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# Effect of Organizational Strategy on Performance of Companies Listed in Nairobi Securities Exchange in Kenya

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## Abstract

The purpose of the study was to establish the effect of organizational strategy on performance of companies listed in NSE in Kenya. The theoretical framework that was anchored on the study includes chaos and complexity theory and industrial organizational economic theory. The study objective was to determine how organizational strategy affects performance of companies listed in NSE. The study tested the null hypothesis that organizational strategy does not significantly affect performance of companies listed in Nairobi Securities Exchange. The study used a cross sectional survey design on 64 companies listed in the NSE in Kenya with a sample of 38 companies covering five years (2013-2017) as at 30th June, 2017. Purposive sampling technique was used on 4 senior managers namely, Chief Executive Officers, heads of divisions in Human Resource, Finance and Marketing from the listed companies in NSE giving a sample size of 152 managers. Pre-testing was conducted on 15 respondents and reliability coefficient( $r$ ) was above the recommended threshold of 0.7. The study used five point Likert Scale to measure organizational culture and performance. Secondary data was obtained from published sources and primary data was obtained from the semi-structured questionnaire. The analysis comprised descriptive statistics, Pearson's correlation, and hypothesis testing and regression analysis using ANOVA. The study determined that organizational strategy had a significant positive effect on performance of companies listed in Nairobi Securities Exchange. The study concluded that organization strategy needs to be adopted by companies as this helps in coming up with strategic plans either short

term or long term that propels the company to better performance in the changing business environment. The study recommended that management should adopt organizational strategy that develops competitive market strategy that builds long-term objectives and annual corporate goals which defines key performance indicators for the companies listed in NSE. Further studies may also consider inclusion of either moderating variables or mediating variables which may affect the relationship between organizational strategy and performance of companies listed in NSE in Kenya.

**Keywords:** Organizational Strategy, Nairobi Securities Exchange (NSE), Performance of Companies.

### **Background of the Study**

Hubbard (2000) defined strategy as “those decisions which have long-term impact on the activities of the organization, including the implementation of those decisions, to create value to key stakeholders and to outperform competitors.” Hubbard (2000) further opined that strategies in organizations could be classified into three levels namely, corporate level strategy, business level strategy and functional or operational level strategy. Whereas, Minzberg (2009) opined that strategy could be viewed as plan, ploy, pattern, position and perspective representing different aspects of strategy. Salimian *et.al* (2012) observed that nowadays, strategy is defined at corporate, business and functional levels and further indicated that success of organizations depends not only on developing strategies at these levels but also alignment between them. Corporate level strategy refers to all businesses in an organization that encompasses three general orientations namely; growth, stability and retrenchment. And the business level strategy aims to achieve competitive advantage in a specific market. And finally, the functional or operational strategy is concerned with how each part of the organization delivers value to the business and corporate level (Chaimankong & Prasertsakul, 2012).

Simons (2000) opined that corporate performance is an approach of market mechanism by which the company actively interacts with the financial factor and customer product markets. That in the financial market, corporate performance strives to satisfy shareholders and creditors in the form of financial indicators. In the factor market, such as suppliers and other production owners, the corporate ability to pay in time and in agreed amount are important in evaluating corporate performance (Simons, 2000). Kaplan and Norton (1992) argued that the extended measurement of corporate performance is by balanced scorecard, where the core idea is to balance the domination of financial and non-financial aspects in corporate performance. Ghosh and Mukherjee (2006) observed that in the present era of emerging intense global competition, organizations are facing increasingly knowledgeable, demanding customers and activist shareholders that have changed the competitive environment from competition based on ability to invest in by managing physical assets to competition based on knowledge and ability to exploit intangible and soft assets. Net profit (profit for the year) refers to the profit made by the business for the year which is the difference between operating profit, interest and any other exceptional costs. Net profit may be calculated before or after the subtraction of taxation (Tulsian, 2014). Corporate dividend policy refers to determining the amount to be paid to the shareholders and that to be retained in the company to reinvest in profitable projects or for retention in case of future needs (Ross, Westerfield & Jaffe, 2005). Return on investment (ROI) refers to the measure

of profitability that indicates whether or not a company is using its resources in an efficient manner and it is expressed in percentage (Best, 2009; Drury, 2007; Moutinho & Southern, 2010).

This study outlined the essence of organizations formulating and implementing pragmatic organizational strategies that promote effective change management that give organizations a competitive change management. The study will assess the contribution of organizations strategy to corporate performance from a holistic approach by looking at corporate strategy, business strategy and functional strategy. This approach will give scholars invaluable information and also point to areas that still need further investigation. On the theoretical front, the study sought to point to the relevance and gains of strategic management in turbulent, disruptive and ever-changing environment.

### **Statement of the Problem**

Globally, organizational strategy has been a key driver to profitability in organizations such that without embracing it at corporate, functional and business level, companies listed in the stock market are faced with situations that can easily make them wind up due to the turbulent changing business environment if they do not adopt strategies that is suitable for their organizations. This scenario has put companies in an awkward situation to either craft strategies that will make them relevant and competitive or fail in their quest to grow their business and be profitable. This situation has also affected companies in Kenya such that unless they implement new strategies on how to conduct their businesses they will not be able to penetrate the market and be competitive enough to realize profitability. It is in this light that this study finds a gap to be addressed for companies listed in NSE in Kenya.

The Capital Markets Authority (CMA) being a Government regulator is charged with licensing and regulating the capital markets, approving public offers and listings of securities traded at NSE (CMA, 2002). And every Capital Markets Authority is different from country to country. For example, Kenya Airways have been struggling to return to profitability and have attributed reduced losses to passenger numbers by more than 5% to 4.5 million. Their rationalization of operations resulted in a decline in direct operating cost by ksh.2.5 billion to 65.2 billion in the financial year ended March, 2016 with a reduction of its headcount by 142 to 3,870 staff members (NSE, 2016). Mumias Sugar Company Limited reported the second worst loss despite a noticeable 14% increase in revenue with a turnover of Sh.6.3 billion and a loss of Sh.4.7 billion in the financial year ended June 30, 2016 compared to Sh.4.6 billion the previous fiscal year (NSE, 2016). Uchumi Supermarkets posted the third worst loss of Sh.2.8 billion in the financial year ending June 30, 2016 by over half a billion shillings less than its loss the previous fiscal year. The loss was accompanied by a 50% slump in turnover and a reduction of employee numbers by 747 to 2,317 (NSE, 2016). These companies were suspended from trading in NSE because of poor financial performance that investors were unable to get return on investments. When companies record reduced revenue and earnings, it reflects that the economy is doing badly and urgent remedial measures is required to bring them back to profitability.

Beshtawi and Jaaron (2014) study focused on change management in telecommunication sector. They used forty-two semi-structured interviews on 23 managers and supervisors and 19 line

employees in Palestine. Their study did not use both non-financial and financial indicators to measure performance. By (2005) study used a critical review of theories and approaches to organizational change management. This study was not an empirical test. Irungu (2007) study focused on the effect of top management teams on performance of publicly quoted companies in Kenya. His study was longitudinal survey on 47 companies in NSE in Kenya for a period of 5 years (2001-2005). Machuki (2011) study focused on external environment-strategy co-alignment, firm level institutions and performance of public quoted companies in Kenya. His study was longitudinal survey but on 53 companies for a period of 5 years (2005-2009). These failed to consider organizational strategy and performance of companies listed in NSE. The studies did not adopt sample size and sampling procedures which the current study used with a target population of 64 companies listed in NSE for a period of 5 years (2013-2017). There are conceptual, contextual and methodological research gaps, which have been noted during the review of previous studies that this study intends to address. This study is important because it shows companies how to address issues affecting performance of companies in relation to organizational strategy that include corporate, functional and business strategy and their role in contributing to efficiency and profitability as they are confronted with turbulent changing business environment. Failure to have an organizational strategy means that the companies no longer want to compete and are headed to doom. This study intends to establish the effect of organizational strategy on performance of companies listed in NSE in Kenya.

### **Objective of the Study**

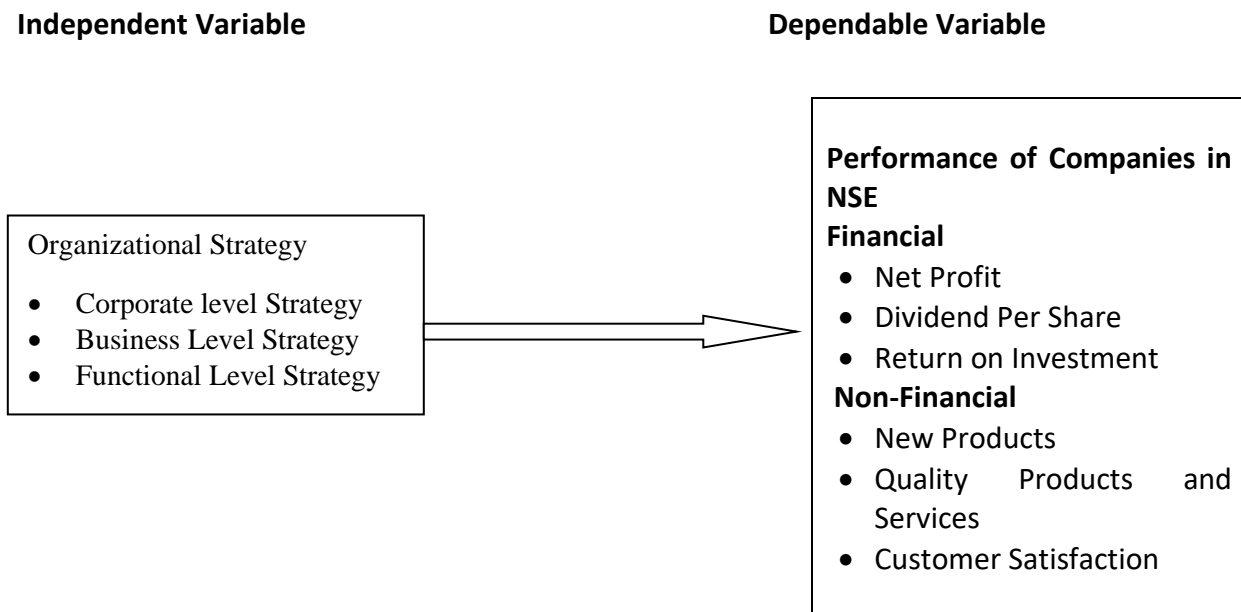
To determine how organizational strategy affects performance of companies listed in Nairobi Securities Exchange.

### **Research Hypotheses**

H<sub>0</sub>: Organizational strategy does not significantly affect performance of companies listed in Nairobi Securities Exchange.

### Conceptual Framework

This study was guided by the following conceptual framework. This is presented in Figure 1.



**Figure 1 : Conceptual framework of the study**

Organizational strategy that was presumed to affect performance were presented on the left hand side of the diagram in figure 1 as independent variables. Performance of companies was the dependent variable and was presented on the right hand side of the conceptual framework and was to be measured in both non-financial and financial terms such as net profit dividend per share and return on investment. This study sought to establish the effect of change management on performance of companies listed in NSE in Kenya.

### Literature Review

#### Theoretical framework

Chaos and complexity theory is the study of complex, nonlinear, dynamic systems which was pioneered Lorenz when studying the dynamics of turbulent flow in fluids (Lorenz, 1993). Levy (1994) viewed chaos theory as accounting for the dynamic evolution of industries and the complex interactions among industry actors. Long-term forecasting is almost impossible for chaotic systems and dramatic change can occur unexpectedly and as a result, flexibility and adaptiveness are essential for organizations to survive. Chaotic systems exhibit a degree of order, enabling short term forecasting to be undertaken and underlying patterns can be discerned. Chaos theory also points to the importance of developing guidelines and decision rules to cope with complexity and searching for non-obvious and indirect means to achieving goals.

Levy (1994) asserts that the simulation model demonstrates that chaos theory has practical application to issues of business strategy. The simulation illustrates how management can underestimate the impact of disruptions to an international supply chain, generating substantial unanticipated costs. It also demonstrates how management might intervene to reduce the

volatility of the supply chain and improve its performance, by reducing the extent of disruptions and changing the structure of the supply chain system. Change in the system is taken as being constant. McBride (2005) argued that any apparent stable state is treated as temporary that organization and their information systems cannot be decomposed into simple elements because the complex interactions between processes give rise to new emergent behavior. System elements are interdependent and interactions between them are non-linear such that linear causal links cannot be made. Most significantly, for an interpretive use of chaos theory, effects within non-linear systems are non-proportional. Small inputs can have large effects and large inputs result in no significant change (McBride, 2005). Cvetek (2008) suggested that teacher educators should help students to accept the complexity and unpredictability of teaching as natural conditions and become “agents of chaos” in the classroom. In order to accomplish this task, teacher educators should accept the complexity and unpredictability of their own teaching environments, thus creating new possibilities for their students’ learning and development as teachers. This theory informs the variable/concept of organizational strategy in this study.

Industrial organization economics theory postulated by Shapiro (1989) explains that the field of industrial organization had been transformed during the past twenty years and that game theory had emerged as a predominant methodology for analyzing business strategy. This means that the new industrial organization involves specifying a game among competing firms and solving that game in extensive form using the non-cooperative solution concept of Nash equilibrium or one of its refinements. Using extensive form games to model strategic interactions has the virtue of forcing the analyst to think carefully and to be quite precise about specific nature of competition. At this time game theory provides the only coherent way of logically analyzing strategic behavior (Shapiro, 1989). Fisher (1989) argued that game theoretic approach to industrial organization had been unsuccessful. The sensitivity of equilibrium behavior to the specification of the extensive form of the game had evidence that the game theoretic approach had failed since the specification may be hard to discern from available industry information. Whereas, Shapiro (1989) further reported that game theory tells us the conditions under which different outcomes occur and what factors are most critical in shaping behavior and performance in concentrated industries. According to Porter (1981) the traditional brain/mason paradigm of industrial organization offered strategic management a systematic model for assessing competition within an industry, yet the model was seldom used in the business policy field. Industrial organization and business policy differed in their frame of reference (public vs. private), units of analysis (industry vs. firm), views of the decision maker and stability of structure and in other significant respects. Porter (1981) concluded that the development of industrial organization theory during the 1970’s had narrowed the gap between the two fields to the extent that industrial organization should now be of central concern to policy scholars. This theory informed the variable/concept of performance of companies in this study.

### **Empirical Review**

A study by Njagi and Kombo (2014) on the effect of strategy implementation on performance of commercial banks in Kenya reported that there was a moderately strong relationship between strategy implementation and organizational performance. The study adopted correlational research design and had a target population of forty three (43) registered commercial banks in Kenya over a three year period from 2010. Njagi and Kombo (2014) study was a census survey

and used primary data collected through the use of questionnaires administered to designated managers who were conversant with the institution's strategy implementation and performance levels. The data was analyzed using descriptive statistics like percentages to summarize the data using Statistical Package for Social Sciences (SPSS) version 21. Pearson's correlation coefficient was used in determining the nature and strength of the relationship between strategy implementation and organizational performance. Multiple regression models were developed to determine the effect of strategy implementation on organizational performance. Njagi and Kombo (2014) recommended that for institutions to thrive and compete they must implement strategies effectively. Their study had only 44.8% variation in performance that was explained by strategy implementation suggesting other factors influenced performance and so the introduction of one or more of these factors could provide base for further research. The sample should also include other financial players and institutions to perform detailed studies into their strategic management styles so that relevant improvements could be made in areas of weakness.

Njagi and Kombo (2014) study did not link the organizational strategy indicators like corporate level strategy, business level strategy and functional level strategy. In another study by Chaimankong and Prasertsakul (2012) on the impact of strategy implementation on performance of generic strategy: evidence from firms in Thailand chemical industry. They reported that the success in strategy implementation did not alter the relationship between strategic type and a firm's performance, as it may be universal, regardless of the location where the study is conducted. Data was collected from 111 key informants using probability sampling techniques. Structured questionnaires were collected from senior executives. The one-way Analysis of Variance (ANOVA) and two-way Analysis of Variance (ANOVA) were used. Chaimankong and Prasertsakul (2012) recommended that further studies in other contexts was required before drawing conclusion, whether the relationship of strategic type and performance is contingent on strategy implementation or not. And that more studies are required in other industries and countries to reveal a clearer picture of the relationship and to consider using more specific barriers to implementations. Their study focused on one particular industry and failed to consider other industries that are operating in Thailand. They also did not link the organizational strategy indicators like corporate level strategy, business level strategy and functional strategy. Another study by Monroe (2006) on how corporate strategy contributes to firm performance: a cross-sectional study of resource governance decision making in US firms, reported that the frequency of resource governance decisions distinguished the persistent superior firm performance category from both the persistent average and inferior firm performance categories. Monroe (2006) further reported that corporate strategy was important and had a small but significant influence on the variance of both business unit performance and firm performance. Fifteen Fortune 1000 US firms were categorized into three subpopulations based on persistent superior, average and inferior levels of performance. Eighteen indicators representing both excellence in corporate strategy and the incidence of corporate strategy were collected through the content analysis of Wall Street Journal articles from 1980 to 2004. Inferential statistical techniques were conducted to provide a broad profile of findings. Monroe (2006) study did not consider organizational strategy indicators such as corporate level strategy, business level strategy and functional level strategy which this study intends to address.



A study by Santos and Brito (2012) on toward a subjective measurement model for firm performance reported that the dimensions cannot be used interchangeably, since they represent different aspects of firm performance and corroborate the idea that stakeholders have different demands that need to be managed independently. Their study used confirmatory factor analyses data from 116 Brazilian senior managers to test its fit and psychometric properties. Santos and Brito (2012) study lacked convenience and geographic characteristics of the sample to allow generalization of the results and also failed to test the dimension of market value. Another study by Fauzi, Svensson and Rahman (2010) reviewed corporate performance, corporate financial performance and corporate social performance. They reported that the concept of triple bottom line as sustainable corporate performance should consist of three measurement elements namely; (i) financial, (ii) social and (iii) environmental and the content of each of these measurement elements may vary across contexts and over time. Triple bottom line as sustainable corporate performance should be interpreted to be a relative concept that is dynamic and iterative. They recommended that continuous monitoring needs to be performed, adapting the content of the measurement elements to changes that evolve across contexts and over time in the marketplace and society.

### **Methodology of the Study**

This study was anchored on pragmatism philosophy because it involved objective testing of empirical hypothesis that was formulated as predictions of the observed phenomena. It used quantitative research that included descriptive and inferential statistics. It also sought to verify the propositions by operationalizing variables in the conceptual model through empirical tests by measurement and samples that were selected for purposes of generalization of results. The study adopted a cross sectional survey research design and correlational research design. The target population was 64 companies listed in NSE and met the threshold for having traded for five years from 2013 to 2017 as at 30th June, 2017 (NSE Handbook, 2016). Stratified random sampling technique was used since the population was sub-divided into groups, six were in agricultural sector, two were in automobiles and accessories, ten were in banking sector, thirteen were in commercial and services, five were in construction and allied, five were in energy and petroleum, six were in insurance, three were in investment, one was in investment services, nine were in manufacturing and allied, one was in telecommunications and technology and lastly, one was in real estate investment trust (NSE Handbook, 2015). Purposive sampling was used and was confined to specific types of people who can provide the desired information namely; chief executive officers, heads of human resources, finance and marketing since they deal much with policy formulations. Mugenda and Mugenda (2003) noted that a sample size of 10% to 30% was a good representation of the target population and hence, adequate for analysis for this study because it fulfilled the requirements of efficiency, representation, reliability and flexibility. The sample size was determined based on precision rate and confidence level. For the purposes of this study, a desired minimum precision rate of +5% and a confidence level of 95% was used (Kothari, 2009). The sample size of this study used Cochran's formula of 'return sample size method' for categorical data as propounded by Mugenda and Mugenda (2003). The number of companies sampled was  $38 * 4$  number of Senior Managers = 152 Senior Managers being the final sample size estimate was adjusted as recommended by Mugenda and Mugenda (2003). The main research instrument for the collection of primary data was a semi-structured questionnaire.

The study piloted the instruments to 15 senior managers namely; 3-Chief Executive Officers, 4-heads of human resources, 4-heads of finance and 4-heads of marketing from a sample of 152 respondents which is 10% of 152 equals to 15 senior managers. Carmines and Zeller (1987) asserted that as a general rule, the reliabilities should be above 0.7 for widely used scales. The recommended value was 0.7 which this study used as cut-off reliabilities. Data analysis was done through descriptive statistics and inferential statistics such as correlation, hypothesis testing, ANOVA and regression model.

### **Findings and Discussions**

#### **Organizational Strategy and Performance of Companies listed in NSE**

The study sought to determine how Organizational Strategy affects Performance of Companies listed in Nairobi Securities Exchange. The respondents were asked to state their opinion regarding whether organization strategy is stated or not stated in the mission statement using a Likert scale of 1-5 where: 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly agree. The results are presented in Table 1.

**Table 1: Descriptive Statistics for Organizational Strategy**

Statements	S.D	D	N	A	SA	Mean	SD
<b>Corporate Level Strategy</b>							
It is not stated in the mission statement.	2.9%(3)	10.9%(13)	35.6%(43)	36.8%(44)	13.8%(17)	3.48	0.960
Corporate strategy is concerned with the overall purpose and scope of our business to meet stakeholder expectations.	2.9%(3)	2.3%(3)	18.3%(22)	47.4%(57)	29.1%(35)	3.98	0.960
It is not a crucial level in our business.	0.0%(0)	7.4%(9)	19.4%(23)	49.8%(60)	23.4%(28)	4.11	3.075
This level acts to guide strategic decision-making throughout our business.	0.0%(0)	5.1%(6)	14.9%(18)	52.6%(63)	27.4%(33)	3.90	0.920
<b>Business Level Strategy</b>							
Our business competes successfully in the market.	0.6%(1)	5.1%(6)	17.7%(21)	50.3%(60)	26.3%(32)	4.02	0.795
Strategic decisions about choice of products are not done in our organization.	1.3%(2)	31.4%(38)	24.6%(30)	17.7%(21)	24.1%(29)	3.97	0.837
Customer needs are met in our organization	0.6%(1)	8.0%(10)	15.4%(18)	43.4%(52)	32.6%(39)	3.99	0.925
Our business level strategy does not gain advantage over competitors.	1.1%(1)	6.3%(8)	16.6%(20)	45.1%(54)	30.9%(37)	3.98	0.913
<b>Functional Level Strategy</b>							
Each part of our business is organized as per function.	0.0%(0)	5.1%(6)	21.1%(25)	48.0%(58)	25.7%(31)	3.94	0.822
It does not focus on issues of resources, processes, people etc.	1.7%(2)	4.6%(6)	16.6%(20)	51.2%(61)	25.9%(31)	3.95	0.873
It supports the business- level strategy.	0.6%(1)	8.0%(10)	17.1%(21)	45.7%(55)	28.6%(34)	3.94	0.911
It is not used by a business area for achieving the objectives and strategies of a company and business through maximizing resources efficiency.	1.1%(1)	4.6%(6)	16.6%(20)	50.3%(60)	27.4%(33)	3.98	0.853
<b>Composite Mean</b>						<b>3.94</b>	<b>1.066</b>

Table 1 findings, on whether corporate strategy is not stated in the mission statement; 2.9%(3) strongly disagreed, 10.9%(13) disagreed, while 35.6%(43) are neutral, 36.8%(44) agreed and 13.8%(17) were strongly agreed. This line item had a mean score of 3.48 and a standard deviation of 0.960 which falls lower than the composite mean of 3.94 and standard deviation of 1.066. This implies that non-inclusion of mission statement in the corporate level strategy negatively affects

performance of companies listed in NSE. On whether corporate strategy is concerned with the overall purpose and scope of their business to meet stakeholder expectations; 2.9%(3) strongly disagreed, 2.3%(3) disagreed, while 18.3%(22) are neutral, 47.4%(57) agreed and 29.1%(35) were strongly agreed. Since the line item had a mean score of 3.98 and standard deviation of 0.909 which is a mean score higher than the composite mean of 3.94 and standard deviation of 1.066. This implies that corporate strategy that concerns with purpose and scope of business positively affect the performance of companies listed in NSE. The question on whether organization strategy is not a crucial level in their business; 0.0%(0) of the respondents strongly disagreed, 7.4%(9) disagreed, while 19.4%(23) are neutral, 49.8%(60) agreed and 23.4%(28) were strongly agreed. Since the line item had a mean score of 4.11 and standard deviation of 3.075 which is a mean score higher than the composite mean of 3.94 and standard deviation of 1.066. This implies that organizational strategy plays an important role and positively affects performance of companies listed in NSE. On whether corporate level acts to guide strategic decision-making throughout our business; 0.0%(0) of the respondents strongly disagreed, 5.1%(6) disagreed, while 14.9%(18) are neutral, 52.6%(63) agreed and 27.4%(33) were strongly agreed. Since the line item had a mean score of 3.90 and standard deviation of 0.920 which is a mean score lower than the composite mean of 3.94 and standard deviation of 1.066. This implies that corporate level acts to guide strategic decision making process which negatively affects performance of companies listed in NSE.

On whether our business competes successfully in the market; 0.6%(1) of the respondents strongly disagreed, 5.1%(6) disagreed, while 17.7%(21) were neutral, 50.3%(60) agreed and 26.3%(32) were strongly agreed. Since the line item had a mean score of 4.02 and standard deviation of 0.795 which is a mean score higher than the composite mean of 3.94 and standard deviation of 1.066. This implies that business operates well in the market positively affects performance of companies listed in NSE. On whether Strategic decisions about choice of products are not done in our organization; 1.3%(2) of the respondents strongly disagreed, 31.4%(38) disagreed, while 24.6%(30) were neutral, 17.7%(21) agreed and 24.1%(29) were strongly agreed. Since the line item had a mean score of 3.97 and standard deviation of 0.837 which is a mean score slightly higher than the composite mean of 3.94 and standard deviation of 1.066. This implies that strategic decisions about choice of products positively affects performance of companies listed in NSE as this will make them competitive. On whether customer needs are met in our organization; 0.6%(1) of the respondents strongly disagreed, 8.0%(10) disagreed, while 15.4%(18) were neutral, 43.4%(52) agreed and 32.6%(39) were strongly agreed. Since the line item had a mean score of 3.99 and standard deviation of 0.925 which is a mean score slightly higher than the composite mean of 3.94 and standard deviation of 1.066. This implies that customer needs and satisfaction positively affects performance of companies listed in NSE as the companies are focused and works around satisfying customers' needs. On whether our business level strategy does not gain advantage over competitors, 1.1%(1) of the respondents strongly disagreed, 6.3%(8) disagreed, while 16.6%(20) were neutral, 45.1%(54) agreed and 30.9%(37) were strongly agreed. Since the line item had a mean score of 3.98 and standard deviation of 0.913 which is a mean score slightly higher than composite mean of 3.94 and standard deviation of 1.066. This implies that business level strategy done in relation to the realignment of the

processes and business units that positively affects performance of companies listed in NSE positively.

On whether each part of our business is organized as per function; 0.0%(0) of the respondents strongly disagreed, 5.1%(6) disagreed, while 21.1%(25) were neutral, 48.0%(58) agreed and 25.7%(31) were strongly agreed. Since the line item had a mean score of 3.94 and standard deviation of 0.822 which is a mean score same as the composite mean of 3.94 and standard deviation of 1.066. This implies that businesses are organized in functions this positively affects performance of companies listed in NSE. On whether it does not focus on issues of resources, processes, people etc.; 1.7%(2) of the respondents strongly disagreed, 4.6%(6) disagreed, while 16.6%(20) were neutral, 51.2%(61) agreed and 25.9%(31) were strongly agreed. Since the line item had a mean score of 3.95 and standard deviation of 0.873 which is a mean score slightly higher than composite mean of 3.94 and standard deviation of 1.066. This implies that focus on issues of resources, processes and people positively affects performance of companies listed in NSE. On whether it does not focus on issues of resources, processes, people etc.; 0.6%(1) of the respondents strongly disagreed, 8.0%(10) disagreed, while 17.1%(21) were neutral, 45.7%(55) agreed and 28.6%(34) were strongly agreed. Since the line item had a mean score of 3.94 and standard deviation of 0.911 which is a mean score same as the composite mean of 3.94 and standard deviation of 1.066. This implies that focus on issues of resources, processes and people positively affects performance of companies listed in NSE. On whether it is not used by a business area for achieving the objectives and strategies of a company and business through maximizing resources efficiency; 1.1%(1) of the respondents strongly disagreed, 4.6%(6) disagreed, while 16.6%(20) were neutral, 50.3%(60) agreed and 27.4%(33) were strongly agreed. Since the line item had a mean score of 3.98 and standard deviation of 0.854 with a general average rate of responses was 3.94 out of possible 5 with standard deviation of 1.006 confirming that Organizational Strategy positively affects Performance of Companies listed in Nairobi Securities Exchange. The results are summarized in table 4.2.

**Table 2: Summary of Descriptive Statistics for Organizational Strategy**

<b>Organizational Strategy</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Analysis N</b>
Corporate Level Strategy	3.853	1.651	120
Functional Level Strategy	3.963	0.851	120
Business Level Strategy	3.957	0.879	120

Table 2 shows the items under Organizational Strategy were analyzed further and the average score for Corporate Level Strategy, Functional Level Strategy and Business Level Strategy were 3.853, 3.963 and 3.957 respectively out of 5 possible rates. Again the findings suggest that Corporate Level Strategy, Functional Level Strategy and Business Level Strategy had a significant effect on performance of companies listed in Nairobi Securities Exchange.

**Correlation Analysis for Organizational Strategy and Performance of Companies listed in NSE**

To establish whether there is a linear relationship, the study adopted the Pearson moment's correlation coefficients and the result was presented in table 3.

**Table 3: Correlations Coefficients for Organizational Strategy and Performance of Companies listed in NSE**

Variable		Performance of Companies	of Organizational Strategy
Performance of Companies	of Pearson Correlation	1	.723**
	Sig. (2-tailed)		.000
	N	143	143
Organizational Strategy	Pearson Correlation	.723**	1
	Sig. (2-tailed)	.000	
	N	143	143

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 3 indicates that the variables Performance of Companies and Organizational Strategy had a positive effect as indicated by a correlation coefficient of .723\*\*. Scatter plot between Performance of Companies and Organizational Strategy as shown in Figure 2.

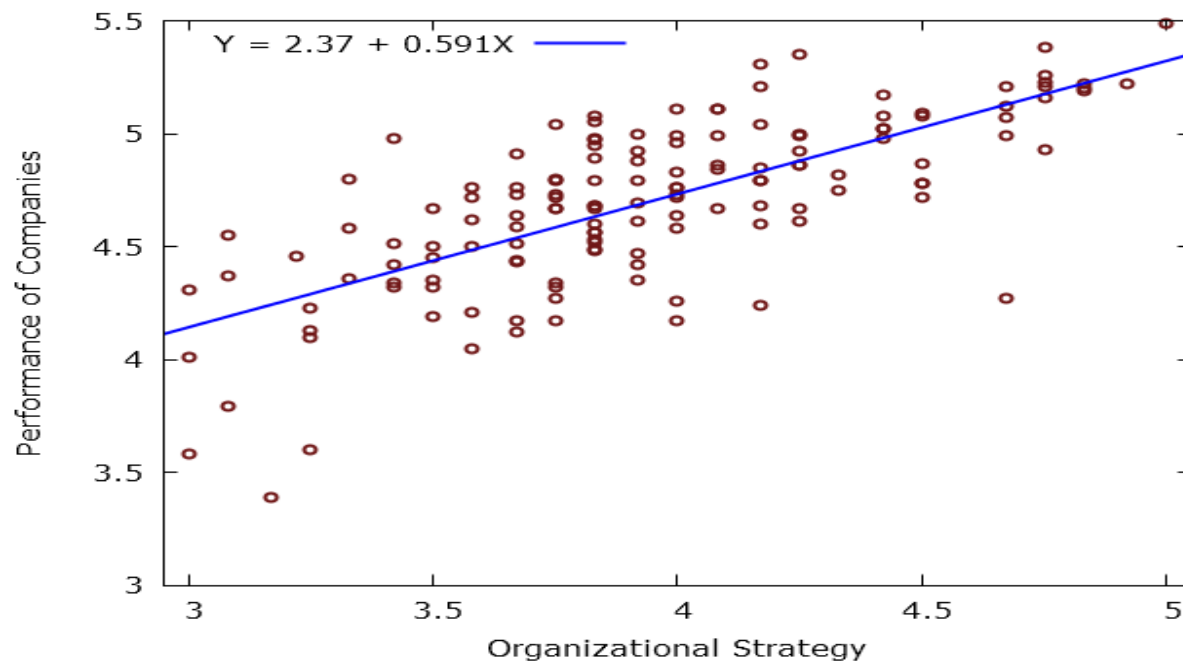
**Figure 2: Scatter Plot between Performances of Companies Organization Strategy**

Figure 2 clearly shows the effect of linear relationship between Performance of Companies and Organizational Strategy.

### Hypothesis testing between Organizational Strategy and Performance of Companies listed in NSE

The study analyzed the null hypothesis that organizational strategy does not significantly affect performance of companies listed in Nairobi Securities Exchange. The Pearson's product moment correlation statistic was used to test the effect between the organizational strategy and Performance of Companies. The R-square value showed that 0.523 (52.3%) of Performance of Companies was explained by organizational strategy. This was quite significant at 0.05. The results indicated that Organizational strategy had a positive significant effect on Performance of Companies listed in Nairobi. Further, the regression coefficient without moderating variable showed a p-value <0.001 which is less than 0.05 significance level. The value was the same with the moderating variable effect of Technology. The model generated from the coefficient table 4.23 was as follows  $Y = 2.365 + 0.592X_2$  without moderator and  $Y = -1.076 + 1.165X_2$  with moderator. The results are presented in table 4.

**Table 4: Coefficients for Organizational Strategy (X<sub>2</sub>)**

Model		Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.	Collinearity Statistics	
		B	Std. Error				Tolerance	VIF
1	Constant	2.365	.189		12.518	.000		
	Organizational strategy	.592	.048	.723	12.427	.000	1.000	1.000
2	Constant	-1.076	.321		-3.355	.001		
	Organizational strategy	1.165	.081	.772	14.409	.000	1.000	1.000

a. Dependent Variable: Performance of Companies (Y)

Table 4 show that there was significant effect between organizational strategy and Performance of Companies, hence the null hypothesis was rejected and the alternative adopted that there was significant statistical effect of Organizational Strategy on Performance of Companies listed in NSE.

### ANOVA for Organizational Strategy

The study conducted ANOVA analysis for organizational strategy and the findings are as presented in table 5

**Table 5: ANOVA for Organizational Strategy(X<sub>2</sub>)**

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	10.296	1	10.296	154.424	.000 <sup>b</sup>
Residual	9.401	141	.067		
<b>Total</b>	<b>19.697</b>	<b>142</b>			

a. Dependent Variable: Performance of Companies

Table 5 indicates that the overall model with and without moderator was significant, that is, the independent variable, Organizational strategy was a good joint explanatory for Performance of Companies with F-value of 154.424. P- Values were <0.05 also indicates that the models are fit in Kenya.

### Performance of Companies listed in NSE

This section concerns descriptive analysis for the dependent variable (Performance of Companies). The respondents were asked to state their level of agreement on the following items for Performance of Companies listed in Nairobi Securities Exchange. In a Likert scale of 1-5 where; 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree. The results are presented in table 6

**Table 6: Descriptive Statistics for Performance of Companies**

Statement	S.D	D	N	A	S. A	Mea n	Std. Dev
Net Profit	0.6%(1)	1.7%(2)	6.9%(8)	41.1%(49)	49.7%(60)	4.38	0.739
Dividend Per Share	0.6%(1)	1.1%(1)	6.9%(8)	37.1%(45)	54.3%(65)	4.43	0.723
Return on Investment	1.1%(1)	2.9%(3)	13.7%(17)	40.6%(49)	41.7%(51)	4.19	0.860
Quality products and Services	0.6%(1)	3.4%(4)	8.6%(10)	42.3%(51)	45.1%(54)	4.28	0.807
Customer Satisfaction	0.0%(0)	2.9%(3)	24.0%(29)	35.4%(43)	37.7%(45)	4.08	0.854
New products	0.0%(0)	4.6%(6)	12.6%(15)	45.1%(54)	37.7%(45)	4.16	0.815
<b>Composite Mean</b>						<b>4.20</b>	<b>0.832</b>

Table 6 findings were on whether the financial performance of the organization is pegged on the Net Profit; 0.6%(1) of the respondents strongly disagreed, 1.7%(2) disagreed, while 6.9%(8) were neutral, 41.1%(49) of the respondents agreed and 49.7%(60) strongly agreed. Average score rate was 4.38 out of 5 with standard deviation of 0.739 was higher than the composite mean of 4.20 and standard deviation of 0.832. This suggest that majority of the companies listed in Nairobi Securities Exchange measure their performance based on net profit which is confirmed by composite mean of 4.20 and standard deviation of 0.832 which is lower. On whether the companies listed in Nairobi Securities Exchange measure their performance based on dividend per share, majority of the respondents 0.6%(1) strongly disagreed, 1.1%(1) disagreed, while 6.9%(8) were neutral, 37.1%(45) agreed and strongly agreed at 54.3%(65). This also indicates that majority of the companies listed in Nairobi Securities Exchange measure their performance based on dividend per share with an overall mean rate of 4.43 and standard deviation 0.723.



On whether the companies listed in Nairobi Securities Exchange measure their performance based on Return on Investment, 1.1%(1) strongly disagreed, 2.9%(3) disagreed, while 13.7%(17) were neutral, 40.6%(49) of the respondents agreed and 41.7%(50) strongly agreed. An average score rate of 4.19 was recorded with standard deviation of 0.86 was lower than the composite mean of 4.20 and standard deviation of 0.832. This indicates that majority of the companies listed in Nairobi Securities Exchange measure their performance based on return on investment. The Respondents were asked whether the non-financial performance of the organization is pegged on the Quality products produced and Services provided, 0.6%(1) strongly disagreed 3.4%(4) disagreed, while 8.6%(10) were neutral, 42.3%(51) of respondents agreed and 45.1%(54) strongly agreed. Average scale of 4.28 out possible 5 and standard deviation of 0.80 was recorded with a composite mean of 4.20 and standard deviation of 0.832. This means that quality products produced and Services provided affect financial performance of companies listed in Nairobi Securities Exchange. To find out whether performance of companies listed in Nairobi Securities Exchange are normally based on Customer Satisfaction, 0.0%(0) strongly disagreed, 2.9%(3) disagreed, while 24.0%(29) were neutral, majority of the respondents at 35.4%(43) agreed and 37.7%(45) strongly agreed. Average scale of 4.08 out possible 5 and standard deviation of 0.854 was below the composite mean of 4.20 and standard deviation of 0.832. This means that customer satisfaction affect financial performance of companies listed in Nairobi Securities Exchange.

To find out whether performance of companies listed in Nairobi Securities Exchange are normally based on New Products, 0.0%(0) strongly disagreed, 4.6%(6) disagreed, while 12.6%(15) were neutral, majority of the respondents at 45.1%(54) agreed and 37.7%(45) strongly agreed. Mean score of 4.16 out of 5 and standard deviation of 0.815 was below the composite mean of 4.20 and standard deviation of 0.832. This means that new products produced affect financial performance of companies listed in Nairobi Securities Exchange. In general, the respondents were in agreement with all the items listed under Performance of Companies.

### **Discussion of Findings**

The results support the findings by Njagi and Kombo (2014) who observed that there was a moderately strong relationship between strategy implementation and organizational performance. The results also agree with the findings by Chaimankong and Prasertsakul (2012) that the success in strategy implementation does not alter the relationship between strategic type and a firm's performance as it may be universal in any location. The results further concur with Monroe (2006) that the frequency of resource governance decisions distinguished the persistent superior firm performance category from both the persistent average and inferior firm performance categories showing that corporate strategy was important and had a small but significant influence on the variance of both business unit performance and firm performance. This findings confirm that management decisions on companies listed in Nairobi Securities Exchange in Kenya have their organizational strategy in place to enable them operate effectively and efficiently with the available resources at their disposal. The findings also confirms that organization strategy needs to be adopted by companies as this will help them come up with strategic plans either short term or long term that will propel the company through realignment

of their operations/processes in response to the dynamic business environment, changing Government policies and regulations that affect businesses today.

These results performance of companies listed in NSE are in harmony with the findings by Fauzi, Svensson and Rahman (2010) that the concept of triple bottom line as sustainable corporate performance should consist of three measurement elements namely; financial, social and environmental and the content of each of these measurement elements may vary across contexts and over time. The results confirm that listed companies in Nairobi Securities Exchange in Kenya have well documented financial reports online in their websites and that of NSE website that determines the threshold set by Capital Markets Authority (CMA), a regulator and shows whether the listed companies have complied according to the laid down rules and regulations.

### **Conclusion**

The results also revealed that organizational strategy affects performance of companies listed in NSE; and organization strategy needs to be adopted by companies as this helps in coming up with strategic plans either short term or long term that propels the company through realignment of their operations/processes in response to the changing Government policies and regulations that affect businesses today.

### **Recommendation**

Management should adopt organizational strategy that develops competitive market strategy; build long-term objectives, annual corporate goals that define key performance indicators and creating departments and individual action plans for the companies listed in NSE as this will help organizations be efficient and effective in achieving their organizational goals.

### **Area for Further Studies**

Further studies may also consider inclusion of either moderating variables or mediating variables which may affect the relationship between organizational strategy and performance of companies listed in NSE in Kenya.

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