

EFFECT OF STRATEGIC COMMUNICATION ON PERFORMANCE OF FINANCIAL AND COMMERCIAL STATE CORPORATIONS IN KENYA

Kichwen Rabby Chepkosgei

Faculty of Business, Computer Science and Communication Studies, St. Paul's University, Nairobi, Kenya

Julius Kahuthia Mwangi (PhD)

Faculty of Business, Computer Science and Communication Studies, St. Paul's University, Nairobi, Kenya

Godfrey M. Kinyua (PhD)

School of Business, Kenyatta University, Nairobi, Kenya

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ABSTRACT

Financial and Commercial State Corporations' mandate is changing the social-economic welfare by offering services to the citizens and in return make profits. This has not been so, as many Kenyan State Corporations have been recording a decline in performance. The study sought to investigate the effect of strategic communication on performance of Financial and Commercial State Corporations in Kenya. The researcher adopted a descriptive research design in the study and both proportionate stratified sampling and simple random sampling were used to select a representative sample comprising of 145 respondents. Research data collected was by

use of a structured questionnaire. The field data were analyzed using descriptive and inferential statistics. The study results found that strategic communication affect the performance of Financial and Commercial State Corporations in Kenya. The researcher recommended that the head of corporate communication should initiate policy development guided by the activities that support strategic communication in order to strengthen the flow of information within and between the different parts of Financial and Commercial State Corporations and consequently promote realization of the set goals and objectives.

Key Words: *strategic communication, organization performance*

INTRODUCTION

State parastatals and corporations play a significant role in enhancing the socio-economic welfare of citizens in any given country (Ong'onge, 2012). State-owned Enterprises (SOEs) play a crucial role in developed and developing countries as a tool for promoting the social and economic development (Nasir, 2017). Globally, 20 percent of the investment from the state corporations contributes to 5 percent of employment and more than 40 percent of the overall economic output in some countries (Wachira, Karanja & Iravo, 2018). These institutions considered to continue delivering services that are as critical to the economic development of any nation. However, as has been observed, some of these state corporations have not been able to attain their objectives and goals set leading to the stage for a decline in performance over a couple of years. According to Richards, Yeoh, Chong and Popovič (2019), the decline in performance has been partially attributed to inadequacies in the practice associated with strategic communication.

Globally, the ownership and control of government-owned companies present a major challenge for the integrity of established corporate law ideas regarding the accountability of directors and the independence of those organizations (Tomasic & Fu, 2009). State-owned enterprises are an important element of most economies, including the most advanced economies (OECD, 2018). Notably, state corporations account for over a fifth of the world's largest enterprises as opposed to ten years ago where only one or two corporations could be found at the top of the league table. In the United State of America, state corporations are federal government-chartered and corporations owned by the federal government, which operate to provide public services, but unlike the federal

agencies or the federal independent commissions, these corporations have a separate legal personality from the federal government, providing the highest level of political independence. They sometimes receive federal budgetary appropriations, but some also have independent sources of revenue. State-Owned Enterprises in Ghana were set up to improve the financial welfare of the citizens. Primarily, state corporations are concerned with promoting the delivery of such services as transport, mining, aeronautics, shipping, exchanging, banking, correspondence, development, ventures, fabricating, and a few different exercises. Nonetheless, the performance of state corporations in Ghana was characterized by a significant decline during the 1980s in the light of reasons that ranged from administrative ineptitude to monetary fumble (Dadzie, 2013). As noted, state corporations in Ghana relied excessively on external donors for funding budgets and had a weak governance structure.

In Kenya, State Corporations are established under the State Corporations Act Chapter 446 of the Laws of Kenya. The state corporations are institutions or businesses owned by the government fully or as a majority shareholder. These corporations are formed to meet both social and commercial needs while some exist to correct for market failures (Ongeti & Machuki, 2018). The government oversees the operations of these state corporations and they conduct their businesses in strict observance of mandates drawn from parent ministries (Guzeh, 2012).

Currently, there are 138 state corporations in eight categories based on their core mandate (Mulili & Wong, 2011). The performance of Kenyan state corporations remains crucial for micro and macro-economic development of the country. The decline in the performance of state corporations has resulted in the government providing direct financial support and sometimes strategy review to resuscitate affected institutions (Laimaru, 2018). As has been noted by Kiragu and Riro (2019), some of the financial and commercial state corporations in Kenya have continued to underperform. Notably, the National Bank of Kenya announced a 73.5 percent dip in profit with respect to its performance in the first nine months of 2017 (Kamau, 2017). Similarly, Kenya Airways has made losses to a tune of Sh26.23billion causing market jitters concerning its sustainability as a state corporation (Munda, 2017). The trends in the decline in performance raise genuine concerns on the soundness of strategic communication in these state corporations.

Effective planning and research in strategic communication is necessary to support the process of strategic decision-making that is key to enhanced performance (Shonubi & Akintaro, 2016). Sound strategic communication systems have the potential to influence learning in organizations and energize the process of innovation (Waal & Heijden, 2016). Adequate resources ought to be committed to strengthening the channels of communication, upgrading the communication technology and enhancing the quality of feedback (Karanges, Johnston, Beatson & Lings, 2015). An objective and systematic examination that mainly focuses on relevance, efficiency, and effectiveness is instrumental towards the achievement of organizational objectives (World Bank, 2018).

STATEMENT OF THE PROBLEM

A couple of state corporations in Kenya are under serious scrutiny due to a persistent decline in performance (Mutai, 2018). According to a report by the Kenya Institute for Public Policy Research (2018), the declining trend of performance of state corporations is predominantly attributed to ineffective communication channels as well as unrestrained external interferences. Notably, the adverse effects of the glaring shortcomings that characterize the implementation of strategy have not spared Financial and Commercial State Corporations. For instance, the National Bank of Kenya announced a 73.5 percent dip in profit associated within the first nine months of 2017 (Kamau, 2017). Kenya Airways has also had its fair share of problems as has been manifested by the losses that have characterized its performance in the last three years (Munda, 2017). The manner in which strategic communication enhances the performance of several state corporations is not clear, notwithstanding the critical role that they play in enhancing economic development in the country in addition to delivering amenities to the citizens. Like any other establishments, several state corporations face huge challenges in the implementation of strategies and their performance. Some of the key challenges include; organizational culture and structure, management commitment, staff competency, resource accessibility among others which influence organizational performance. Abass, Munga and Were (2017) assert that there is a need to have appropriate budgetary support, sound communication practices and a strong administrative culture so as to translate strategy into favorable organizational outcomes. Hickman and Silva (2018) indicated that most State Corporations have failed to properly execute strategic communication despite having well-articulated strategies. While the principal focus of this study was reasons for failure in strategic communication in State Corporations, the current study sought to investigate the effect of strategic communication on performance thus raising a conceptual gap. In a study carried out by Mafini (2016), strategic communication was found to positively affect business performance. This study involved logistic firms in South Africa and thus its conclusions could not be applicable in the Kenyan context. Similarly, Muiruri (2017) conducted a study on the influence of strategic communication on the performance of commercial banks in Kenya. Therefore, on the basis of the research problem and knowledge gaps revealed, this study sought to investigate the effect of strategic communication on the performance of financial and commercial state corporations in Kenya.

THEORETICAL REVIEW

Norbert Wiener and William Ashby propounded the theory of cybernetics (Wiener & Ashby, 1960). The roots of this theory is a trans-disciplinary approach for exploring feedback of regulatory systems within communication and control systems. A feedback occurs when outputs of a system are routed back as inputs as part of a chain of cause-and-effect that forms a circuit or loop. This feedback can be either positive or negative feedback depending on whether the outcome of an event or process is favorable or adverse outcome. In this case, feedback is used to provide information regarding circumstances that surrounds the performance of tasks in a given context.

Cybernetics refers to a tradition of complex systems where the interacting elements influence one another. Communication is viewed as a system of processing information, feedback and control.

The concept of the system is the core of the cybernetic practices (Pritchard, 1979). Social systems are essentially knowledge-producing and knowledge renewing networks. Indeed, social systems, particularly economic systems, are based on interaction and communication of component-agents. These agents, through their interaction, engage in coordinated and recursive action, producing knowledge as a requisite input for their subsequent action (Zeleny, 1987). In an organization, there is a need for strategy managers to communicate to staff on the various productive activities and tasks that are intended to actualize the chosen strategic option. A sound flow of information facilitate the attainment of organization goals and objective and thus enhances corporate performance. This theory was used to underpin the independent and dependent variables adopted for this study.

EMPIRICAL REVIEW

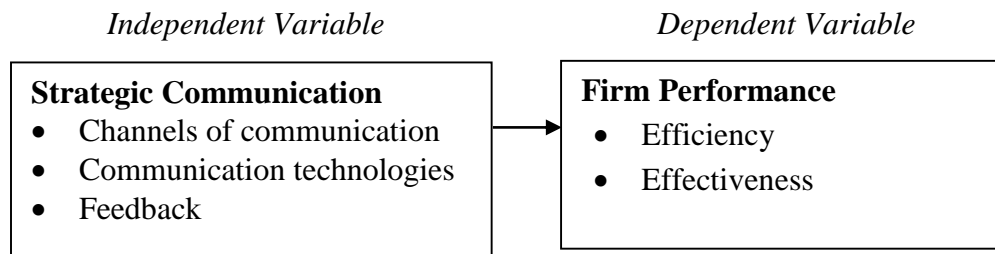
A study by Shonubi and Akintaro (2016) focused on strategic communication and the performance of organizations. This study was carried out amongst manufacturing firms in Nigeria. The findings of this study indicated that effective communication was key to organizational performance. The study recommended that for effectiveness and efficiency in performance, the management should embrace clear ideas before communicating; have a clear understanding of the human as well as physical environment and reasons of communication identified. During the planning of communication, both top-down and bottom-up communication are considered. Implicit and explicit facts are also considered and it is important to consider the tone and the content of the message. When communicating, the receiver must understand the language used and the message communicated should be precise. Parties involved in the communication should ensure they are good listeners and immediate actions be taken and accomplished. It is important to have effective feedback and follow up mechanisms to ensure the entire communication process is effective. The findings of the study had a contextual bias and thus could not be applied to Financial and Commercial State Corporations in Kenya.

Otieno, Waijo and Njeru (2015) investigated the impact of employee communication on the performance of organizations in the horticulture industry in Kenya. This study involved all flower farms located in Naivasha. The research design adopted in this study was cross-sectional survey research design. Respondents used in the study were drawn from the target population using a stratified random sampling method. Both qualitative and quantitative data were gathered. Inferential analysis including correlation and regression analysis was applied in testing the relationship between the variables. The study concluded that communication of employees is a crucial determinant of organizational performance of flower farms and thus recommended the need to have effective strategies of communication.

Kibe (2014) conducted a research study that sought to establish how strategic communication affected organizational performance in the Kenya Ports Authority. The research empirically evaluated four communication strategies that could have affected organizational performance that included open-door policy, group effort, organization structure and formal channels of communication. The conclusion drawn from this research was that performance in Kenya Ports Authority was predominantly driven by communication strategies, communication systems and communication practices.

CONCEPTUAL FRAMEWORK

The conceptual framework in this study showing the hypothesized interaction between strategic communication as an independent variable and firm performance as the dependent variable is displayed below.



In line with the conceptual framework, the null and alternative research hypotheses for this study were:

H₀: Strategic communication has no statistical significant effect on performance of Financial and Commercial State Corporations in Kenya

H₁: Strategic communication has a statistical significant effect on performance of Financial and Commercial State Corporations in Kenya

RESEARCH METHODOLOGY

This study adopted descriptive research design. This choice of research design was also successfully used in past empirical studies (Kobia & Kinyua, 2018; Kiprotich, Kahuthia & Kinyua, 2019; Gatuyu & Kinyua, 2020; Muthoni & Kinyua, 2020; Mbugua & Kinyua, 2020; Ontita & Kinyua, 2020). The target population comprised of thirty-eight (38) Financial and Commercial State Corporations with 228 target participants. The study's sample size was determined using the Slovenes formula (Russell, 2013).

$$n = N / (1 + N e^2) = 228 / \{1 + 228(.05)0.05\} = 145$$

In this case, the selected sample size comprised of 145 participants. Primary data for this study was gathered using a structured questionnaire. The empirical data was analyzed using descriptive

and inferential statistics. Sample measures comprised of sample mean and sample standard deviation whereas inferential analysis involved simple linear regression analysis

DISCUSSION OF RESULTS

Descriptive Statistics for Strategic Communication

The study sought to determine the responses of participants concerning a set of statements on strategic communication on a five-point Likert scale. The descriptive statistics with respect to statements on strategic communication are presented in the table 1.

Table 1: Strategic Communication

Statement	Mean	Std. Deviation
There is timely feedback efficiency in the organization's operations	4.6909	.76904
The organization has vertical communication for employees input	4.3394	.64975
Strategy embraces more clarity of ideas before communicating	3.6727	.90100
The purpose of communication thoroughly analyzed for effective coordination in the organization	3.7152	.93968
There is both top-down and bottom-up communication in your organization	4.4916	.50429
Immediate actions are accompanied and accomplished with communication	4.3916	.92952
Communication in the organization is passed through formal and recommended channels	4.5117	.50417
The organization undertakes most of its communication on modern technologies	4.3929	.49204
Aggregate score	4.2758	0.7112

The results revealed that majority of the respondents with a mean of (4.6909) agreed with the statement that there is timely feedback efficiency in the organizations' operations. The measure of dispersion around the mean of the statements was 0.76904 indicating that the responses varied. The results revealed that the majority of the respondents) agreed with the statement that the organization has an established vertical communication for employees input as indicated by the sample mean of 4.3394. The standard deviation was 0.64975demonstrating a narrow variation among the responses. The results also revealed that the respondents agreed with the statement that strategic communication promotes clarification of ideas as shown by the sample mean of 3.6727 and sample standard deviation of 0.90100. The sample mean for responses concerning the analysis of the purpose of communication for effective coordination in the organization was 3.7152 and the sample standard deviation was 0.9397. This implied that there was agreement amongst respondents with the corresponding statement.

The average response for the statements that there is both top-down and bottom-up communication in the organization was (4.4916). The results varied as shown by a standard deviation of 0.50429. The results revealed that the majority of the respondents with a mean of (4.3916) agreed with immediate actions are accompanied and accomplished with communication. The measure of dispersion around the mean of the statements was 0.92952 indicating the responses varied. The results revealed that the majority of the respondents as indicated by a mean of (4.5117) agreed with the statement that Communication in the organization is through formal and recommended channels.

The standard deviation was 0.50417 showing a variation. The results revealed that the majority of the respondents (4.3929) agreed with the statement that the organization undertakes most of its communication on modern technologies. The results varied as shown by a standard deviation of 0.49204. The aggregate sample mean of 4.2758 and its corresponding sample standard deviation of 0.7112 demonstrated that activities and practices regarding strategic communication were considered important in state corporations.

Descriptive Statistics for Firm Performance

The study sought to determine the responses of participants concerning a set of statements on firm performance on a five-point Likert scale. The descriptive statistics with respect to statements on firm performance are presented in the table 2.

Table 2: Firm Performance

Statement	Mean	Std. Deviation
There has been an increase in sales in the company	4.372	0.836
Our organization has enough cash to meet its obligations effectively	3.968	0.796
The number of staff has been increasing for the last few years.	4.427	0.817
The income earned by our organization is appropriate to cover the costs of running the business	3.569	0.765
Outstanding loans and fees are dully paid on time	3.988	0.799
The corporation asset base has greatly increased over time	3.754	0.842
Taxes are always paid on due dates.	4.561	0.713
Aggregate score	4.091	0.795

The findings indicated that respondents agreed that annual sales have been growing as revealed by a sample mean of 4.37. On the issue of our institution, having enough cash to meet its obligations effectively, the findings indicated a sample mean of 3.96. Furthermore, the study indicated that the staff base has been increasing over time as demonstrated by the sample mean of 4.42. Regarding the income earned, a sample mean of 3.56 was revealed demonstrating that respondents agreed with the corresponding statement. The findings showed that the asset base has greatly increased

over time as indicated by the sample mean of 3.75 and finally, the respondents agreed that tax is always paid on time as confirmed by the sample mean of 4.56.

The overall mean index of 4.091 shows that majority of the respondents were in agreement with the statements This indicates strategic communication plays a crucial role in supporting operations and performance of state corporations

INFERENCE STATISTICS

Simple linear regression analysis involving strategic communication and firm performance was carried out. The output of this regression analysis are presented in Table 3.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.684	0.468	0.450	0.423

The adjusted R-square was found to be 0.450 implying that 45 % of the variation in performance of Financial and Commercial State Corporations is attributed to changes in strategic communication. The remaining 55 % of the performance of Financial and Commercial State Corporations is attributed to other factors not considered in this study.

Table 4: ANOVA Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	8.597	1	8.597	19.024	.000b
Residual	47.450	105	0.452		
Total	56.047	106			

The results analysis of variance shows that the estimated model has a good fit as shown by a p-value of 0.00 less than 0.05 and an F value of 19.024 greater than the critical value of 3.932.

Table 5: Coefficients of Determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.319	0.352		3.747	0.000
Strategic communication	0.793	0.317	0.648	2.502	0.000

The results of the regression coefficients were instrumental in estimating the model presented below:

$$\text{Firm Performance} = 1.319 + 0.793 \text{ Strategic communication}$$

As per the estimated equation, by holding strategic communication constant at a constant zero performance of Financial and Commercial State Corporations would be 1.319. In addition, a unit increase in strategic communication is responsible for increasing the performance of Financial and Commercial State Corporations by 0.793. The parameter for strategic communication is statistically significant as the calculated probability is 0.000, which is much less than the 0.05 threshold used in this study. Therefore, strategic communication has a positive contribution to the performance of Financial and Commercial State Corporations. This conclusion is consistent with the findings reported in past studies that communication has a positive effect on firm performance (Kibe, 2014; Otieno, Waijo & Njeru, 2015).

The conclusion of this study also validates the proposition of the theory of cybernetics that sound flow of information facilitate the attainment of organization goals and objective and thus enhances corporate performance.

CONCLUSION AND RECOMMENDATIONS

The study concludes that strategic communication has a positive effect on firm performance. The researcher, therefore, recommends that the head of corporate communication should initiate policy development guided by the activities that support strategic communication in order to strengthen the flow of information within and between the different parts of Financial and Commercial State Corporations and consequently promote the realization of the set goals and objectives. It is further recommended that future research should focus on investigating other organizational factors that may be responsible for firm performance.

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