundational models to elucidate the concept of institutionalization. The first theory under consideration is Selznick's (1957) institutional-based theory and Penrose's (1959) resource-based theory of the firm. Institutional-based theory, as elucidated by scholars like Selznick (1957), posits that organizations are influenced by the broader institutional environment in which they operate. This theory assumes that organizations conform to societal norms, values, and expectations and that institutional pressures shape their behavior and strategies. Specifically, in the context of Kenyan state-owned corporations, the institutional-based theory suggests that these entities are subject to regulatory frameworks, political dynamics, and cultural norms that influence their strategic management practices and performance outcomes. This theory assumes that organizations can achieve competitive advantage by leveraging their internal resources in a way that is valuable, rare, inimitable, and non-substitutable (VRIN criteria). However, critics of institutional-based theory argue that it may oversimplify the complexities of organizational behavior and decision-making processes. They contend that organizations have agency and can actively shape their environments rather than simply reacting to institutional pressures. Cawman and Liu, (2020) argues that while RBV emphasizes the significance of aligning strategic management practices with internal resources and capabilities to enhance performance, it may inadvertently overlook the impact of external factors such as market conditions, regulatory environments, and political dynamics on organizational performance. However, despite these criticisms, RBV remains relevant to the study, particularly concerning Kenyan state-owned corporations. It suggests that the effectiveness of strategic management practices in improving performance hinges on the organization's adeptness in mobilizing and leveraging its resources effectively amidst external influences.

Resource-Based Theory of the Firm by Penrose (1959) holds that a firm's competitive advantage and performance are contingent upon the unique bundle of resources and capabilities it possesses. According to Penrose, these resources include tangible assets such as machinery and equipment, intangible assets such as patents and brand reputation, as well as human resources, knowledge, and organizational routines. The theory emphasizes the role of managerial decision-making in leveraging these resources to pursue opportunities and create value, thereby driving sustained competitive advantage. Resource-based theory provides a valuable lens for understanding how the institutionalization of strategic management practices can impact the performance of Kenyan state-owned corporations. The theory can shed light on how strategic management processes enable them to leverage their internal strengths to respond to external challenges and opportunities by focusing on the unique resources and capabilities of these organizations. Furthermore, Penrose's emphasis on managerial decision-making highlights the importance of leadership and governance structures in driving strategic alignment and execution within state-owned corporations.

One critique of Penrose's Resource-Based Theory is its focus on internal resources and capabilities, which may overlook the influence of external factors such as industry dynamics, market conditions, and regulatory environments. (Paauwe, 2024) argues that while internal resources are important, firms must also adapt to external changes and market opportunities to maintain competitive advantage. Additionally, some scholars argue that Penrose's theory lacks a clear framework for analyzing how resources are developed, acquired, and deployed over time.

**Literature Review**

Several empirical studies exist in this area. Ibrahim et al. (2012) conducted a study aiming to explore the relationship between strategy implementation and firm performance, along with investigating the moderating effect of formalized structure on this relationship within manufacturing firms in Indonesia listed in the Jakarta Stock Exchange (JSE). Utilizing both primary data collected through questionnaires distributed to CEOs and secondary data from the Indonesian Capital Market Directory report, the study analyzed responses from 112 out of 127 returned questionnaires. Results indicated a significant positive relationship between strategy implementation and firm performance among manufacturing firms. Additionally, the study found that formalized structure had a moderating effect on the relationship between strategy implementation, particularly in terms of budgeting and resource control, and firm performance measured by Return on Equity (ROE). However, a gap remains in the understanding of how these findings may apply to state-owned corporations in the Kenyan context, where unique governance structures and regulatory environments may influence the relationship between strategy implementation and performance differently compared to publicly listed manufacturing firms in Indonesia. Thus, the current study aims to address this gap by examining the impact of institutionalizing strategic management on the performance of Kenyan state-owned corporations, providing insights specific to this context.

Waititu (2016) examined the relationship between strategy implementation and performance in commercial banks in Nairobi County, Kenya. This quantitative study targeted top management of listed commercial banks and utilized descriptive and inferential statistics for data analysis. The findings indicated a moderately strong relationship between strategy implementation and organizational performance. However, the study did not explore the specific dimensions of strategy implementation or consider potential moderating factors. The gap addressed by the current study could involve investigating how different aspects of strategy implementation, such as communication systems, leadership styles, organizational structure, and culture, influence the performance of Kenyan state-owned corporations, and whether similar relationships exist within this specific context. Wangulu (2019) examined the institutionalization of strategy and its impact on the performance of cement manufacturers in Kenya. The study employed a mixed-methods approach, gathering data through structured questionnaires and analyzing it using descriptive analysis, Pearson correlation, and regression analysis. The findings revealed a positive influence of institutionalization of strategy on organizational performance. However, the study focused specifically on the cement manufacturing sector and did not explore the implications for state-owned corporations or consider potential moderating factors. The gap addressed by the current study could involve extending the analysis to state-owned corporations in Kenya, examining how strategy institutionalization influences their performance, and exploring potential moderating factors unique to this sector.

Odingo (2022) investigated the effect of strategy implementation on the performance of energy and petroleum sector state corporations in Kisumu County, Kenya. Using an explanatory research design, the study collected data from senior managers of 11 state corporations through structured questionnaires and secondary sources. The findings indicated that strategy implementation significantly influenced organizational performance, with factors such as organizational culture, structure, leadership, and resource availability playing significant roles. However, the study was limited to a specific geographic location and sector. The gap addressed by the current study could involve examining how strategy institutionalization influences the performance of state-owned corporations across different sectors in Kenya and identifying sector-specific challenges and opportunities in strategy institutionalization. Some government reports have also highlighted the critical role of corporate governance and strategic management in enhancing the performance of state-owned corporations (SOCs) in Kenya. For example, Fiebelkorn, Owuor, and Nzioki (2021) conducted an extensive review of Kenya's SOCs, with a focus on corporate governance structures and the associated fiscal risks. The report, published by the World Bank, underscores the challenges of governance inefficiencies and fiscal risks in Kenyan SOCs, pointing out that weak governance structures can lead to misalignment with strategic objectives and reduce operational effectiveness. This review is crucial in contextualizing the importance of governance in strategy institutionalization within SOCs, where aligning organizational operations with broader national goals, such as Kenya's Vision 2030, is essential for sustainable development. The report also suggests that strengthening governance frameworks could mitigate fiscal risks and support better resource allocation within SOCs.

Similarly, the Draft Performance Contract Report for the financial year 2020/2021 by Kenya's National Treasury (2022) evaluates the performance of various state corporations based on key indicators like funds absorption rates and service delivery. The report highlights performance contracting as an effective tool for ensuring accountability and aligning SOCs' objectives with Kenya's development priorities. Performance contracts, which set clear targets and expectations, allow for structured measurement of SOCs' progress toward strategic goals. However, the report also notes recurring issues, such as low budget absorption and rising pending bills, which highlight operational challenges that SOCs face in institutionalizing strategies effectively. Addressing these challenges is essential to ensure that strategic objectives embedded in performance contracts are not just theoretical but translate into measurable outcomes.

**Experimental Section**

This study employs a desktop research design to analyze the impact of institutionalizing strategic management on the performance of state-owned corporations in Kenya. Desktop research allows for an in-depth review and synthesis of extensive existing literature, government reports, and case studies. This design is well-suited to the study's objective, which is to assess how strategic management practices particularly their institutionalization impact key performance indicators like operational efficiency, effectiveness, and organizational outcomes. Through a systematic literature review, we drew upon studies and government reports examining strategy institutionalization across different sectors, extracting insights applicable to Kenyan SOCs. For example, Fiebelkorn, Owuor, and Nzioki's (2021) report, Kenya State Corporations Review: Corporate Governance and Fiscal Risks of State Corporations, highlights the influence of governance structures on SOC performance and emphasizes the need for enhanced accountability to align these corporations with national development goals. This report underscores the fiscal risks and governance issues specific to Kenyan SOCs, reinforcing the importance of institutionalizing strategic practices to ensure long-term stability and alignment with Kenya's Vision 2030.

Similarly, the Draft Performance Contract Report for the Financial Year 2020/2021 by Kenya's National Treasury (2022) offers a government perspective on the performance evaluation of SOCs. This report evaluates SOCs based on performance indicators like funds absorption rates and service delivery, demonstrating the role of performance contracting in holding SOCs accountable to strategic objectives. However, the report also identifies persistent challenges in budget absorption and pending bills, pointing to areas where institutionalized strategy practices could help improve resource utilization and operational efficiency. These government reports, combined with studies such as Adobor (2020), Cawman and Liu (2020), and Gasela (2021), provide valuable benchmarks for evaluating strategy institutionalization in Kenyan SOCs. The desktop research approach facilitated a comprehensive analysis of these findings, allowing us to contextualize best practices in strategy institutionalization for public corporations, such as adopting formalized structures, involving leadership, and mobilizing resources effectively. This study aims to provide targeted recommendations for enhancing the institutionalization of strategic management in Kenyan SOCs to drive better performance outcomes by leveraging these insights.

## Results and Discussion

The results of this study, based on an extensive review of existing literature and case studies, indicate a strong positive relationship between the institutionalization of strategic management and the performance of state-owned corporations. The results highlight that institutionalizing strategic management practices embedding strategic objectives into daily operations, aligning organizational structure with strategic goals, and fostering leadership commitment leads to better organizational performance. The studies reviewed, such as Ibrahim et al. (2012), highlight the significant impact of strategic management on firm performance. Ibrahim et al. found that formalized structures, particularly in budgeting and resource control, enhance the positive relationship between strategy implementation and performance. Similarly, in the Kenyan context, formalized structures within state-owned corporations can serve as key drivers for more efficient resource allocation and decision-making processes. By institutionalizing strategic management practices, SOCs can improve operational efficiency and align their strategies with national goals and objectives, contributing to better financial and non-financial performance outcomes.

In line with the Resource-Based Theory (RBT), which emphasizes leveraging internal resources to create competitive advantages, the study suggests that when SOCs institutionalize strategic management practices, they are better able to utilize their internal resources effectively. The emphasis on leadership, organizational structure, and skilled staff, as mentioned in studies like Waititu (2016), reinforces the importance of internal resources in driving performance. For Kenyan SOCs, ensuring that leadership supports strategic goals and that the organizational structure aligns with these goals is critical for achieving sustained performance improvements. The study also highlights key moderating factors such as organizational culture, leadership, and resource availability. Odingo (2022) found that these factors significantly influence the effectiveness of strategy implementation. In the context of Kenyan state-owned corporations, where governance structures and external political influences may differ from private or international entities, these moderating factors become even more critical. The Institutional-Based Theory (IBT) supports this view by explaining how external pressures, such as political or regulatory influences, shape the strategic behaviors of organizations. SOCs are subject to government policies, cultural norms, and expectations, which may affect their ability to institutionalize strategic management practices effectively. As the theory suggests, Kenyan SOCs must navigate these external pressures while aligning their internal resources to optimize performance.

Wangulu (2019) and Odingo (2022) indicate that different industries face unique challenges in institutionalizing strategic management. The current study extends these findings by examining state-owned corporations across various sectors in Kenya. The results reveal that SOCs in different sectors may encounter distinct obstacles, such as resource constraints in some industries or bureaucratic inefficiencies in others. Addressing these sector-specific challenges is crucial for ensuring the successful institutionalization of strategic management. The study, therefore, underscores the importance of tailoring strategic management approaches to the specific needs and constraints of each sector. The report from Kenya's National Treasury and Economic Planning outlines the performance evaluation of state corporations and tertiary institutions for the financial year 2020/2021. It highlights the effectiveness of performance contracting as a tool for enhancing accountability, aligning strategic objectives with national priorities like Vision 2030, and measuring progress across various institutions. The evaluation included indicators such as funds absorption rates, pending bills, and service delivery commitments. While some corporations showed improvement, challenges in budget absorption and pending bills remain, suggesting a need for further reforms to optimize resource utilization and enhance strategic alignment with national goals.

The report by Fiebelkorn, Owuor, and Nzioki (2021) offers valuable insights into the challenges Kenyan state-owned corporations (SOCs) face in institutionalizing strategic management, with a focus on governance and fiscal risks. It highlights that weak governance frameworks, including issues in financial management and oversight, create fiscal inefficiencies that hinder the effective alignment of resources with strategic priorities. Strengthening governance, accountability, and transparency within SOCs is essential, as these elements provide a stable foundation for embedding strategic goals into daily operations and aligning organizational structures with broader objectives. The report recommends adopting best practices in corporate governance to foster formal structures and sound decision-making processes, thus enabling SOCs to institutionalize strategic management practices effectively, enhance performance, and contribute to Kenya's economic objectives.

The findings of this study contribute to both the Resource-Based Theory and the Institutional-Based Theory. RBT's emphasis on leveraging internal resources aligns with the conclusion that institutionalizing strategic management enhances the ability of state-owned corporations to manage their resources efficiently, leading to improved performance. The institutionalization of strategy facilitates the alignment of internal resources, such as leadership, organizational culture, and employee skills, with the strategic objectives of the corporation. Institutional-Based Theory is also highly relevant to the context of Kenyan SOCs, where external factors such as regulatory frameworks, government policies, and political dynamics play a significant role in shaping organizational strategies. The study confirms that SOCs are heavily influenced by external institutional pressures, which makes it essential to consider both internal and external factors when assessing the impact of strategic management on performance.

**Emerging Issues in Strategic Management**

Strategic management is continually evolving, shaped by dynamic global trends and challenges. Key emerging issues influencing the strategic landscape for organizations, including state-owned corporations (SOCs) in Kenya, include digital transformation and technological advancements, sustainability and corporate social responsibility (CSR), agile and adaptive strategies, geopolitical and economic uncertainty, talent management and workforce diversity, ethical governance and compliance, and the integration of artificial intelligence (AI) and automation. These factors are driving organizations to rethink traditional approaches and adopt more proactive, adaptable strategies to navigate complex and rapidly changing environments.

**Digital Transformation and Technological Advancements**

The rapid integration of digital technologies, such as artificial intelligence (AI), big data analytics, and the Internet of Things (IoT), is revolutionizing business models and operational processes. Organizations are compelled to adapt their strategies to harness these technologies effectively, ensuring they remain competitive in an increasingly digital marketplace (Phillips & Moutinho, 2018). For instance, the Kenya Revenue Authority's implementation of the iTax system exemplifies how digital tools can streamline operations and improve service delivery.

**Sustainability and Corporate Social Responsibility (CSR)**

There is a growing emphasis on sustainable practices and CSR, driven by heightened environmental concerns and societal expectations (Halkos & Nomikos, 2021). Companies are integrating sustainability into their core strategies, focusing on long-term environmental stewardship and social impact alongside financial performance.

**Agile and Adaptive Strategies**

In an environment characterized by rapid change and uncertainty, organizations are moving towards agile and adaptive strategic frameworks (Grant, 2021). This approach enables them to respond swiftly to market fluctuations, technological disruptions, and evolving consumer preferences, maintaining flexibility, ensuring resilience and sustained competitiveness. The adoption of flexible strategies is particularly pertinent for SOCs navigating complex regulatory and market landscapes.

**Geopolitical and Economic Uncertainty**

Global geopolitical tensions and economic volatility present significant challenges for strategic planning (Deloitte, 2023). Organizations must develop strategies that are robust yet flexible to navigate these uncertainties effectively. For Kenyan SOCs, aligning strategies with national development goals, such as Vision 2030, while remaining adaptable to global economic shifts, is crucial.

**Diversity, Equity, and Inclusion (DEI)**

Attracting, developing, and retaining skilled talent is critical. There is an increasing recognition of the importance of DEI in organizational success (Chukwudi et al., 2023). Organizations are focusing on creating inclusive cultures that leverage diverse perspectives to drive innovation and performance. For SOCs, implementing strategic human resource practices that foster diversity and continuous learning is essential for achieving strategic objectives.

**Ethical Governance and Compliance**

Heightened scrutiny from stakeholders and regulators has amplified the importance of ethical governance and compliance. Organizations are strengthening governance frameworks to ensure transparency, accountability, and adherence to legal and ethical standards (Werhane & Freeman, 2019).. The World Bank's review of Kenya's SOCs underscores the need for robust governance structures to mitigate fiscal risks and enhance performance.

**Remote Work and Workforce Management:**
The shift towards remote and hybrid work models has transformed workforce management. Organizations are re-evaluating their strategies to manage distributed teams effectively, focusing on maintaining productivity, engagement, and organizational culture in a virtual environment (Atoum, 2024).

**Big Data and Data-Driven Decision Making**
Big data is transforming strategic management by enabling organizations to make more informed, data-driven decisions. The massive influx of data from digital platforms, IoT devices, social media, and customer interactions provides organizations with valuable insights into consumer behavior, market trends, and operational efficiencies (Phillips & Moutinho, 2018). Strategic managers are increasingly leveraging big data analytics to gain a competitive edge, refine customer targeting, optimize supply chains, and personalize services. As data privacy and security concerns grow, organizations must also navigate regulatory landscapes carefully to ensure compliance and maintain stakeholder trust. Adopting a data-driven approach enhances an organization’s agility and responsiveness, empowering it to align strategies closely with real-time market demands.

## Conclusions
The institutionalization of strategic management within Kenya’s state-owned corporations has a significant positive impact on organizational performance. Embedding strategic objectives into daily operations, aligning organizational structures with strategic goals, and fostering leadership commitment were found to be essential components in enhancing SOCs’ efficiency, effectiveness, and overall impact. Through the lens of Resource-Based Theory, the study underscores that leveraging internal resources, such as skilled personnel, leadership support, and efficient structures allows SOCs to improve operational performance, effectively manage resources, and sustain competitive advantages. Institutional-Based Theory further supports these findings by emphasizing that SOCs operate within unique regulatory, political, and cultural environments that shape their strategies and actions. This dual theoretical framework provides a comprehensive understanding of how SOCs in Kenya can optimize their performance by balancing internal capabilities with external demands. Governmental guidelines, particularly the Public Finance Management (PFM) Act of 2012, play a critical role in framing the strategic management practices of SOCs. The PFM Act 2012 mandates effective resource utilization and fiscal discipline in public entities, guiding SOCs to adopt robust financial and performance management systems. The Act highlights the need for transparency, accountability, and value-for-money principles, which align with strategic management objectives. Institutionalizing these principles ensures that SOCs are better equipped to allocate resources efficiently, reduce wastage, and improve service delivery, contributing to the achievement of national development goals outlined in Kenya’s Vision 2030. The PFM Act further stipulates performance monitoring and evaluation as integral to strategic management, reinforcing the necessity for SOCs to implement formalized structures to track progress, assess outcomes, and make data-driven decisions.

While significant progress has been made in strategic management institutionalization among SOCs, challenges remain, including resource constraints, bureaucratic inefficiencies, and governance gaps. To address these issues, the study recommends that SOCs strengthen leadership commitment, align organizational structures with strategic objectives, foster a culture supportive of strategic initiatives, and implement monitoring and evaluation systems. Adopting these strategies will enhance SOCs' effectiveness and enable them to contribute meaningfully to Kenya's economic growth and development. In conclusion, the findings of this study highlight the critical need for ongoing reforms to institutionalize strategic management practices within SOCs, emphasizing that this is not only a pathway to improved performance but also a cornerstone of sustainable public sector management in Kenya.

**Recommendations**

Based on the findings of the study, the following recommendations are proposed to enhance the institutionalization of strategic management and improve the performance of state-owned corporations (SOCs). These recommendations are grounded in literature that supports strategic alignment, effective resource management, and fostering a supportive organizational culture.

**Strengthen Leadership Commitment and Involvement**

Leadership plays a pivotal role in driving strategic management processes within SOCs. Adobor (2020) emphasizes that leadership commitment is essential for the successful institutionalization of strategy. It is recommended that SOCs invest in leadership development programs to enhance the skills of top management and align their actions with strategic objectives. Leaders must actively champion strategic goals and communicate them effectively across all levels, fostering a culture of accountability and transparency that supports effective strategy implementation (George, 2021).

**Enhance Organizational Structure Alignment with Strategy**

For effective strategy institutionalization, SOCs should ensure their structures are adaptable to strategic goals. Gasela (2021) highlights that aligning organizational structure with strategic objectives facilitates efficient resource allocation and role clarity, which are critical for the successful execution of strategic initiatives. Periodic reviews and restructuring will help SOCs maintain alignment between their structures and long-term strategies, ensuring they remain adaptable to evolving strategic goals (Waititu, 2016).

**Cultivate an Organizational Culture that Supports Strategy Implementation**

An organizational culture that supports innovation, accountability, and collaboration is critical to strategy institutionalization. Adobor (2020) suggests that fostering a supportive culture where employees are engaged with the strategic direction enhances the success of strategic initiatives. Regular training, workshops, and effective internal communication are recommended to involve employees in strategic management, aligning their efforts with organizational goals (Wangulu, 2019).

**Implement Formalized Systems for Monitoring and Evaluating Strategy**

To institutionalize strategic management effectively, SOCs should develop formalized systems for monitoring and evaluating strategy implementation. Cawman and Liu (2020) emphasize the importance of key performance indicators (KPIs) that align with both financial and non-financial objectives, such as customer satisfaction and operational efficiency. Regular monitoring will enable SOCs to assess strategy effectiveness, make data-driven decisions, and adjust their approaches as necessary to optimize performance (Odingo, 2022).

**Tailor Strategic Approaches to Sector-Specific Challenges**

Given the diverse operational environments of SOCs, each organization should adopt a strategic approach tailored to its sector. Gasela (2021) points out that sector-specific strategies enable organizations to respond effectively to unique industry demands. For instance, capital-intensive SOCs should focus on resource optimization, while service-based SOCs may prioritize customer satisfaction. Tailored strategies will enhance both short- and long-term performance by addressing each sector's specific challenges (Ibrahim et al., 2012).

**Leverage External Institutional Pressures Positively**

SOCs operate under various external institutional pressures, including government regulations and political dynamics. According to Institutional-Based Theory (Selznick, 1957), organizations should view these pressures as opportunities rather than constraints. By engaging with policymakers and stakeholders, SOCs can shape supportive regulatory frameworks, aligning their strategies with national goals and capitalizing on external pressures to drive performance (Fiebelkorn, Owuor, & Nzioki, 2021).

**Encourage Capacity Building and Knowledge Sharing**

Capacity-building initiatives that enhance employees' strategic thinking and execution capabilities are essential for institutionalizing strategic management. Cawman and Liu (2020) stress the value of collaborative networks and knowledge-sharing platforms to disseminate best practices across SOCs. Partnerships, workshops, and strategic alliances with other state or private entities can foster knowledge sharing, supporting strategic success through a shared pool of expertise and experiences (Bashir, 2023).

**Develop Mechanisms to Align Resources with Strategic Objectives**

SOCs should ensure that they allocate financial, human, and technological resources effectively to align with strategic priorities. Gasela (2021) argues that formal resource allocation processes aligned with strategic objectives improve an organization's capability to achieve desired outcomes. Establishing these mechanisms will ensure that SOCs have the necessary tools and capabilities to implement their strategies successfully (Waititu, 2016).

**Focus on Enhancing Non-Financial Performance Indicators**

Non-financial performance measures offer a comprehensive view of organizational success, including customer satisfaction, goal achievement, and organizational relevance (Alatawi et al., 2023). SOCs should integrate these indicators into their performance frameworks to align with policy-driven and social objectives. By focusing on non-financial metrics, SOCs can assess their broader contributions to social and economic development, beyond just financial performance (Gasela, 2021).

**Regularly Review and Update Strategic Plans**

Given the dynamic nature of external and internal environments, it is recommended that SOCs establish regular review cycles for their strategic plans. Penrose (1959) suggests that periodic evaluations allow organizations to adapt to changing conditions, sustaining a competitive advantage. By updating strategic plans in response to new developments, SOCs can ensure continued alignment with both internal goals and external expectations, maintaining relevance and enhancing performance over time (Odingo, 2022).

**References**

Adobor, H. (2020). Open strategy: role of organizational democracy. *Journal of Strategy and Management*, *13*(2), 310–331. https://doi.org/10.1108/JSMA-07-2019-0125

Alatawi, I. A., Ntim, C. G., Zras, A., & Elmagrhi, M. H. (2023). CSR, financial and non-financial performance in the tourism sector: A systematic literature review and future research agenda. *International Review of Financial Analysis*, *89*, 102734. https://doi.org/10.1016/j.irfa.2023.102734

AlQershi, N. (2021). Strategic thinking, strategic planning, strategic innovation and the performance of SMEs: The mediating role of human capital. *Management Science Letters*, 1003–1012. https://doi.org/10.5267/j.msl.2020.9.042

Atoum, L. H. (2024). *Redefining Spaces: Strategic Optimization of Federal Office Environments in the Era of Hybrid Work* (Doctoral dissertation, The George Washington University).

Chukwudi, O. A., & Eusebius, A. C. H. U. G. O. (2023). Diversity, Equity, and Inclusion (DEI): Exploring the Effectiveness of Human Resource Strategies and Practices in Fostering Diversity, Equity, and Inclusion in the Workplace and Understanding the Benefits of a Diverse Workforce in Nigeria. *Journal for Studies in Management and Planning*, *9*(9), 1-22.

Bashir, M. (2023). The influence of strategic flexibility on SME performance: is business model innovation the missing link? *International Journal of Innovation Science*, *15*(5), 799–816. https://doi.org/10.1108/IJIS-06-2021-0110

Deloitte. (2023). *On the board's agenda: 5 issues testing governance*. Wall Street Journal, Risk & Compliance Journal. Retrieved from https://deloitte.wsj.com/riskandcompliance/on-the-boards-agenda-5-issues-testing-governance-b2cef56e

Fiebelkorn, Andreas; Owuor, Christine; Nzioki, Diana. 2021. *Kenya State Corporations Review: Corporate Governance and Fiscal Risks of State Corporations.* World Bank, Washington, DC. http://hdl.handle.net/10986/36436. License: CC BY 3.0 IGO.

Gasela, M. M. (2021). The impact of strategy alignment on organizational performance in national public entities in the Northern Cape Province of South Africa. *Africa's Public Service Delivery and Performance Review*, *9*(1). https://doi.org/10.4102/apsdpr.v9i1.489

George, B. (2021). Successful Strategic Plan Implementation in Public Organizations: Connecting *People*, *Process*, and *Plan* (3Ps). *Public Administration Review*, *81*(4), 793–798. https://doi.org/10.1111/puar.13187

Gitongah, N. M., & Macharia, F. (2023). Strategic Management and Performance of Commercial Parastatals in Kenya: A Case of Kenya Electricity Generating Company. In *International Journal of Research Publication and Reviews* (Vol. 4, Issue 11). www.ijrpr.com

Grant, R. M. (2021). *Contemporary Strategy Analysis* (10th ed.). Wiley. Retrieved from https://www.oreilly.com/library/view/contemporary-strategy-analysis/9781119495727/c15.xhtml

Halkos, G., & Nomikos, S. (2021). Corporate social responsibility: Trends in global reporting initiative standards. *Economic Analysis and Policy*, *69*, 106-117.

Ibrahim, M., Sulaiman, M., Al Kahtani, A., & Abu-Jarad, I. (2012). The relationship between strategy implementation and performance of manufacturing firms in Indonesia: The role of formality structure as a moderator. *World Applied Sciences Journal*, *20*(7), 955–964. https://doi.org/10.5829/idosi.wasj.2012.20.07.2799

Muendo, M. C., & Ogutu, P. M. (2020). *Strategy Implemantation and Organizational Performance: A Case Study of Kenya Medical Training College*. www.iprjb.org

Mwaura, J. K. (2012). *JamesKimani Mwaura Final Project*.

National Treasury and Economic Planning. 2022. *Draft Performance Contract Report for the Financial Year 2020/2021*. Nairobi: National Treasury and Economic Planning, Government of Kenya. https://www.treasury.go.ke/wp-content/uploads/2022/11/Draft-performance-contract-report-2020-21.pdf.

Ndegwa, R. K. (2022). *Influence Of Strategy Implementation on Performance of Kenya Owned State Corporations Robert Kennedy Gichuhi Ndegwa a Thesis Presented in Partial Fulfilment Of The Requirements For The Award Of The Degree Of Doctor Of Philosophy In Business Administration, Faculty Of Business And Management Science, University Of Nairobi*.

ODINGO, O. (2022). Strategy Implementation and Performance of Energy and Petroleum Sector State Corporations in Kisumu County, Kenya. *Doctoral Dissertation, Maseno University*.

Paauwe, J. (2024). Resource based theory. In *A Guide to Key Theories for Human Resource Management Research* (pp. 231–237). Edward Elgar Publishing. https://doi.org/10.4337/9781035308767.ch29

Phillips, P., & Moutinho, L. (2018). *Contemporary Issues in Strategic Management*. Routledge. https://www.routledge.com/Contemporary-Issues-in-Strategic-Management/Phillips-Moutinho/p/book/9781138939646

Waititu, J. W. (2016). Relationship between Strategy Implementation and Performance in Commercial Banks in Nairobi County Kenya. *International Journal of Business and Management*, *11*(9), 230. https://doi.org/10.5539/ijbm.v11n9p230

Wangulu, W. (2019). *Institutionalization of Strategy and Performance of Cement Manufacturers in Kenya "A Research Project Submitted in Partial Fulfillment of the Requirements for the Award of Degree of Master of Business*.

Werhane, P. H., & Freeman, R. E. (Eds.). (2019). *Ethics in strategic management.* SpringerLink. Retrieved from https://link.springer.com/referenceworkentry/10.1007/978-3-030-02006-4_1175-1