

## INFLUENCE OF STRATEGIC PLANNING AND ORGANIZATIONAL RESOURCES ON FINANCIAL PERFORMANCE OF STATE CORPORATIONS: A CASE OF KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

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### Abstract

*Influence of strategic planning and organizational resources on the financial performance of state corporations. The study aimed to establish the influence of strategic planning and organizational resources on the financial performance of state corporations a case study of KETRACO with specific objectives being to examine how strategic planning and organization resources affect financial performance. The findings will be used as a reference point to other researchers in the same field. The study findings will be beneficial to the foundation of future studies and provided a critical examination and the knowledge generated by this study will enable scholars to improve and develop a better understanding of the subject. The study was anchored on adaptive leadership theory and reinforced by trait leadership theory. The study adopted a descriptive research design with a target population of 385 respondents. Stratified proportion sampling was used to select 121 respondents. Questionnaires were used for data collection, and a pilot study was conducted on the questionnaires. Data were analyzed using descriptive statistics and inferential statistics. The study established a strong positive relationship between strategic planning and financial performance ( $r= 0.548$ ,  $p=0.000$ ), and that strategic planning significantly influences financial performance. The regression analysis revealed a relationship  $R = 0.302$  which showed a significant correlation and revealed that organization resources and financial performance are significantly connected, the study established a strong positive relationship between the organization resources and financial performance ( $r= 0.302$ ,  $p=0.004$ ). The study concludes that strategic planning statistically and significantly affects financial performance and that there is a positive relation between organization resources and the variations in financial performance can be explained by other study variables. The study recommends that KETRACO management should develop and formulate guidelines, governing structure, and strategic plans for effective implementation of organizational goals and objectives.*

**Keywords:** Financial Performance, Strategic Planning, Organization Resources, Kenya Electricity Transmission Company Limited, State Corporations in Kenya.

## Background of the Study

Strategic planning is a crucial part of implementing strategy. Strategic planning can't be directionless because it's defined by its purpose; in most of these cases is the realization of organizational strategy. Unless strategic planning is suitably formulated for the organizational goal and then the employees will have nothing to implement and will not be in a position to achieve organizational objectives. Strategic planning is inseparably linked with strategic intentions. Companies that put more focus on strategy implementation will have happy employees, satisfied customers, and improved profits (Kumar, 2014). According to Ansoff and Nakamura (2017), strategic planning involves, identifying the firm mission and objectives, developing long-term objectives and short-term operational plans, plan preparation, application, and actual evaluation and control of the implementation process.

The practices of strategic planning influence organizational performance through improving asset growth, sales revenue volume, competitive advantage, gain market share and enhance the profitability and productivity of the organizations. No organization can elude the confrontation of change. Therefore, effective strategic planning is vital to redressing the spasmodic business environment while sustaining the firm's competitive position in the marketplace (Ansoff & Nakamura, 2017). It is therefore manifest that the key to challenges that organizations face today is strategic management. Strategy management is influenced by many factors such as communicating the process, implementing the systems, people who communicate the process, and the instrument already put in place for control and coordination (Mintzberg, Lample, Quinn, & Ghoshal, 2016).

Strategic leadership is based upon matching organization resources and capabilities to the requirements of the external environment. In this study, an organization is considered a bundle of resources that makes it unique if the resources are valuable, hard to imitate, difficult to substitute, and rare (Mintzberg, Lample, Quinn, & Ghoshal, 2016). For organizations to operate in a highly competitive environment a distinctive strategic orientation is needed, requiring the exploitation of critical resources to gain a competitive advantage. The strategic responses of the local organization will focus on those competencies that are difficult to imitate or even substitute (Johnson, Scholes, Whittington, Neil, & Patrick, 2017).

According to Johnson, Scholes, Whittington, Neil, and Patrick (2017), a resource-based view emphasizes that an organization uses its resources and strength to create a competitive advantage that culminates in superior value creation. Organization resources are defined as human resources, intellectual capital, and machinery that are subjected to change that can be analyzed in terms of market demands. To develop a competitive advantage organizations must pose resources and capabilities that are superior to those of their competition. Without the superiority, the competitors will simply replicate what the other organization is doing and the advantage would vanish within a shorter period. The organization's resources such as assets are useful for creating a cost differentiation advantage that a few competitors can easily acquire (Gompers & Lerner, 2015).

## Statement of the Problem

Government parastatals face a myriad of problems that are a result of changing business dynamics such as price wars, poor corporate governance, inadequate legislative and regulatory framework, and negative public perception. In the current competitive environment, organization leadership in government institutions such as KETRACO are challenged in meeting their core objectives just like in other organizations, managers are faced with challenges in decision making that affect the financial performance of these corporations. The environment in which the KETRACO operates is not only dynamic and tumultuous but also constantly changing, sometimes at a mind-boggling pace.

Strategic planning and organizational resources in an organization enable the organization to determine corporate strategic direction, managing corporate resource portfolio, ensure an efficient way of managing process, places more emphasis on organization ethics and it has adequate organizational controls for the smooth running of organization functions. Therefore, strategic leadership is the most critical factor in financial performance. Government institutions such as KETRACO are used to the traditional approach of managing strategy implementation and more emphasis is placed on the administrative procedure that is associated with a hierarchical model where administrative rules are determined by Management Team. This approach undermines both financial and organizational performance. To utilize the maximum strategy implementation, KETRACO is forced to adopt modern strategies that ensure that this organization achieves its strategic financial objective. To achieve these objectives strategic planning and organizational resources adopted by KETRACO should equip the employees with required skills that will enhance job satisfaction, employee retention, staff motivation through training and development for the organization to achieve its financial performance.

Several studies have been conducted on strategic planning and organizational resources, such as Nthini (2013) conducted research on; the effect of strategic leadership on the performance of commercial and financial state corporations in Kenya. She found out that leading strategically is directly and indirectly positively associated with the performance of commercial and financial state corporations in Kenya. Contextually her research is different making it possible to spot a gap in the study literature. Samaitan (2014) researched leadership styles and performance of commercial banks in Kenya. The study identified a gap in research specifically on performance but narrowed it to return on investment and return on equity, this is concepts of financial performance that are key in this research. She focused on leadership in commercial banks in Kenya. This research focused on the strategic leadership and financial performance of KETRACO. Pointing to a contextual and conceptual difference hence a gap in the study is identified. However, none of the previous studies have specifically focused on KETRACO. Therefore, the purpose of the study was to fill the knowledge gap by examining strategic planning and organizational resources, and the financial performance of the state corporations in Kenya regarding KETRACO. And the study was answering the following questions; what are the effects of strategic leadership on the financial performance of KETRACO?

## **General Objective of the Study**

The study's main objective was to establish and determine the influence of strategic planning and organizational resources on the financial performance of state corporations in the case of KETRACO.

## **Specific Objectives**

- i. To establish the effects of strategic planning on financial performance at KETRACO.
- ii. To establish the effects of organization resources on financial performance at KETRACO.

## **Significance of the study**

Theoretically, the research study will help in determining and establishing the importance of strategic leadership strategies that can be adopted by KETRACO and other organizations as a strategic concept for its contribution to improved financial performance. It helped to ascertain the need, if any, to re-orient the strategic leadership choices concerning financial performance within the organization to turn it into a sustainable organization while delivering on its core mandate of offering services to the public. The study finding was significant to KETRACO and other state parastatals in assessing if the need to address leadership strategies entrenched in the institution and its impact on the delivery service to the public. The study findings will also benefit the practitioners and other government institutions by reviewing the reports based on public sector reforms through effective change strategies as a new concept for efficient and effective service delivery for public sector organizations. Finally, KETRACO management and managers in both public and private sector will benefit from the study by understanding the role of strategic planning and organizational resources and strategic planning on the financial performance of government institutions in Kenya currently in use and thereby be able to discern good leadership and management practices which can enable the organization to survive in turmoil business environment of competitiveness.

## **Theoretical Foundations**

### **Adaptive Leadership Theory**

The study adopted the Adaptive Leadership Theory as the study's main anchor. This theory was first defined by Heifetz, Marty, and Alexander in 2009. Adaptive leadership is a new development in leadership approach and it's currently being used and applied in the modern workplace as a leadership tool in theoretical basis for corporations, business enterprises, and human resource leader development training programs among others alike as the doctrinal theory (Dougall, Parkes, & Langford, 2017). Heifetz and his colleagues suggest that "adaptive leadership is the practice of mobilizing people to tackle tough challenges and thrive" (Heifetz, Marty, & Alexander, 2009). The theory postulates that leadership is about influencing change that builds and enables the capacity of individuals and organizations to thrive. Specifically, that leadership is the practice of mobilizing groups of people to tackle tough challenges and thrive. The bottom line is that leaders need to understand the importance of adaptation and can employ the relevant processes and tools to build the adaptive capacity of organizations. Despite the recent approach application adaptive leadership has yet to be officially considered as a recognized theory on its own. Northouse (2015) indicates that adaptive leadership is concerned with how people change and adjust to new circumstances.

Leadership scholars have observed that there is a significant variation in leadership situations that puts different demands on leaders and leading to the emergence of behavioral and situational approaches (Dougall, Parkes, &

Langford, 2017). According to Chen, Zheng, Yang, and Bai (2016), the personality traits of a successful leader are presumed to be the person possessing these traits emotional stability, good personality, initiative, reliability, persuasive power, ability to make quick decisions, desire to accept responsibility, honesty, integrity, flexibility would become successful leaders. The behavioral theory emphasizes the point that conduct of a given leader offers superior contentment to the people they lead. However, this approach has its limitation that states that particular action and behavior of the leader may be effective and relevant at a particular point of time while at another side it may be irrelevant and ineffective which makes this approach a time factor which is an important element that needs to be considered. The study adopted this theory to establish the relationship between organization resources and financial performance.

### Trait Leadership Theory

The major works that are behind the trait theories are Stodgily in 1948 and 1974. Trait theory is one of the earliest leadership theories and it focuses on what an effective leader is and not what an effective leader does. According to Yulk (2006), trait theory postulates that there are sets of traits and characteristics that are associated with successful leaders. The prominent traits for successful leaders include physical traits, social traits, and social characteristics, and task-related characteristics that are inborn and enable a leader to be successful. Empirical studies supporting trait theory have found evidence that there are traits that contribute to organizations' effectiveness and performance (Northouse, 2015). The list of leader traits, however, is huge and continues to grow as leaders emerge. Despite numerous studies on the diversity of leadership traits, certain criticisms have been leveled out on the trait leadership theory (Northouse, 2015). For instance, it is argued out that leadership can be learned, nurtured, and not necessarily an inborn thing as has been the case in human history where some very successful leaders emerged in diverse situations. Another criticism is that there is nothing inborn, divine, or mysterious as leadership qualities (Northouse, 2015).

The point is that leaders do not succeed because they possess certain traits in isolation from other factors (Yulk, 2006). There is evidence in the literature that individual traits matter although leadership effectiveness can also be attributed to other environmental factors (Yulk, 2006; Northouse, 2015). Following these arguments, Bhatia (2009) posits that leadership quality and traits are not sufficient for achieving organizational effectiveness. Leslie (2013) isolated five traits that lead to organizational transformations namely intelligence, self-confidence, determination, integrity, and sociability (Wammy & Swamy, 2014). These traits are interesting because they link well with strategic planning and organizational resources. The traits cited out in many trait theories link to strategic planning and organizational resources concerning leader characteristics, abilities, and effectiveness in responsibility or organization.

Understanding the role of leadership traits in strategic planning and organizational resources is important especially where success is not dependent on a single factor. This is more important because the traits specific leaders possess qualify why he or she is an important asset in organizational performance. The leader and subsequently the leadership practices add to the competitiveness of organizations. This theory contributes to the tenets for successful leadership underlies leaders' characteristics, abilities, and knowledge which drive financial and organization performance. The study adopted this theory to establish how strategic leadership determines financial performance.

### Empirical Literature Review

Habwe (2018) investigated the influence of strategic planning on the financial performance of insurance companies in Kenya. The study was anchored on agency theory and resource-based theory. Habwe (2018) adopted a descriptive research design, and the study population constituted of 47 registered insurance companies in Kenya. Questionnaires were used as primary data collection tools, data were analyzed using descriptive, and inferential statistics. The finding of the study showed that the financial performance of insurance firms in Kenya are influenced and determined by strategy implementation, strategy implementation, strategy formulation, strategy evaluation, and environmental scanning. Habwe (2018) concluded that mission, objectives, strategy implementation, strategy implementation, strategy formulation, strategy evaluation, and environmental scanning had a significant relationship, and there are important determinants of the financial performance. The study recommended the management of organizations especially insurance firms should use the findings of the study in assessing how better they can come up with better strategic planning strategies that can and will improve financial performance (Habwe, 2018).

Ongeti and Machuki (2018) examined organization resources and performance of Kenya state corporations. The study adopted a cross-sectional descriptive survey, and data were collected from 63 state corporations using questionnaires and was analyzed using descriptive and inferential statistics. The study established that there is a statistically significant relationship between aggregated organizational resources, and performance, however, the findings show that 8.3 percent of the performance of state corporations. The study also established that the independent effect of disaggregated

organization resources indicated a statistically significant effect of tangible, human, and intangible resources on performance. The study concluded that organization resources have the capability of determining organization performance and the study findings provide partial empirical support for resource-based theory by establishing the independent contributions of organization resource to performance (Ongeti & Machuki, 2018).

### Conceptual Framework

The conceptual model was adopted for the study derived from the literature review, and the variables on the framework have been used to develop research questions that were tested during the study.

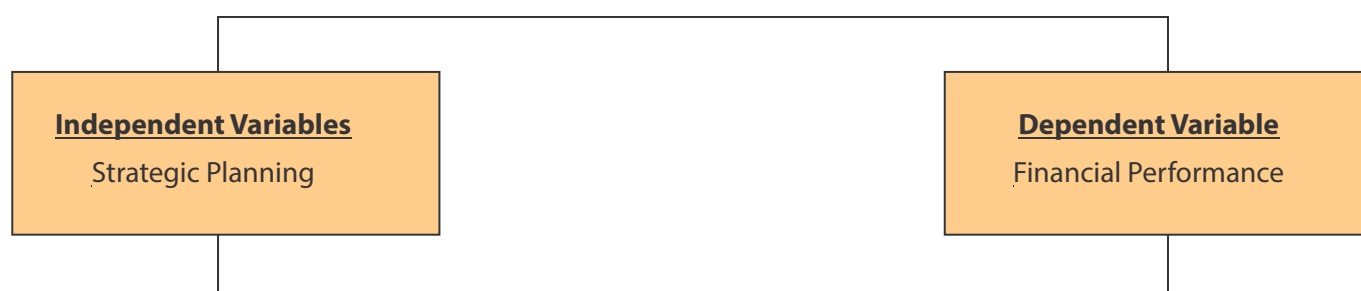


Figure 1: Conceptual framework

### Methodology

The study adopted a descriptive research design. A descriptive research design is appropriate for studies that have specific issues where problems have been defined (Kothari, 2014). The research study adopted a quantitative research design since the primary goal is often to have a better understanding of the influence of strategic planning and organizational resources on financial performance in Government parastatals. The unit of analysis was the KETRACO.

### Target Population

The target population consists of a group of entities or elements which might be huge than or distinct from the sampled group from which the researcher concludes the interested population. The target populations of this study were 385 respondents Kombo and Tromp (2009) indicated that a sample size of 10% or 20% of the target population selected using random stratified sampling is adequate to generalize the study findings. In this context, the researcher used Cochran's (1977) formula, which was developed to yield a representative sample for proportions, the sample size was 121 employees at KETRACO.

### Research Instruments

The researcher utilized questionnaires as an essential instrument for information gathering. Questionnaires were formatted to contain sections reflecting the study variables. Closed questions were employed in each section for the collection of respondents' views, opinions, and attitudes. The questionnaires were distributed via email due to the Covid-19 pandemic.

### Data Analysis and Presentation

The quantitative data were analyzed using a statistical package for social sciences (SPSS version 26) and the use of inferential statistics. The researcher applied analytical models to interpret the data. Linear regression and multiple regression analysis were used to establish the relationship between study variables. This provided estimates of the magnitude and the significance of the hypotheses' causal connections between the variables. All this was achieved by conducting a series of regression and analyzing their influence on the dependent variable. For testing various

hypotheses, linear regression was used to determine the influence of the predictor/independent variables on the predicted/dependent variables.

### Ethical Consideration

Through the whole study period, this research was guided by the following ethical guidelines: informed consent, voluntary participation, confidentiality, privacy, and anonymity.

### Findings

The study gave out a total of 121 questionnaires to the sample population and the valid sample that was used for the study is 91. (n=91).

**Table 1: Model Summary of Strategic Planning**

Model Summary of Strategic Planning									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	0.548a	0.151	0.142	0.724	0.151	15.872	1	89	0.000

a. Predictors: (Constant), Strategic Planning

Regression analysis was done with financial performance as the dependent variable and strategic planning as the predictor factor. The regression analysis revealed a relationship  $R = 0.548$  which showed a strong correlation and revealed that strategic planning and financial performance are primarily related, the study established a strong positive relationship between the variables ( $r = 0.548$ ,  $p = 0.000$ ) as shown in table 1. Consequently, an increase in strategic planning improved financial performance. And the variations in financial performance can be explained by other factors.

**Table 2: ANOVA<sup>a</sup> Results for Strategic Planning**

Model		ANOVA <sup>a</sup>				
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.329	1	8.329	15.872	0.000 <sup>b</sup>
	Residual	46.704	89	.525		
	Total	55.033	90			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Strategic Planning

The values of  $F = 15.872$  show that strategic planning statistically and significantly affects financial performance which means the regression model is a good fit for the data and that strategic planning significantly influences the financial performance at KETRACO. The level of significance is 0.000 which is less than 0.05 hence the regression model significantly predicts the dependent variable. The results were enumerated as seen in Table 2.

**Table 3: Regression Coefficients<sup>a</sup> for Strategic Planning**

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.144	0.420		5.100	0.000
	Strategic planning	0.403	0.101	0.389	3.984	0.000

a. Dependent Variable: Financial Performance

An ANOVA analysis was conducted between strategic planning and financial performance at a 95% confidence level. The F critical was 15.872 and the P-value was (0.000) therefore the significance of the results as shown in table 3 the regression equation developed was

$$Y = \beta_0 + \beta_1 X_1 + \epsilon; Y = 2.144 + 0.403 X_1 + 0.420$$

Whereas: Y is the financial performance;  $\beta_0$  is the regression constant;  $\beta_1$  is the coefficients of strategic planning;  $X_1$  is the strategic planning and  $\epsilon$  is the error term.

**Table 4: Model Summary of Organization Resources**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	0.302a	0.091	0.081	0.750	0.091	8.957	1	89	0.004

a. Predictors: (Constant), Organization resources

Regression analysis was carried out with financial performance as the dependent variable and organization resources as the predictor factor. The regression analysis revealed a relationship  $R = 0.302$  which showed a moderate correlation and revealed that organization resources and financial performance are significantly connected, the study established a strong positive relationship between the variables ( $r = 0.302, p = 0.004$ ) as shown in table 4. And the variations in financial performance can be explained by other study variables such as strategic planning, and other factors within the organization.

**Table 5: ANOVA<sup>a</sup> Results for Organization Resources**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.0	1	5.032	8.957	0.004 <sup>b</sup>
	Residual	50.001	89	0.562		
	Total	55.033	90			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Organization resources

The values of  $F = 8.957$  show that organization resources significantly affect financial performance which means the regression model is a good fit for the data and that organization resources significantly influence the financial performance at KETRACO. The level of significance is 0.004 which is less than 0.05 hence the regression model significantly predicts the dependent variable. The results were enumerated as seen in Table 5.

**Table 6: Regression Coefficients<sup>a</sup> for Organization Resources**

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.760	0.353		7.808	0.000
	Organization resources	0.270	0.090	0.302	2.993	0.004

a. Dependent Variable: Financial performance

An ANOVA analysis was conducted between organization resources and financial performance at a 95% confidence level. The F critical was 15.872 and the P-value was (0.000) therefore the significance of the results as shown in table 6 the regression equation developed was  $Y = \beta_0 + \beta_2 X_2 + \epsilon$ ;  $Y = 2.760 + 0.270 X_2 + 0.353$

Whereas: Y is the financial performance;  $\beta_0$  is the regression constant;  $\beta_2$  is the coefficients of organization resources;  $X_2$  is the organization resources and  $\epsilon$  is the error term.

**Table 7: Model summary financial performance**

		Change Statistics							
Model	R	R Square	Adjusted R Square	Std. Error of the estimate	R Square Change	F Change	df1	df2	Sig. F
1	.780 <sup>a</sup>	.611	.594	.45801	.611	46.601	3	88	.000

a. Predictors: Constant, strategic planning, and organization resource

The study analyzed the connection between financial performance and independent variables (strategic planning, and organization resources) the findings show that the  $R^2$  value was 0.611 therefore, 61.1% of the variation in financial performance is explained by strategic planning, and organization resources as shown in table 7.

**Table 8: ANOVA of Financial Performance**

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean square	f	Sig.
	Regression	26.813	4	8.931	46.601	.000 <sup>b</sup>
	Residual	16.889	86	.310		
	Total	47.602	90			

a. The dependable Variable is Financial performance

b. Strategic planning, and organization resources

The values of 46.601 show that financial performance is influenced by independent variables (strategic planning, and organization resources) which means the regression model is a good fit for the data and that financial performance at KETRACO is significantly influenced by strategic planning, and organization resources. The level of significance is 0.000 which is less than 0.05 hence the regression model significantly predicts the dependent variable. The results were tabulated in Table 8.

**Table 9: Regression Coefficients<sup>a</sup> for Financial Performance**

Model	Coefficients					
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. error	Beta	t	Sig	
1	Constant	0.844	0.288		2.578	0.000
	Strategic planning	0.403	0.101	0.389	3.984	0.000
	Organization resources	0.270	0.090	0.302	2.993	0.004

The regression analysis is shown in table 9 established that all factors put into consideration and strategic planning, and organization resources and other factors are held constant financial performance will increase by 0.844 The multiple linear regression models \as established by the study findings are laid below.  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$ . Financial Performance = 0.844 + 0.403X1 + 0.270X2 + 0.288

Where: Y= Financial Performance (Bi; i=1, 2,) = various coefficients for the independent variables Xi for; X1= Strategic Planning, and X2= Organization Resources

### Conclusion

The study established that strategic planning and financial performance are primarily related, and strategic planning is an important factor that determines financial performance and there is a strong correlation that revealed that strategic planning and financial performance are primarily related, The study concludes that concluded that mission, objectives, strategy implementation, strategy implementation, strategy formulation, strategy evaluation, and environmental scanning are part of the organizational strategic plan, and there are important determinants of the financial performance, therefore, strategic planning statistically and significantly affects financial performance. The results also showed that organization resources influence financial performance. Regression analysis shows a significant correlation and revealed that organization resources and financial performance are significantly connected; the study concludes that there is a positive relation between organization resources and the variations in financial performance can be explained by other study variables such as strategic planning, and other factors within the organization and organizations need more focus on emerging organization resource allocation as means of achieving sustainability objectives and tools that organizations can adopt for achieving organization resource allocation including monitoring sustainability performance, communicating and specifying sustainability performance and providing motivation by linking sustainability rewards to performance.

### Recommendations

The research study suggests the following recommendations for improvement by the KETRACO and Board of Directors. Strategic planning involves, identifying the firm's mission and objectives, developing long-term objectives and short-term operational plans, plan preparation, application, and actual evaluation and control of the implementation process. Therefore, the study recommends that the management of KETRACO should embrace proper strategic planning in organizational activities. This is because the practices of strategic planning are a strong component of strategic leadership and this influences financial performance. Therefore, effective strategic planning is vital to redressing the spasmodic business environment while sustaining the firm's competitive position in the marketplace. Management of KETRACO should develop and formulate guidelines, governing structure, and strategic plans for effective implementation of organizational goals and objectives. The Board of Directors and Management of an organization such as KETRACO should know that strategic leadership is an integral part of organizational success and therefore the study recommends that management of any organization such as KETRACO should know there is a clear

relationship between chief executive officer abilities and performance and senior management team of the organization and the success of the firm, therefore, management team influences each stage of the process of the strategic process. Senior management at KETRACO needs to utilize an appropriate balance of leadership styles to enhance the likelihood of longer-term strategic effectiveness. Management of KETRACO should invest in human capital. Building human capital requires investment in training and development, and requires that senior management provide the support and budget necessary to make this happen. HRM activities have a central role in this, but without active support from the senior management in the organization, such activities will neither have the impetus or budget to be effective.

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