STRATEGIC CAPABILITIES AND PERFORMANCE OF STATE CORPORATIONS IN KENYA

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International Academic Journal of Human Resource and Business Administration (IAJHRBA) | ISSN 2518-2374

Received: 11th July 2026

Published: 30th July 2026

Full Length Research

Available Online at: https://iajournals.org/articles/iajhrba_v5_i3_182_219.pdf

Citation: Sonkori, D. S., Anene, E., (2026). Strategic capabilities and performance of state corporations in Kenya. *International Academic Journal of Human Resource and Business Administration, 5*(3), 182-219.

ABSTRACT

Purpose: State Corporations (SCs) in Kenya play a pivotal role in national development, yet persistent financial losses, operational inefficiencies, and service delivery gaps have undermined their performance and triggered sweeping government restructuring reforms. While strategic capabilities are widely recognized as critical enablers of organizational performance, their combined influence remains underexplored in the context of Kenyan public enterprises, which must balance commercial viability with social mandates. This study examined the influence of strategic capabilities, specifically technological, knowledge management, resource, and risk management capabilities, on the performance of State Corporations in Nairobi City County, Kenya. The study was anchored on Dynamic Capabilities Theory, the Knowledge-Based Theory of the Firm, and Enterprise Risk Management Theory.

Methodology: A descriptive cross-sectional research design was adopted, targeting Directors and Managers across functional departments in State Corporations. A sample was drawn through purposive sampling, with data collected via structured questionnaires. A pilot study confirmed the reliability and validity of the research instrument. Data were analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis, following successful diagnostic tests for normality, linearity, multicollinearity, homoscedasticity, and autocorrelation.

Findings: The study found that technological capabilities, knowledge management capabilities, resource capabilities, and risk management capabilities all had a positive and statistically significant influence on the organizational performance of state corporations in Kenya, with technological capabilities emerging as the strongest predictor. The four strategic capabilities jointly explained 65.9% of the variation in organizational performance, and the regression model was statistically significant ($F = 93.262$, $p < 0.05$), confirming that they are important determinants of organizational performance. Overall, the findings support the view that strengthening technological systems, knowledge management practices, resource utilization, and enterprise risk management can significantly enhance service delivery, operational efficiency, financial performance, and public value creation in state corporations. The study concluded that strategic capabilities play a significant role in enhancing the organizational performance of state corporations in Kenya. Specifically, technological capabilities, knowledge management capabilities, resource capabilities, and risk management capabilities each had a positive and statistically significant influence on organizational performance, with technological capabilities emerging as the strongest predictor.

Recommendation: The study recommends that state corporations strengthen technological capabilities by investing in modern ICT infrastructure, digital systems, and continuous staff training to improve operational efficiency and service delivery.

Key words: Strategic Capabilities, Performance, Commercial State Corporations, Knowledge Management Capabilities, Risk Management Capabilities, Resource Capabilities, Technological Capabilities.

INTRODUCTION

Background of the Study

Organizations operate in a market that is highly competitive, and they must overcome several obstacles to survive. These obstacles have a negative impact on their performance. A key determinant of every organization's success or failure is its performance. Performance of State Corporations is very important for businesses, particularly in a climate when businesses are struggling with increased competition (Soomro et al., 2021). This requires organizations to be strategic in their capabilities, through combining their unique resources and competencies that enable them to survive and maintain a competitive advantage (Arun & Yildrim, 2022). The identification and implementation of strategies centered on improving the level of efficiency and effectiveness led to better performance among organizations. They argue that it is necessary that organizations explore more than the need to generate profitability and that they should increase diversification so as to meet the individual and heterogeneous demands of their suppliers, stakeholders, and customers (Majid et al., 2021).

In regard to State Corporations (SCs), these capabilities are critical because they must balance commercial viability with social mandates in increasingly competitive and volatile environments. Most recently, despite the continuous bailout of state corporations, there is scant evidence to support that the institutions are emerging from their loss-making streak in the short run (Drago et al., 2022). The major cause of this poor performance within state agencies has been blamed on the wastefulness of management resources, political interference, corruption, and low-quality service/product offering (Haddad & Hassan, 2025). Despite the capabilities of these State Corporations minting millions, little has been done on the link between strategic capabilities and performance of Kenyan state corporations, especially on matters productivity improvement (Runtu & Ellitan, 2021). This study therefore examines this relationship with the aim of filling the gap within the global, regional and local perspectives.

Statement of the Problem

Despite receiving substantial public funding, many Kenyan state corporations continue to experience persistent underperformance, operational inefficiencies, and financial distress, undermining their ability to achieve strategic objectives and deliver quality public services.

According to the Office of the Auditor General (2024), weak organizational capabilities have contributed to poor financial accountability, low service delivery, and recurring losses across state corporations. The Government Delivery Unit Report on Performance (2024) further indicates that although 236 state corporations implemented Performance Contracts during the 2023/2024 financial year, only 7.6% attained an "Excellent" performance rating, while 49.2% achieved only a "Fair" rating and 43.2% recorded "Poor" performance. Similarly, the World Bank and Competition Authority of Kenya (2023) estimate that taxpayers spend over KSh 1 trillion annually to sustain more than 200 underperforming state corporations, many of which remain dependent on government subsidies, debt write-offs, and periodic bailouts. The National Treasury Financial Risk Analysis (2025) further reports that major state corporations have accumulated liabilities amounting to KSh 382 billion and over KSh 211 billion in pending bills, prompting government reforms involving the restructuring, merger, and dissolution of several state corporations.

The poor performance of these corporations has largely been associated with inadequate strategic capabilities. Many state corporations continue to rely on outdated and fragmented technological systems, weak knowledge management practices, inefficient utilization of financial, human, and physical resources, and ineffective risk management frameworks. These deficiencies reduce operational efficiency, limit innovation, increase exposure to fraud and compliance risks, and weaken organizational resilience. Contemporary literature consistently demonstrates that strategic capabilities are fundamental drivers of organizational performance because they enable organizations to adapt to environmental changes, optimize resources, improve innovation, and enhance service delivery (Arokodare & Asikhia, 2020; Sun et al., 2021; Drago et al., 2022; AlTaweel & Al-Hawary, 2021; Alaskar et al., 2024; Atobishi et al., 2024; Candraningrat et al., 2025; Haddad & Hassan, 2025). Similarly, studies conducted in Kenya have established positive relationships between strategic management practices and organizational performance among state corporations (Dahir & Nyang'au, 2019; Maina, 2020; Echongu & Njagi, 2022; Nyansimora & Deya, 2022; Koech et al., 2025), suggesting that strengthening organizational capabilities is essential for improving efficiency, financial sustainability, and public value creation.

Although previous studies have extensively examined strategic management, dynamic capabilities, innovation capability, organizational agility, and digital capability in relation to organizational performance (Onamusi, 2020; Nusair et al., 2022; Maclean et al., 2023; Okongo, 2024; Amelia et al., 2025; Melesse, 2026), limited empirical evidence exists on the combined influence of technological capability, knowledge management capability, resource capability, and risk management capability on the performance of Kenyan state corporations. Most local studies have focused on isolated strategic management practices, strategic planning, leadership, or commercial state corporations, with little attention to how these four strategic capabilities collectively shape organizational performance across state corporations. This conceptual and contextual gap limits the development of integrated capability-building strategies for the public sector. The present study therefore sought to bridge this gap by examining the influence of technological, knowledge management, resource, and risk management capabilities on the performance of Kenyan state corporations.

Research Objectives

General Objective

The general objective of this study is to examine the influence of strategic capabilities on the Performance of State Corporations in Kenya.

Specific Objectives

The study was guided by the following specific objectives:

i. To assess the influence of technological capabilities on the Performance State Corporations in Kenya.
ii. To examine the influence of knowledge management capabilities on the Performance State Corporations in Kenya.
iii. To determine the influence of risk management capabilities on the Performance State Corporations in Kenya.
iv. To determine the influence of resource capabilities on Performance State Corporations in Kenya.

Research Objectives

This study was guided by the following research questions:

i. How do technological capabilities influence the Performance State Corporations in Kenya?
ii. What is the effect of knowledge management capabilities on the Performance state corporations in Kenya?
iii. How do risk management capabilities influence the Performance State Corporations in Kenya?
iv. How do resource capabilities influence the Performance State Corporations in Kenya?

LITERATURE REVIEW

Theoretical Review

This study is underpinned by Dynamic Capabilities Theory, Knowledge-Based Theory of the Firm, and Enterprise Risk Management (ERM) Theory, which together explain how strategic capabilities influence Performance of State Corporations.

Dynamic Capabilities Theory

Dynamic Capabilities Theory was originally advanced by Teece, Pisano, and Shuen (1997) to explain how organizations achieve and sustain superior performance in environments characterized by rapid change. The theory shifts focus from static resource possession to the firm's ability to continuously adapt, integrate, and reconfigure internal and external competencies. Unlike traditional efficiency-based theories, Dynamic Capabilities Theory emphasizes organizational renewal, learning, and strategic flexibility as the foundation for long-term performance. This perspective is particularly relevant for organizations facing dynamic regulatory, technological, and market pressures, such as State Corporations in Kenya. These organizations operate in hybrid environments where public accountability coexists with commercial performance expectations, requiring constant adaptation.

Further, Teece (2007) refined Dynamic Capabilities Theory by identifying three core dimensions: sensing, seizing, and reconfiguring. Sensing refers to an organization's ability to identify emerging opportunities, threats, and stakeholder needs through environmental scanning and information processing. Seizing involves mobilizing and committing resources to exploit identified opportunities, while reconfiguring entails transforming organizational structures, processes, and assets to maintain strategic alignment. These processes are especially critical in public sector organizations that must respond to policy changes, technological advancements, and increasing citizen expectations. The theory therefore provides a suitable lens for examining how strategic capabilities enable organizations to respond effectively to environmental turbulence. By focusing on managerial processes and organizational routines, Dynamic Capabilities Theory explains how capabilities are developed and deployed to enhance service delivery, efficiency, and stakeholder satisfaction over time.

Dynamic Capabilities Theory provides a strong foundation for understanding technological capabilities within organizations. According to Teece (2018), technological change requires organizations to constantly reconfigure digital resources to remain effective. In the context of State Corporations, digital infrastructure enables efficient service delivery, while e-service platforms improve accessibility and transparency. Digital process integration allows organizations to streamline operations and reduce duplication. Secondly, the theory is also highly applicable to knowledge management capabilities, particularly knowledge creation, sharing, and utilization. Eisenhardt and Martin (2000) argue that dynamic capabilities are built through routines that enable organizations to generate and recombine knowledge in response to environmental change. In State Corporations, effective knowledge management enhances policy implementation, operational coordination, and service delivery outcomes. Dynamic Capabilities Theory further explains the importance of resource capabilities, particularly in resource-constrained and complex operating environments. According to Teece (2007), collaboration enhances an organization's ability to sense opportunities beyond its boundaries and to reconfigure its resource base through alliances and networks.

Risk management capabilities are also well explained within the Dynamic Capabilities framework. Effective risk assessment, mitigation, and compliance require organizations to continuously sense potential threats, seize preventive measures, and reconfigure control systems. Teece (2014) notes that dynamic organizations proactively manage uncertainty by embedding risk awareness into strategic decision-making. In State Corporations, risk management extends beyond financial risks to include operational, regulatory, and reputational risks. Dynamic Capabilities Theory views risk management as an adaptive process that evolves with changing environments, rather than a static compliance function. By anticipating disruptions and aligning mitigation strategies with organizational objectives, risk management capabilities enhance stability and resilience. Dynamic Capabilities Theory is therefore highly relevant to this study as it provides an integrative framework linking technological capabilities, knowledge management capabilities, resource capabilities, and risk management capabilities to Performance of State Corporations. The theory explains how these capabilities collectively enable State Corporations to adapt, innovate, and remain effective in dynamic environments.

The Knowledge-Based Theory

The Knowledge-Based Theory of the Firm (KBV) was developed by Grant (1996) to explain why knowledge is the most strategically significant resource for organizations. Unlike traditional resource-focused perspectives, KBV emphasizes that the firm exists to integrate, create, and apply knowledge efficiently. Knowledge is viewed as both a tangible and intangible asset, encompassing expertise, routines, skills, and information that collectively drive competitive advantage. The theory assumes that knowledge is heterogeneous across firms and that an organization's ability to manage it determines performance outcomes. For State Corporations (SCs) in Kenya, KBV provides a robust lens to examine how knowledge management capabilities, creation, sharing, and utilization, can enhance operational effectiveness, service quality, and beneficiary satisfaction. By treating knowledge as a strategic resource, SCs can internalize best practices, learn from experience, and adapt to policy, technological, and market changes in ways that directly improve Performance of State Corporations.

KBV emphasizes the importance of knowledge creation as a core capability. Knowledge creation refers to the processes through which new insights, practices, and solutions are generated within the firm. According to Nonaka and Takeuchi (1995), organizations convert tacit knowledge into explicit knowledge through socialization, externalization, combination, and internalization processes. In the context of Kenyan SCs, knowledge creation enables the development of innovative service delivery models, process improvements, and strategic policies. When employees and managers generate new knowledge, the organization becomes better equipped to respond to emerging challenges such as changing beneficiary needs, digital transformation, and evolving regulatory requirements. Secondly, knowledge sharing represents another key dimension of KBV. Sharing involves distributing knowledge throughout the organization so that it can be accessed and applied by those who need it. Grant (1996) emphasizes that knowledge integration across functional units enhances decision-making and coordination. For SCs, knowledge sharing can occur through cross-departmental meetings, digital platforms, training programs, and collaborative projects. By ensuring that lessons learned, policies, and innovations are accessible to all relevant staff, SCs can reduce duplication, improve responsiveness, and foster a culture of continuous learning.

Knowledge utilization is the third component of KBV and refers to the effective application of acquired and shared knowledge to achieve organizational goals. While creation and sharing are essential, knowledge that is not utilized has limited impact on performance. In SCs, knowledge utilization can manifest as enhanced workflow processes, better beneficiary engagement, or more informed policy implementation. KBV emphasizes that the deliberate solicitation of knowledge ensures that resources and expertise decode into tangible outcomes such as higher service quality, operational efficiency, and beneficiary satisfaction. Without effective utilization, even substantial knowledge assets may fail to improve performance of State Corporations, highlighting the centrality of this capability.

KBV also explains the link between knowledge management and technological capabilities. Digital infrastructure, e-service platforms, and process integration provide the tools and environment through which knowledge can be captured, stored, and disseminated. Alavi and Leidner (2001) argue that technology facilitates knowledge processes by enhancing storage, accessibility, and real-time application. For SCs in Kenya, integrating digital platforms with knowledge management routines enables employees to access relevant information, coordinate tasks efficiently, and respond to public service demands more effectively. This theoretical lens supports the examination of technological and knowledge capabilities as interrelated drivers of organizational outcomes.

Resource capabilities are also grounded in KBV. Collaborative efforts, whether internal or external, require transfer, integration, and application of knowledge between partners. KBV posits that knowledge is embedded in relationships, routines, and organizational networks, which allows firms to access resources and expertise beyond their boundaries. In SCs, collaboration for market access, competitiveness assessment, or strategic workforce planning depends on sharing and utilizing knowledge with partners, regulators, and stakeholders. Effective knowledge management enhances the firm’s capacity to coordinate joint initiatives, optimize resource allocation, and make informed strategic decisions. This linkage underscores the theoretical relevance of KBV in explaining how collaboration capabilities can strengthen performance of State Corporations through knowledge-driven processes.

Finally, KBV provides a direct connection to performance of State Corporations outcomes in SCs. By focusing on knowledge creation, sharing, and utilization, the theory explains how organizations transform intangible resources into tangible results, including service delivery quality, operational and financial efficiency, and beneficiary satisfaction. It highlights the mechanisms through which knowledge management capabilities enable SCs to respond adaptively to policy changes, digital innovations, and stakeholder expectations. Combined with technological, risk management, and resource capabilities, KBV supports the conceptualization of strategic capabilities as critical determinants of performance. Therefore, the theory provides a strong foundation for empirically investigating how knowledge-driven processes influence the efficiency, effectiveness, and impact of State Corporations in Kenya.

Enterprise Risk Management (ERM) Theory

Enterprise Risk Management (ERM) Theory provides a strategic perspective on how organizations identify, assess, and mitigate risks to achieve objectives while creating value. The theory, as articulated by COSO (2004), emphasizes that risk management is not merely a compliance function but a holistic capability that integrates risk awareness into strategic and operational decision-making. ERM views risks across multiple dimensions, including operational, financial, strategic, and reputational, as interconnected, requiring coordinated assessment and mitigation processes. For State Corporations in Kenya, ERM is particularly relevant because these organizations operate in complex regulatory environments, manage public funds, and are accountable to multiple stakeholders. By systematically managing risks, SCs can enhance service continuity, safeguard resources, and improve decision-making quality. ERM Theory thus provides a theoretical lens for examining risk management capabilities, risk assessment, mitigation, and compliance, and their influence on performance of State Corporations outcomes such as service quality, operational efficiency, and beneficiary satisfaction.

ERM Theory emphasizes the importance of risk assessment as the foundational step in strategic risk management. According to Frigo and Anderson (2011), organizations must proactively identify potential threats to objectives, evaluate their likelihood and impact, and prioritize risks for response. In the context of SCs, risk assessment may involve financial exposure, operational disruptions, policy compliance gaps, or reputational threats. Through systematic assessment, organizations can anticipate challenges and allocate resources effectively to prevent or minimize negative consequences. By incorporating risk assessment into daily operations, SCs can enhance operational resilience and service reliability. ERM Theory positions risk assessment not as an isolated task but as an ongoing, integrated process that informs decision-making across organizational units, supporting both accountability and performance optimization.

Following assessment, risk mitigation is a core dimension of ERM Theory. Mitigation involves designing and implementing strategies to reduce the likelihood or impact of identified risks. Gordon et al. (2009) highlight that effective mitigation requires aligning controls, policies, and processes with organizational objectives. For SCs, mitigation strategies may include internal controls for financial transactions, disaster recovery plans for operational disruptions, or training programs to strengthen staff competencies. By proactively managing risks, organizations can ensure continuity of services, maintain regulatory compliance, and protect public resources. ERM Theory emphasizes that mitigation is most effective when integrated into organizational processes, enabling SCs to reduce operational uncertainty while supporting strategic initiatives. This directly links risk management capabilities to performance outcomes such as service delivery quality and operational efficiency.

ERM Theory also highlights the critical role of compliance in sustaining organizational legitimacy and performance. Compliance ensures that organizations adhere to legal, regulatory, and policy requirements, thereby reducing exposure to sanctions, reputational damage, and operational disruption. Beasley et al. (2005) argue that compliance is not merely rule-following but a strategic capability that strengthens governance and stakeholder trust. For SCs, compliance includes adherence to public sector procurement regulations, reporting standards, and ethical frameworks. Effective compliance enhances transparency, builds public confidence, and supports resource optimization. ERM Theory frames compliance as part of an integrated risk management approach, linking it to both preventive and performance-enhancing processes. By embedding compliance within risk management routines, SCs can maintain operational stability and improve beneficiary satisfaction while achieving organizational objectives.

ERM Theory is also relevant to resource capabilities. Collaboration with internal and external partners inherently involves risk, including knowledge loss, resource misalignment, or contractual breaches. ERM provides a structured framework for evaluating and mitigating these collaboration-related risks. For SCs, collaboration may involve joint initiatives with private firms, inter-agency programs, or workforce planning partnerships. By applying risk assessment and mitigation principles to collaborative engagements, organizations can ensure that partnerships enhance market access, competitiveness, and human capital management without exposing the organization to unnecessary vulnerabilities. This integration of ERM with collaboration capabilities strengthens SCs' capacity to pursue strategic objectives while maintaining stability and efficiency.

Risk management capabilities under ERM Theory also intersect with technological capabilities. Digital infrastructure, e-service platforms, and process integration introduce both opportunities and risks, including cybersecurity threats, system failures, or data mismanagement. ERM Theory, as emphasized by Hoyt and Liebenberg (2011), underscores the importance of embedding risk evaluation into technology adoption and use. For SCs, effective risk management ensures that technological investments enhance operational efficiency and service delivery while minimizing potential disruptions. By aligning technological innovation with structured risk controls, organizations can maximize benefits from digital capabilities while safeguarding resources, regulatory compliance, and stakeholder trust. This demonstrates how ERM complements other strategic capabilities to improve overall performance of State Corporations.

Finally, ERM Theory provides a comprehensive framework for linking risk management capabilities to performance of State Corporations outcomes. By systematically assessing, mitigating, and managing compliance risks, SCs can enhance service delivery quality, optimize operational and financial efficiency, and improve beneficiary satisfaction. ERM emphasizes proactive identification and control of uncertainties, enabling organizations to maintain continuity, allocate resources effectively, and support strategic initiatives. When integrated with technological, knowledge management, and collaboration capabilities, ERM strengthens the organization's resilience and adaptability. In the context of this study, ERM Theory offers both a conceptual and practical rationale for examining how structured risk management enhances the Performance State Corporations in Kenya, ensuring that strategic capabilities collectively translate into tangible organizational outcomes.

The conceptual framework

The conceptual framework for this study illustrates the hypothesized relationships between strategic capabilities and Performance of State Corporations in Kenya. Drawing on Dynamic Capabilities Theory, Knowledge-Based Theory of the Firm, and Enterprise Risk Management Theory, the framework positions technological capabilities (System automation-ERP adoption, IT infrastructure & connectivity, digital literacy & training), knowledge management capabilities (knowledge creation, sharing, utilization), resource capabilities (human capital and skills, budgetary allocation, asset utilization), and risk management capabilities (ERM framework, internal controls & mitigation, compliance) as independent variables that collectively influence Performance of State Corporations , measured through service delivery quality, operational and financial efficiency, and beneficiary satisfaction through reduced pending bills and project completion date. The framework conceptualizes these strategic capabilities as interrelated enablers that allow SCs to sense opportunities, leverage knowledge, manage risks, and collaborate effectively, thereby enhancing their performance outcomes. By integrating these capabilities within a unified model, the framework provides a practical and theoretical foundation for empirically examining how public sector organizations in Kenya can strengthen operational effectiveness, resilience, and stakeholder satisfaction.

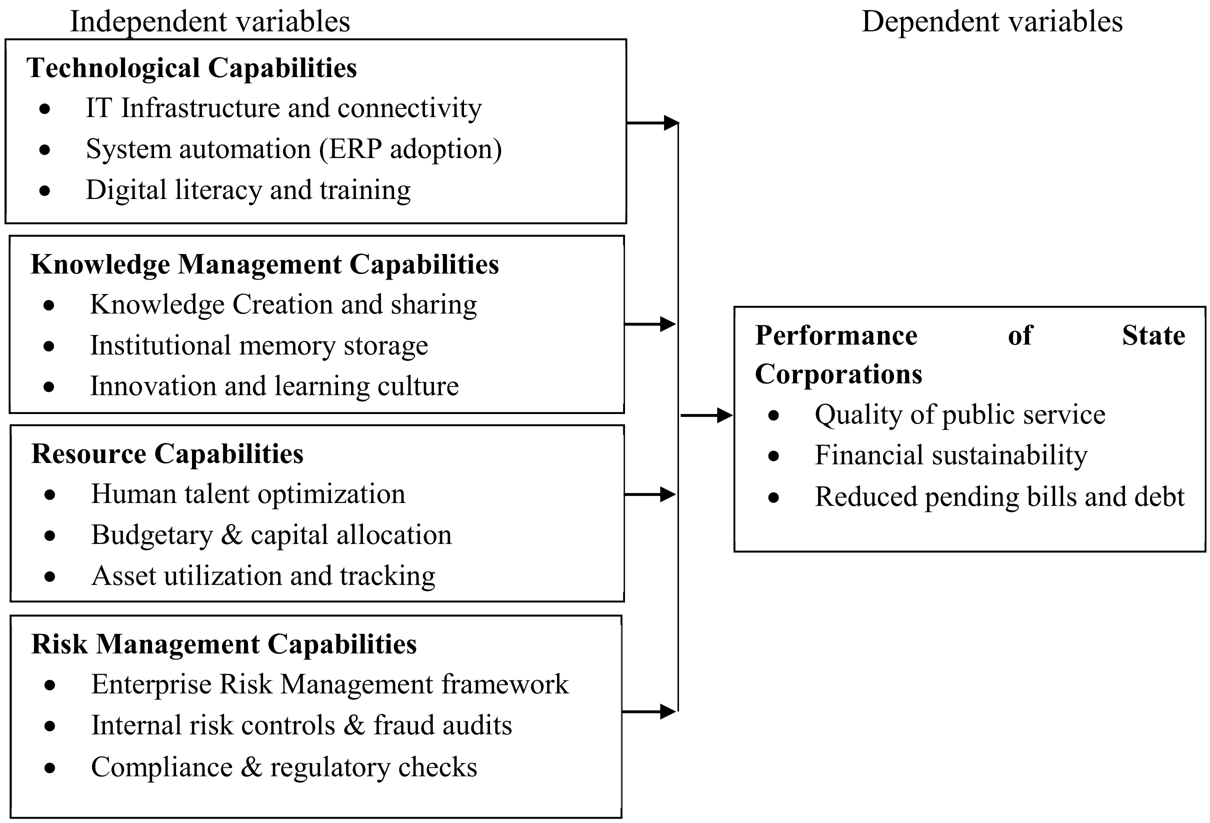

Figure 2.1: Conceptual framework
Source: Researcher (2026)

Technological Capabilities

Technological capabilities refer to an organization's ability to acquire, integrate, and effectively utilize information and communication technologies to improve operational efficiency and service delivery. In this study, technological capabilities comprise ICT infrastructure and connectivity, system automation through Enterprise Resource Planning (ERP) systems, and digital literacy and training. These capabilities enable organizations to streamline business processes, improve communication, facilitate data-driven decision-making, and enhance stakeholder engagement. According to Candraningrat, Handriana, and Saifuddin (2025), digital capabilities have become strategic organizational resources that improve efficiency, innovation, and overall organizational performance.

Similarly, Atobishi, Moh'd Abu Bakir, and Nosratabadi (2024) found that digital capabilities improve organizational performance in the public sector by enhancing organizational agility and responsiveness to changing environmental demands. In the Kenyan context, Okongo (2024) established that digital capability positively moderates the relationship between strategic leadership and organizational performance, while Echongu and Njagi (2022) found that technological capabilities significantly improve the performance of commercial state corporations. These studies support the argument that investment in digital infrastructure, automation, and employee digital competencies strengthens the ability of state corporations to deliver quality public services efficiently.

Knowledge Management Capabilities

Knowledge management capabilities refer to an organization's ability to create, capture, store, share, and apply knowledge to improve decision-making, innovation, and organizational learning. In this study, the construct is operationalized through knowledge creation and sharing, institutional memory storage, and innovation and learning culture. Organizations that effectively manage knowledge reduce information loss, preserve institutional memory, and promote continuous learning that supports strategic decision-making. Sun et al. (2021) argue that knowledge management strategies significantly enhance organizational performance by improving dynamic capabilities and organizational learning.

Onamusi (2020) found that knowledge acquisition capability enhances strategic response capability, which subsequently improves organizational performance. Soomro, Mangi, and Shah (2021) further observed that organizational learning and innovation are critical strategic factors that enhance firm performance. The Knowledge-Based Theory therefore suggests that knowledge is one of the most valuable organizational assets capable of generating sustainable competitive advantage, particularly within knowledge-intensive public institutions such as state corporations.

Resource Capabilities

Resource capabilities represent an organization's ability to mobilize, allocate, and utilize its financial, human, and physical resources efficiently to achieve strategic objectives. In this study, resource capabilities include human talent optimization, budgetary and capital allocation, and asset utilization and tracking. According to the Resource-Based View (RBV), organizations achieve superior performance by effectively deploying valuable, rare, inimitable, and non-substitutable resources. Nusair et al. (2022) established that firms with strong strategic resource capabilities consistently record superior organizational performance because resources enable effective strategy implementation.

Similarly, Palencia, López-Barraza, and Jiménez (2022) found that effective utilization of organizational resources strengthens competitive strategies and organizational outcomes in developing countries. Within the Kenyan public sector, Koech, Kipchumba, and Kiprop (2025) argue that effective resource allocation significantly improves operational performance in commercial state corporations, while Maina (2020) emphasizes that successful strategy implementation depends on the availability and effective management of organizational resources. Consequently, efficient allocation of financial, human, and physical resources enables state corporations to improve productivity, service delivery, and financial sustainability.

Risk Management Capabilities

Risk management capabilities refer to an organization's ability to identify, assess, monitor, and mitigate potential risks that may hinder the achievement of organizational objectives. The construct is measured through enterprise risk management (ERM) frameworks, internal risk controls and fraud audits, and compliance with regulatory requirements. Effective risk management enhances organizational resilience by reducing operational disruptions, financial losses, and governance failures. Haddad and Hassan (2025) argue that organizations with strong strategic capabilities, including effective risk management, exhibit greater resilience and achieve superior organizational performance.

Drago et al. (2022) further note that dynamic capabilities, including proactive risk management, enable organizations to adapt to environmental uncertainties and sustain performance. Similarly, Alaskar et al. (2024) found that strategic capabilities improve innovation and organizational performance by enabling organizations to manage uncertainty while exploiting emerging opportunities. Within public organizations, effective enterprise risk management strengthens accountability, enhances compliance, protects public resources, and improves service delivery, making it an essential capability for state corporations operating in increasingly complex regulatory and economic environments.

Performance of State Corporations

Organizational performance is the dependent variable in this study and refers to the extent to which state corporations achieve their strategic objectives while efficiently utilizing available resources. The study measures organizational performance using three dimensions: quality of public service, financial sustainability, and reduction of pending bills and debt. Public sector performance extends beyond financial outcomes to include efficient service delivery, accountability, stakeholder satisfaction, and value creation. According to AlTaweel and Al-Hawary (2021), organizational performance improves when organizations develop innovation capabilities supported by strategic agility.

Maclean, Appiah, and Addo (2023) similarly found that organizational innovation capability strengthens the relationship between strategic orientation and firm performance. Furthermore, Runtu and Ellitan (2021) concluded that strategic capabilities significantly improve organizational performance by enabling organizations to execute differentiation strategies effectively. In the context of Kenyan state corporations, improved organizational performance is reflected in enhanced public service delivery, improved financial health, operational efficiency, and reduced dependence on government bailouts, thereby contributing to the realization of national development objectives

RESEARCH METHODOLOGY

Research Design

The study adopted a descriptive research design. According to Gupta and Gupta (2022) descriptive research designs are particularly appropriate for studies aiming to examine phenomena as they exist and provide detailed information on patterns, trends, and associations. In this research, descriptive research design was more suitable as it allowed for the collection and analysis of data from a sample population at a single point in time to understand the relationships between strategic capabilities and Performance of State Corporations. It enabled the assessment of multiple capabilities across diverse SCs simultaneously, while the descriptive component provided comprehensive insights into how these capabilities influence service delivery quality, operational and financial efficiency, and beneficiary satisfaction. This design facilitates comparison across corporations and departments, ensuring that findings are both robust and practically relevant for policy and management decisions.

Target Population

According to Verma et al. (2024), a population is a well-defined collection of individuals and objects that have similar characteristics that form the focus of a study. On the other hand, Mugenda and Mugenda (2003) explain the target population as that which a researcher wants to generalize the results of a study. According to the Kenya State Corporations Review report (Andreas Fiebelkorn, Christine Owuor, and Diana Nzioki; August 2021), there are 248 State Corporations in Kenya. From each of these entities 2 Directorates were selected, 1 being Technical and 1 being Corporate Services. 1 General Manager (GM) from each of the 2 Directorate was targeted for the study. This gave an overall total target population of 496 respondents.

Sample Size and Sampling Technique

A sampling design is a definitive plan for obtaining a sample from a given population. It refers to the procedure the researcher would adopt in selecting items for the sample. A sample frame describes the list of all population units from which the sample was collected (Dane & Carhart, 2022).

Sample size

The study used Slovin's formula below to determine the sample respondents from the population of 496. This was advantageous for its simplicity, efficiency and applicability to provide a quick and reasonable estimate.

$$\mathbf{n = N / (1 + Ne^2)}$$

Where:

n: The sample size you need to select.

N: The total population size.

e: The acceptable margin of error of 5%; 0.05.

$n=496/(1+496x0.05^2)$
$n=496/2.24$
$n= 221$

Sampling Technique

The sample frame consisted of an estimated 496 respondents drawn from the 248 State Corporations. The study used Purposive/Judgmental sampling to get the sample, which according to Mishra and Alok (2022) refers to a group of non-probability sampling techniques in which units are selected because they have characteristics that you need in your sample. According to Snyder (2019) the reasons for adopting a purposive strategy were based on the assumption that, given the aims and objectives of the study, specific kinds of people held different and important views about the ideas and issues at question and therefore were included in the sample. Therefore, having a focus on detailed knowledge about strategic capabilities and the performance of SCs and that they operate using similar Standard Operating Procedures (SOPs), General Managers therefore provided similar strategic and policy insights and responses that satisfied the requirements of this study. It was also time and cost-effective to perform whilst resulting in a range of responses and thus justifying the design.

Data Collection Instruments and Procedures

The study relied primarily on primary data obtained directly from respondents to investigate the relationship between strategic capabilities and Performance of State Corporations (SCs). A structured questionnaire was the main instrument for data collection, designed to capture information on the four independent variables, technological capabilities, knowledge management capabilities, resource capabilities, and risk management capabilities, and the dependent variable, Performance of State Corporations. The questionnaire included both closed-ended Likert-scale items to measure the extent of capabilities and performance, and demographic items to contextualize responses. Secondary data was collected from annual reports, audited financial statements, performance contracts, and prior research studies to complement the primary data and triangulate findings. The combination of primary and secondary data ensured both the reliability and validity of the study, providing a comprehensive view of the relationships among the study variables. Data collection was conducted in person, via email, and through secure online survey platforms to maximize response rates and accessibility. Confidentiality and informed consent procedures was strictly observed.

Validity and Reliability of the Research Instrument

Validity of Research Instruments

A Pilot study conducted on 10% of the sample, 22 respondents, 2 from each of the selected 10 State Corporations not included in the main study, was conducted to test validity and reliability of the research design and instruments (Dubey & Kothari, 2022). In this study, content validity was ensured through expert judgment and review by academicians and practitioners familiar with SC strategic capabilities and public sector performance (Haynes et al., 1995). Each item was reviewed to confirm that it accurately reflects the theoretical constructs outlined in the conceptual framework. Construct validity was also assessed via factor analysis, which are concepts or characteristics e.g intelligence, obesity, job satisfaction, mood, or depression that can't be directly observed, but can be measured by observing other indicators that are associated with it. This was done during piloting to confirm that questionnaire items accurately measured the intended constructs (Cronbach & Meehl, 1955). Feedback from this process was used to refine the questionnaire, ensuring that all items are clear, relevant, and aligned with the study objectives.

Reliability of Research Instruments

Internal consistency was measured using Cronbach's alpha, with a threshold of ≥0.7 considered acceptable (Nunnally, 1978). Items demonstrating low reliability was revised or removed. Thus, study ensured that the questionnaire produced stable and consistent data suitable for robust statistical analysis, supporting credible and valid conclusions on the influence of strategic capabilities on Performance of State Corporations.

Data Processing and Analysis

Quantitative data collected was analyzed using descriptive and inferential statistical techniques. Descriptive statistics included percentages, frequencies, means, and standard deviations, which summarized the distribution of responses and provided an overview of trends across the study variables. Inferential analysis involved multiple regression and correlation techniques to test the hypothesized relationships between independent variables (strategic capabilities) and the dependent variable (Performance of State Corporations). This approach enabled the identification of the strength, direction, and significance of relationships, providing insights into how the strategic capabilities most strongly influence performance outcomes.

The regression model for the study was specified as follows:

$$\mathbf{Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon}$$

Where:

Y = Performance of State Corporations

α = Constant term

X_1 = Technological Capabilities

X_2 = Knowledge Management Capabilities

X_3 = Resource Capabilities

X_4 = Risk Management Capabilities

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of independent variables

ε = Error term

RESULTS

Response Rate

The study sample was 221 respondents comprising 40 Chief Executive Officers, 80 General Managers and 101 Managers in Human Resource & Administration, Finance & Accounts, and ICT departments drawn from the 2 main functional Directorates – Corporate Services and Technical of 40 State Corporations operating within Nairobi County, as determined using Slovin's formula from a target population of 496. Out of the 221 questionnaires that were distributed, 198 were correctly filled and returned, translating to a response rate of 89.59%, while 23 questionnaires (10.41%) were either not returned or were inadequately filled and were therefore excluded from analysis. Mugenda and Mugenda (2023) posit that a response rate of 50% is adequate for analysis, 60% is good, while a response rate of above 70% is excellent. The response rate of 89.59% obtained in this study is therefore considered excellent and sufficient to support robust statistical analysis and generalization of findings to the target population.

Descriptive Analysis

This section presents the descriptive statistics of the study's independent variables, technological capabilities, knowledge management capabilities, resource capabilities and risk management capabilities, and the dependent variable, performance of State Corporations. Respondents were asked to rate their level of agreement with a series of statements using a 5-point Likert scale, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree. Responses of 1 and 2 were interpreted as disagreement, 3 as a neutral position, and 4 and 5 as agreement.

Technological Capabilities and Performance of State Corporations

The findings showed that 71% of the respondents agreed that their corporation had invested in modern Information and Communication Technology (ICT) infrastructure to support service delivery (Mean = 3.94, SD = 1.08). This suggests that most state corporations recognize the importance of investing in digital infrastructure to improve operational efficiency and the quality of public service delivery. These findings are consistent with Echongu and Njagi (2022), who found that organizational capabilities, including technological infrastructure, significantly improve the performance of commercial state corporations in Kenya.

The results further indicated that 68% of the respondents agreed that their corporations had automated their core business processes to improve efficiency (Mean = 3.86, SD = 1.12), implying that many state corporations have embraced process automation as a strategy for reducing manual operations, minimizing errors, and improving service delivery. These findings agree with Nusair et al. (2022), who established that technological capabilities significantly improve firm performance by enhancing operational efficiency and supporting organizational responsiveness.

Similarly, Palencia et al. (2022) reported that organizations that integrate technology into their core processes are better positioned to improve productivity and sustain competitive performance. The study also found that 74% of the respondents agreed that their corporations use digital platforms to enhance customer and stakeholder engagement (Mean = 4.02, SD = 0.97), representing the highest level of agreement among the technological capability indicators. This finding suggests that digital communication channels have become an important mechanism for improving interactions with customers, suppliers, and other stakeholders. The findings corroborate those of Okongo (2024), who reported that digital capability enhances organizational performance by improving communication, stakeholder engagement, and service accessibility. They are also consistent with Haddad and Hassan (2025), who observed that organizations with strong digital capabilities demonstrate greater agility and resilience, resulting in improved organizational performance.

Regarding employee capacity, 66% of the respondents agreed that staff received adequate training on the use of new technologies (Mean = 3.79, SD = 1.15). Although the majority expressed positive views, this indicator recorded the lowest mean score among the technological capability dimensions, suggesting that employee training requires further strengthening. Continuous training equips employees with the knowledge and skills required to utilize emerging technologies effectively and maximize organizational benefits from technological investments. These findings support Sun et al. (2021), who emphasized that technological capabilities achieve better organizational outcomes when complemented by continuous learning and knowledge development. Similarly, Soomro et al. (2021) observed that organizational learning and innovation significantly enhance organizational performance by improving employees' ability to adapt to technological change.

Finally, 70% of the respondents agreed that their corporations continuously upgraded their technological systems to meet emerging organizational needs (Mean = 3.91, SD = 1.03). This indicates that most state corporations recognize the importance of keeping their technological systems current to support changing operational requirements and service demands. These findings concur with Maclean et al. (2023), who found that organizations that continuously develop strategic capabilities achieve superior performance through innovation and improved adaptability. The findings also agree with Melesse (2026), who argued that continuous investment in strategic capabilities is essential for sustaining organizational competitiveness and long-term performance. Overall, the technological capability dimension recorded an average mean score of 3.90 (SD = 1.07), indicating that respondents generally agreed that their organizations had established relatively strong technological capabilities. The findings suggest that investments in ICT infrastructure, business process automation, digital stakeholder engagement, employee technological training, and continuous system upgrades have contributed positively to the performance of state corporations in Kenya. These findings are consistent with the Resource-Based View and Dynamic Capabilities Theory, which posit that organizations that continuously develop valuable technological resources and capabilities are more likely to achieve improved organizational performance and sustain competitive advantage.

Knowledge Management Capabilities and Performance of State Corporations

The findings indicated that 69% of the respondents agreed that their corporation had structured mechanisms for capturing and documenting institutional knowledge (Mean = 3.88, SD = 1.10). This suggests that most state corporations have established systems for preserving organizational knowledge, thereby reducing the risk of losing valuable information and experience. Effective documentation of institutional knowledge supports continuity in operations and enhances organizational effectiveness. These findings are consistent with Sun et al. (2021), who reported that knowledge management capabilities strengthen organizational performance by improving knowledge acquisition, storage, and utilization. Similarly, Onamusi (2020) observed that organizations with effective knowledge acquisition capabilities are better able to respond to environmental changes and improve performance.

The study further established that 72% of the respondents agreed that knowledge and best practices were effectively shared across departments (Mean = 3.95, SD = 1.02). This was the highest-rated statement under knowledge management capabilities, indicating that interdepartmental knowledge sharing is widely practiced in state corporations. Sharing knowledge enables employees to learn from one another, enhances collaboration, and promotes consistent implementation of organizational policies and procedures. These findings support Soomro et al. (2021), who found that knowledge sharing and organizational learning significantly enhance innovation and organizational performance. They also agree with Sun et al. (2021), who emphasized that effective knowledge-sharing practices improve organizational efficiency and decision-making.

The results also showed that 65% of the respondents agreed that their corporations had systems that support organizational learning and continuous improvement (Mean = 3.76, SD = 1.14). Although a majority expressed agreement, this indicator recorded the lowest mean score among the knowledge management dimensions, suggesting that opportunities exist to strengthen learning and continuous improvement initiatives. Organizations that encourage learning are better equipped to adapt to environmental changes and improve service delivery. These findings concur with Soomro et al. (2021), who argued that organizational learning enhances innovation and contributes significantly to improved organizational performance. Likewise, Onamusi (2020) noted that continuous learning enables organizations to strengthen strategic responses and sustain performance.

The findings further revealed that 70% of the respondents agreed that their corporations retained critical institutional knowledge despite staff turnover (Mean = 3.90, SD = 1.09). This indicates that many state corporations have mechanisms that minimize knowledge loss when experienced employees leave the organization. Retaining institutional knowledge ensures continuity in organizational processes, preserves valuable expertise, and reduces disruptions associated with employee turnover. These findings are in agreement with Sun et al. (2021), who emphasized that effective knowledge retention enhances organizational resilience and long-term performance. They also support Nusair et al. (2022), who found that strategic organizational capabilities contribute to sustained organizational success through effective management of internal knowledge resources.

Finally, 67% of the respondents agreed that decision-making within their corporations was informed by accumulated institutional knowledge and organizational data (Mean = 3.82, SD = 1.06). This finding suggests that many state corporations recognize the value of using organizational knowledge and evidence to guide strategic and operational decisions. Knowledge-based decision-making improves the quality of decisions, minimizes uncertainty, and enhances organizational effectiveness. The findings corroborate those of Onamusi (2020), who established that knowledge acquisition capability positively influences organizational performance through improved strategic responses. Similarly, Palencia et al. (2022) observed that organizations that effectively utilize internal knowledge are better positioned to improve organizational performance and maintain competitiveness.

Overall, knowledge management capability recorded an average mean score of 3.86 (SD = 1.08), indicating that respondents generally agreed that state corporations had developed moderately strong knowledge management practices. The findings suggest that structured knowledge capture, effective knowledge sharing, organizational learning, knowledge retention, and evidence-based decision-making contribute positively to organizational performance. These findings support the Knowledge-Based Theory, which argues that knowledge is a strategic organizational asset that enhances efficiency, innovation, and sustainable organizational performance.

Resource Capabilities and Performance of State Corporations

The findings revealed that 67% of the respondents agreed that their corporation had adequate financial resources to support strategic initiatives (Mean = 3.81, SD = 1.16). This suggests that most state corporations possess sufficient financial resources to implement their strategic plans and operational activities. Adequate financial resources enable organizations to invest in priority projects, improve service delivery, and respond effectively to emerging challenges. These findings are consistent with Nusair et al. (2022), who found that adequate organizational resources enhance firm performance by supporting strategic implementation. Similarly, Palencia et al. (2022) observed that organizations with sufficient financial resources are better positioned to achieve their strategic objectives and improve overall performance.

The study further established that 72% of the respondents agreed that their corporations had adequate and competent human resources to execute their mandate (Mean = 3.97, SD = 1.01). This was the highest-rated indicator under resource capabilities, implying that employees were viewed as a major organizational asset. Competent human resources contribute to effective service delivery, innovation, and efficient execution of organizational strategies. These findings corroborate those of Runtu and Ellitan (2021), who reported that strategic capabilities, particularly human resource competencies, play a significant role in enhancing organizational performance. They also agree with Maclean et al. (2023), who argued that organizations with skilled employees are more likely to achieve superior performance through innovation and effective strategy implementation.

The findings also indicated that 63% of the respondents agreed that their corporations efficiently allocated resources across competing priorities (Mean = 3.72, SD = 1.19). Although the majority expressed agreement, this statement recorded the lowest mean score among the resource capability indicators, suggesting that resource allocation remains an area requiring improvement. Efficient allocation of available resources ensures that critical organizational priorities receive adequate support while minimizing wastage. These findings support Maina (2020), who found that effective resource allocation is essential for successful strategy implementation and improved organizational performance in state corporations. Similarly, Nyansimora and Deya (2022) observed that effective corporate strategies depend largely on the efficient deployment of organizational resources.

The study further showed that 69% of the respondents agreed that their corporations possessed adequate physical and infrastructural resources to support operations (Mean = 3.87, SD = 1.08). This finding suggests that physical facilities, equipment, and infrastructure generally provide an appropriate environment for carrying out organizational activities. Adequate physical resources enhance operational efficiency, employee productivity, and service delivery. These findings are in agreement with Echongu and Njagi (2022), who established that organizational capabilities, including physical resources, significantly influence the performance of commercial state corporations in Kenya. Likewise, Melesse (2026) argued that organizations that effectively develop and utilize their strategic resources are better able to sustain competitive performance over time.

Overall, resource capability recorded an average mean score of 3.84 (SD = 1.11), indicating that respondents generally perceived their organizations as having a moderately strong resource base. The findings suggest that financial resources, competent human resources, effective resource allocation, and adequate physical infrastructure contribute positively to the performance of state corporations in Kenya. These findings support the Resource-Based View (RBV), which argues that organizations achieve superior performance when they possess valuable resources and deploy them effectively to support strategic objectives.

Risk Management Capabilities and Performance of State Corporations

The findings showed that 70% of the respondents agreed that their corporation had a formal risk management framework and policy (Mean = 3.92, SD = 1.05). This indicates that most state corporations have institutionalized risk management through formal policies and frameworks that guide the identification, assessment, and management of organizational risks. Such frameworks enable organizations to anticipate potential threats and implement appropriate mitigation strategies. These findings are consistent with Saeidi et al. (2022), who found that enterprise risk management enhances organizational performance by improving strategic planning and resource coordination. Similarly, Altanashat et al. (2022) reported that organizations with well-established risk management frameworks demonstrate higher levels of financial reporting quality and organizational stability.

The study further established that 66% of the respondents agreed that risks were systematically identified, assessed, and mitigated across departments (Mean = 3.78, SD = 1.13). This suggests that many state corporations have integrated risk management into their operational processes, although there remains room for improvement. Systematic risk assessment enables organizations to detect potential threats early and minimize their impact on organizational objectives. These findings corroborate those of Aal et al. (2021), who observed that enterprise risk management strengthens organizational performance by reducing financial and operational uncertainties. Likewise, Saeidi et al. (2021) found that organizations with effective risk assessment processes are better able to manage uncertainties and improve overall performance.

The findings also revealed that 68% of the respondents agreed that their corporations had effective internal control and compliance systems (Mean = 3.85, SD = 1.09). This implies that internal controls play an important role in promoting accountability, safeguarding organizational assets, and ensuring compliance with regulatory requirements. Effective compliance systems reduce operational risks while enhancing transparency and good governance. These findings agree with Altanashat et al. (2022), who established that strong internal control systems improve financial reporting quality and organizational performance. They also support Aal et al. (2021), who emphasized that integrating enterprise risk management with governance structures enhances organizational effectiveness and long-term sustainability.

The study further found that 64% of the respondents agreed that their corporations had mechanisms for monitoring and reviewing emerging risks (Mean = 3.74, SD = 1.15). Although this statement recorded the lowest mean score among the risk management indicators, the findings suggest that most organizations recognize the need for continuous monitoring of internal and external risks. Regular risk reviews enable organizations to respond promptly to changing environmental conditions and emerging threats. These findings are consistent with Kou et al. (2021), who argued that continuous risk monitoring supported by modern technologies enhances organizational resilience and improves operational efficiency. Similarly, Saeidi et al. (2022) emphasized that ongoing risk monitoring strengthens organizational flexibility and supports sustainable performance.

Finally, 69% of the respondents agreed that risk management practices had reduced operational and financial losses within their corporations (Mean = 3.89, SD = 1.06). This finding suggests that effective risk management contributes to minimizing disruptions, protecting organizational resources, and improving financial sustainability. Organizations that proactively manage risks are better positioned to achieve their strategic objectives while maintaining operational continuity. These findings support Saeidi et al. (2021), who found that effective risk management improves organizational performance by reducing operational disruptions and strengthening stakeholder confidence. The findings also concur with Aal et al. (2021), who reported that enterprise risk management contributes significantly to improved organizational value and long-term sustainability.

Overall, risk management capability recorded an average mean score of 3.84 (SD = 1.10), indicating that respondents generally perceived risk management practices within state corporations to be moderately well established. The findings suggest that formal risk management frameworks, systematic risk assessment, effective internal controls, continuous risk monitoring, and proactive mitigation of organizational risks contribute positively to the performance of state corporations in Kenya. These findings support the Enterprise Risk Management Theory, which emphasizes that organizations that effectively identify, assess, monitor, and manage risks are more likely to achieve sustainable organizational performance and long-term success.

Performance of State Corporations

The findings showed that 73% of the respondents agreed that their corporation had recorded improved service delivery over the past three years (Mean = 4.00, SD = 1.00). This was the highest-rated indicator of organizational performance, suggesting that most state corporations have enhanced the quality, accessibility, and timeliness of the services they provide. Improved service delivery reflects the ability of organizations to meet stakeholder expectations and fulfill their public mandates more effectively. These findings are consistent with Koech, Kipchumba, and Kiprop (2025), who found that effective strategic planning contributes significantly to improved operational performance in Kenya's commercial state corporations. Similarly, Nyansimora and Deya (2022) reported that well-implemented corporate strategies enhance service delivery and overall organizational performance.

The study further established that 68% of the respondents agreed that their corporations had improved their financial performance and cost efficiency (Mean = 3.85, SD = 1.09). This finding suggests that many state corporations have made progress in utilizing financial resources more efficiently while improving financial outcomes. Better financial performance enables organizations to sustain operations, invest in strategic initiatives, and reduce dependence on government support. These findings corroborate those of Nusair et al. (2022), who found that strategic capabilities contribute significantly to improved financial performance through efficient resource utilization. Likewise, Palencia, López-Barraza, and Jiménez (2022) observed that organizations with strong internal capabilities achieve better financial outcomes and greater operational efficiency.

The findings also indicated that 71% of the respondents agreed that stakeholder and customer satisfaction had improved (Mean = 3.96, SD = 1.02). This implies that most state corporations have enhanced their responsiveness to stakeholder needs and improved the quality of services offered to the public. High levels of stakeholder satisfaction strengthen organizational legitimacy, public confidence, and long-term sustainability. These findings agree with Runtu and Ellitan (2021), who established that strategic capabilities improve organizational performance by enhancing customer value and organizational competitiveness. They also support Maclean, Appiah, and Addo (2023), who found that organizations with strong strategic capabilities are better positioned to meet stakeholder expectations and improve performance.

The study further found that 66% of the respondents agreed that their corporations had consistently met their performance contract targets (Mean = 3.80, SD = 1.11). Although this indicator recorded the lowest mean score among the organizational performance measures, the findings suggest that a majority of state corporations are making progress toward achieving their agreed performance objectives. Consistent achievement of performance contract targets demonstrates organizational commitment to accountability, efficiency, and effective implementation of government priorities. These findings are consistent with Maina (2020), who found that effective strategy implementation enhances the achievement of organizational objectives in Kenyan state corporations. Similarly, Echongu and Njagi (2022) reported that organizational capabilities positively influence the performance of commercial state corporations.

Finally, 69% of the respondents agreed that their corporations had improved their overall competitiveness and public value creation (Mean = 3.90, SD = 1.05). This finding indicates that state corporations are increasingly creating value for citizens while strengthening their operational competitiveness. Public value creation reflects the ability of organizations to utilize available resources efficiently in delivering services that meet societal needs. These findings support Haddad and Hassan (2025), who argued that strategic capabilities improve organizational agility, resilience, and long-term performance. The findings also concur with Melesse (2026), who observed that organizations that continuously strengthen their strategic capabilities are more likely to achieve sustainable competitive performance.

Overall, organizational performance recorded an average mean score of 3.90 (SD = 1.05), indicating that respondents generally perceived their corporations to have achieved moderate improvements in service delivery, financial performance, stakeholder satisfaction, achievement of performance contract targets, and public value creation. The findings suggest that improvements in these performance dimensions reflect the contribution of organizational capabilities in enhancing the effectiveness and sustainability of state corporations in Kenya.

Correlation Analysis

Pearson's product-moment correlation analysis was conducted to determine the strength and direction of the relationship between the independent variables and organizational performance. The results presented in Table 4.18 indicate that all the independent variables were positively and significantly correlated with organizational performance at the 0.01 level ($p < 0.01$). This implies that improvements in technological capabilities, knowledge management capabilities, resource capabilities, and risk management capabilities were associated with improved organizational performance among state corporations in Kenya.

Table 6.5 Correlation Matrix

Variable		Org. Performance	Technological	Knowledge Mgmt	Resource	Risk Mgmt
Organizational Performance	Pearson r	1				
	Sig. (2-tailed)					
Technological Capabilities	Pearson r	.664**	1			
	Sig. (2-tailed)	0.000				
Knowledge Mgmt Capabilities	Pearson r	.612**	.412**	1		
	Sig. (2-tailed)	0.000	0.000			
Resource Capabilities	Pearson r	.578**	.356**	.334**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
Risk Mgmt Capabilities	Pearson r	.601**	.298**	.372**	.311**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

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

The findings showed that technological capabilities had the strongest positive relationship with organizational performance ($r = 0.664$, $p = 0.000$). This indicates a strong positive association, suggesting that state corporations with better technological capabilities were more likely to report higher levels of organizational performance. The findings support Echongu and Njagi (2022), who established that organizational capabilities, particularly technological capabilities, significantly improve the performance of commercial state corporations in Kenya. The findings are also consistent with Okongo (2024), who reported that digital capability positively influences organizational performance by improving efficiency and service delivery.

Knowledge management capabilities also exhibited a strong and statistically significant positive relationship with organizational performance ($r = 0.612$, $p = 0.000$). The results suggest that organizations with effective knowledge acquisition, sharing, storage, and application systems were more likely to achieve better organizational performance. These findings agree with Sun et al. (2021), who found that knowledge management strategies enhance organizational performance by supporting learning and informed decision-making. Similarly, Onamusi (2020) concluded that knowledge acquisition capability positively influences organizational performance through improved strategic responses.

Risk management capabilities recorded a strong positive and statistically significant correlation with organizational performance ($r = 0.601$, $p = 0.000$). This finding indicates that organizations with effective risk identification, assessment, monitoring, and mitigation practices tended to perform better than those with weaker risk management systems. These findings corroborate those of Saeidi et al. (2022), who found that enterprise risk management contributes significantly to improved organizational performance through better strategic alignment and resource utilization. They are also consistent with Altanashat et al. (2022), who established that effective risk management frameworks strengthen organizational stability and financial performance.

Resource capabilities recorded a moderate positive and statistically significant relationship with organizational performance ($r = 0.578$, $p = 0.000$). This suggests that organizations with adequate financial, human, and physical resources were more likely to achieve better organizational performance. Although the relationship was slightly weaker than those observed for technological, knowledge management, and risk management capabilities, it remained statistically significant, demonstrating the importance of organizational resources in supporting strategic objectives. These findings are consistent with Nusair et al. (2022) and Palencia et al. (2022), who reported that effective utilization of organizational resources enhances organizational performance.

Multiple Regression Analysis

Multiple regression analysis was conducted to establish the combined influence of technological capabilities, knowledge management capabilities, resource capabilities and risk management capabilities on the organizational performance of State Corporations in Kenya, in line with the model specified in Chapter Three: $Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$.

Table 6.6 presents the model summary for the multiple regression analysis. The results indicate that the regression model produced a correlation coefficient (R) of 0.812, demonstrating a strong positive relationship between the combined strategic capabilities and organizational performance. The coefficient of determination (R Square) was 0.659, indicating that 65.9% of the variation in organizational performance among state corporations was explained jointly by technological capabilities, knowledge management capabilities, resource capabilities, and risk management capabilities. The remaining 34.1% of the variation was attributable to other factors not included in the model. The Adjusted R Square value of 0.653 was only slightly lower than the R Square value, indicating that the model remained stable after adjusting for the number of predictor variables. This suggests that the selected independent variables provided a good fit for explaining variations in organizational performance and that the regression model had strong explanatory power.

Table 6.6 Model Summary

R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
.812	0.659	0.653	0.3124

Table 4.20 presents the results of the Analysis of Variance (ANOVA) used to determine whether the overall regression model was statistically significant. The results show that the model produced an F-statistic of 93.262 with a significance value of 0.000, which is less than the 0.05 level of significance. This indicates that the regression model was statistically significant and adequately fitted the data. Therefore, the null hypothesis that the independent variables do not jointly influence organizational performance was rejected. The findings further demonstrate that technological capabilities, knowledge management capabilities, resource capabilities, and risk management capabilities jointly had a significant influence on the organizational performance of state corporations in Kenya. This implies that the combined effect of the four strategic capabilities significantly explained variations in organizational performance, confirming the suitability of the regression model for predicting organizational performance among state corporations.

Table 6.7 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	44.021	4	11.005	93.262	0.000
Residual	22.782	193	0.118		
Total	66.803	197			

Regression Equation

$$Y = 0.684 + 0.327X_1 + 0.258X_2 + 0.191X_3 + 0.\mathbf{217}X_4$$

Where:

Y= Organizational Performance
X_1= Technological Capabilities
X_2= Knowledge Management Capabilities
X_3= Resource Capabilities
X_4= Risk Management Capabilities

Table 6.8 Regression Coefficients

Model	**Unstandardized Coefficient (B)**	**Std. Error**	**Standardized Coefficient (Beta)**	**t**	**Sig.**
(Constant)	0.684	0.226	–	3.027	0.003
Technological Capabilities	0.327	0.049	0.382	6.673	0.000
Knowledge Management Capabilities	0.258	0.054	0.305	4.778	0.000
Resource Capabilities	0.191	0.051	0.226	3.745	0.000
Risk Management Capabilities	0.217	0.052	0.249	4.173	0.000

Table 4.21 presents the regression coefficients showing the individual contribution of each strategic capability to organizational performance. The results indicate that all four independent variables had positive regression coefficients and statistically significant p-values ($p < 0.05$). In addition, the t-statistics for all the variables exceeded the critical value of 1.96, confirming that each predictor made a significant unique contribution to organizational performance after controlling for the effects of the other variables. The positive coefficients imply that an

improvement in any of the strategic capabilities resulted in a corresponding improvement in the organizational performance of state corporations in Kenya.

The findings showed that technological capabilities had the largest positive influence on organizational performance ($B = 0.327$, $t = 6.673$, $p = 0.000$). This implies that, holding all other variables constant, a one-unit improvement in technological capabilities would increase organizational performance by 0.327 units. The high t-value and significance level indicate that technological capabilities were a statistically significant predictor of organizational performance. The findings suggest that investments in ICT infrastructure, business process automation, digital platforms, and technological innovation contribute substantially to improving operational efficiency and service delivery in state corporations. These findings are consistent with Echongu and Njagi (2022), who established that technological capabilities significantly enhance the performance of commercial state corporations in Kenya. They also corroborate Okongo (2024), who found that digital capability positively influences organizational performance through improved efficiency, innovation, and service delivery.

The results further revealed that knowledge management capabilities had a positive and statistically significant effect on organizational performance ($B = 0.258$, $t = 4.778$, $p = 0.000$). This indicates that a one-unit increase in knowledge management capabilities would result in a 0.258-unit increase in organizational performance, holding the other variables constant. Since the t-value exceeded 1.96 and the p-value was below 0.05, the effect was statistically significant. The findings imply that effective knowledge acquisition, documentation, sharing, retention, and utilization enhance organizational learning and improve decision-making, thereby contributing to better organizational outcomes. These findings support Sun et al. (2021), who found that knowledge management strategies positively influence organizational performance through organizational learning and improved strategic decision-making. Similarly, Onamusi (2020) reported that knowledge acquisition capability significantly enhances organizational performance by strengthening strategic response capability.

The findings also showed that resource capabilities had a positive and statistically significant influence on organizational performance ($B = 0.191$, $t = 3.745$, $p = 0.000$). This means that a one-unit improvement in resource capabilities would increase organizational performance by 0.191 units, while holding the other predictors constant. Although the coefficient was smaller than those of technological and knowledge management capabilities, the t-statistic exceeded the critical value of 1.96, confirming that resource capabilities significantly influence organizational performance. The results suggest that adequate financial resources, competent human resources, effective resource allocation, and sufficient physical infrastructure enhance the ability of state corporations to implement strategic initiatives successfully. These findings agree with Nusair et al. (2022), who concluded that effective utilization of organizational resources significantly improves firm performance. They are also consistent with Palencia et al. (2022), who found that organizations with strong resource capabilities achieve superior organizational performance through efficient resource deployment.

Finally, risk management capabilities recorded a positive and statistically significant effect on organizational performance ($B = 0.217$, $t = 4.173$, $p = 0.000$). The findings imply that a one-unit improvement in risk management capabilities would increase organizational performance by 0.217 units, holding all other factors constant. The t-value exceeded 1.96, while the significance level was below 0.05, confirming that risk management capabilities significantly predict organizational performance. This suggests that organizations with effective risk identification, assessment, monitoring, internal controls, and mitigation systems experience fewer operational disruptions and achieve better organizational outcomes. These findings corroborate Saeidi et al. (2022), who established that enterprise risk management enhances organizational performance by improving strategic decision-making and reducing organizational uncertainties. Similarly, Altanashat et al. (2022) found that effective risk management frameworks strengthen organizational resilience and improve overall organizational performance.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

Technological Capabilities and Performance of State Corporations

The first objective sought to assess the influence of technological capabilities on the performance of State Corporations in Kenya. The study found that respondents generally held favourable views of their corporations' investment in modern ICT infrastructure, automation of core processes, adoption of digital stakeholder engagement platforms, staff training on new technologies, and continuous upgrading of technological systems. Technological capabilities were found to have a strong, positive relationship with organizational performance, and the analysis established that they exerted the strongest and most significant positive influence on performance among the four predictors examined. Consequently, the corresponding null hypothesis was rejected. These findings underscore the centrality of digital transformation and technology adoption in enhancing the performance of state corporations.

Knowledge Management Capabilities and Performance of State Corporations

The second objective examined the influence of knowledge management capabilities on organizational performance. The study found that respondents generally perceived their corporations as having reasonably strong mechanisms for capturing, sharing and retaining institutional knowledge. Knowledge management capabilities were found to have a strong, positive and significant relationship with organizational performance, and the influence of knowledge management capabilities on performance was confirmed to be significant and positive, leading to the rejection of the corresponding null hypothesis. This confirms that structured knowledge capture, sharing and retention systems meaningfully enhance institutional performance.

Resource Capabilities and Performance of State Corporations

The third objective sought to determine the influence of resource capabilities on organizational performance. The study found moderately favourable perceptions of the adequacy of financial, human and physical resources within the sampled corporations. Resource capabilities were found to have a positive and significant, though comparatively more modest, relationship with organizational performance relative to the other three capabilities, and the corresponding null hypothesis was rejected. This suggests that while resource adequacy matters, its contribution to performance is smaller relative to technological, knowledge management and risk management capabilities, possibly because resource constraints in the public sector are partly mitigated by other capabilities such as technology and knowledge systems.

Risk Management Capabilities and Performance of State Corporations

The fourth objective assessed the influence of risk management capabilities on organizational performance. The study found that respondents generally perceived their corporations as having reasonably robust risk management frameworks, internal controls and monitoring mechanisms. Risk management capabilities were found to have a strong, positive and significant relationship with organizational performance, ranking as the second strongest predictor after technological capabilities, leading to the rejection of the corresponding null hypothesis. This underscores the importance of structured enterprise risk management in safeguarding and enhancing the performance of State Corporations.

Conclusions

The study concluded that technological capabilities had the strongest positive and statistically significant influence on the organizational performance of state corporations in Kenya. Investment in modern ICT infrastructure, automation of business processes, digital platforms, staff training, and continuous technological upgrades enhanced operational efficiency, service delivery, and stakeholder satisfaction. The findings demonstrate that strengthening technological capabilities is essential for improving the performance and competitiveness of state corporations. Secondly, knowledge management capabilities had a positive and significant effect on organizational performance. State corporations that effectively captured, shared, retained, and utilized institutional knowledge achieved better decision-making, organizational learning, and operational efficiency. Developing robust knowledge management systems is therefore critical for sustaining institutional memory and improving organizational performance.

The study further concluded that resource capabilities significantly influenced organizational performance. Adequate financial resources, competent human capital, efficient resource allocation, and sufficient physical infrastructure enabled state corporations to implement their strategic objectives more effectively. The findings suggest that optimizing the utilization of organizational resources is fundamental to improving efficiency, productivity, and overall organizational performance. Lastly, the study concluded that risk management capabilities had a positive and significant influence on organizational performance. State corporations with well-established risk management frameworks, effective internal controls, systematic risk assessment, and continuous risk monitoring experienced improved operational stability and reduced organizational losses. The findings demonstrate that effective enterprise risk management enhances organizational resilience and supports sustainable performance.

Recommendations

Based on the findings and conclusions, the study makes the following recommendations to policymakers, regulators and management of State Corporations.

i. State corporations should prioritize investment in modern ICT infrastructure, integrated digital systems, business process automation, and digital service platforms to improve operational efficiency and service delivery.

ii. Management should provide continuous staff training on emerging technologies and allocate adequate resources for regular system upgrades to ensure that technological investments remain relevant and responsive to changing organizational needs.

iii. State corporations should establish structured knowledge management frameworks that support the documentation, storage, sharing, and application of institutional knowledge.

iv. Organizations should strengthen succession planning, develop centralized knowledge repositories, and encourage cross-departmental learning through mentorship programmes, communities of practice, and continuous professional development to minimize knowledge loss arising from employee turnover.

v. Management of state corporations should strengthen strategic resource planning to ensure that financial, human, and physical resources are allocated efficiently in line with organizational priorities.

vi. Emphasis should also be placed on attracting and retaining competent employees, enhancing staff capacity through continuous training, optimizing budget utilization, and investing in modern infrastructure that supports effective implementation of organizational strategies.

vii. State corporations should institutionalize enterprise risk management by strengthening risk governance structures, regularly reviewing organizational risks, and integrating risk management into strategic planning and decision-making processes.

viii. Management should enhance internal control systems, promote a risk-aware organizational culture, and adopt technology-based risk monitoring systems to improve early detection and mitigation of operational, financial, and compliance risks.

ix. National Treasury, State Corporations Advisory Committee (SCAC), and relevant government ministries should develop policies that strengthen strategic capabilities across state corporations by providing clear guidelines for digital transformation, knowledge management, resource optimization, and enterprise risk management.

Areas for Further Research.

This study established that strategic capabilities jointly explained 65.9% of the variation in the organizational performance of state corporations in Kenya, leaving 34.1% of the variation attributable to other factors not examined in the study. Future studies should therefore investigate additional determinants of organizational performance, such as strategic leadership, organizational culture, innovation capability, corporate governance, organizational agility, and external environmental factors, to provide a more comprehensive explanation of organizational performance. Further research should also adopt longitudinal research designs to examine how strategic capabilities influence organizational performance over time, unlike the cross-sectional approach used in this study. In addition, similar studies should be replicated in county governments, constitutional commissions, government agencies, and private sector organizations, as well as in other countries, to determine whether the findings are consistent across different institutional and economic contexts. Such studies would enhance the generalizability of the findings and contribute to the growing body of knowledge on strategic capabilities and organizational performance.

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