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Uncertain Effect of Vertical Integration Strategy on Performance of Commercial State Corporations in Kenya

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Abstract

This study assessed the effect of vertical integration on the performance of commercial state corporations in Kenya. Commercial state corporations in Kenya have been associated with various challenges, including a lack of profitability and substandard goods and services. Whether such dismal performance is occasioned by weak corporate strategies is the research concern of the study. The study was based on the Modern Portfolio Theory of diversification theory. The study was based on a positivist research philosophy. A cross-sectional correlational design was adopted as the study design. The target population was 1,026 senior managers of the Commercial State Corporations. The researcher sampled 1,026 employees of Kenya's Commercial State Corporations using the sampling formula for small populations. Nassiuma's (2000) recommendation of a coefficient of variance of 21 to 30 per cent and a standard error of 2 to 5 per cent is generally appropriate. The sample size was 99 senior managers in Commercial State Corporations. Primary data was collected using a structured questionnaire. Collected data was analysed using descriptive data analysis techniques (Mean, Standard Deviation, Maximum and Minimum) and regression analysis. The results were presented using tables and figures. Third, the study that established a significant effect of vertical integration strategy on financial, customers', internal business process and learning, growth and development performance of Commercial State Corporations in Kenya ($\beta = 0.474$, $p = 0.000 < 0.05$; $\beta = 0.382$, $p = 0.003 < 0.05$; $\beta = 0.490$, $p = 0.000 < 0.05$). The study will inform Commercial State Corporations on the design and implementation of effective corporate strategies for value creation.

Key words: Corporate strategies, performance, strategic management, strategic plan implementation.



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INTRODUCTION

In a dynamic environment, organisations need to develop effective corporate strategies to gain a competitive advantage, adapt to market changes, and seize new opportunities. Research in corporate strategy aims to uncover the factors that contribute to competitive success and help organisations navigate the complexities of the business environment. *Organisational performance and success*: Corporate strategy plays a crucial role in determining an organisation's performance and long-term success. Effective strategic planning and implementation can lead to improved financial performance, market positioning, innovation, and sustainable growth. Researchers are interested in understanding how different corporate strategies influence organisational outcomes and identifying best practices for strategy formulation and execution (Alcacer et al., 2021; Feldman, 2020). Corporate strategy is concerned with determining a multi-business firm's strategic direction, defining its appropriate scope, and effectively organising and managing diverse companies' diversification (Arther & Thompson, 2004). Corporate strategy includes expanding a company's operations into new frontiers. It aims to increase revenue, market presence, and risk mitigation. Companies can pursue related or unrelated diversification, concentric or conglomerate diversification, depending on their resources, capabilities, and market opportunities. The ultimate goal is to create long-term value through growth and diversification. (Ndege, 2018).

Vertical integration has been practised by companies in various industries throughout history. Vertical integration is a strategic approach that has been utilised by various businesses across different sectors throughout history, with the aim of enhancing control, efficiency, and profitability (Ashay & Ananda, 2001; Schmenner, 2009). Vertical integration can be an effective corporate strategy to gain a competitive edge, reduce costs, and increase market control. However, it is important to carefully evaluate the potential risks, costs, and benefits associated with vertical integration and ensure that the company has the necessary investments, operational expertise, and management capabilities to successfully integrate and manage the added activities. A thorough

assessment and strategic fit analysis are essential in determining the viability and suitability of vertical integration as a strategy for a particular company (Hovenkamp, 2010).

Vertical integration can also be used to share marketing functions by firms (Ayinde et al., 2017). The extent and nature of internal and external integration may vary depending on the company's industry, specific circumstances, and strategic goals. The alignment between internal and external integration to create a cohesive and efficient value chain that supports the company's overall strategy and objectives (Prajogo et al., 2012). Internal integration focuses on the coordination and alignment of activities within the organisation, including process optimisation, functional roles, and the consolidation of various stages of the value chain within the company. The extent of integration in both upstream and downstream activities can vary depending on the company's industry, strategic goals, and specific circumstances. The critical factor is achieving an appropriate equilibrium and degree of cohesion that aligns with the organisation's overarching strategic objectives and enhances its competitive standing in the marketplace.

The concept of corporate strategy has broad interdisciplinary appeal and has attracted attention from various academic disciplines. Corporate strategy is important in shaping the overall direction and managerial practices of a firm. It involves making objective-oriented decision-making. Corporate strategy encompasses various elements, such as identifying target markets, developing competitive advantages, allocating resources, and formulating plans to achieve sustainable growth and success.

Corporate strategy aims to align the internal resources, capabilities, and activities of a firm with its external environment to create value and sustain competitive advantage. By understanding the external factors, identifying opportunities, leveraging internal strengths, and responding effectively to market dynamics, organisations can thrive and achieve their strategic objectives (Wheelen & Hunger, 2012). Corporate strategy encompasses the allocation of resources and the

diversity of products/services or business units within an organisation. It is indeed related to the expectations of the firm's stakeholders, including shareholders who hold ownership in the company. Shareholders are often considered the most important stakeholders due to their investment in the firm and their expectation of returns (Amr, 2014). Local research has shown that the execution of corporate strategy influences the performance of Kenyan companies (Awino et al., 2017), yet not much is documented on how state corporations use the execution of corporate strategies to achieve higher performance, which is the objective of the current study.

Corporate strategies, therefore, are very important in achieving organisational vision, strategic objectives and goals. There are various corporate strategies that firms implement to achieve their specific objectives and therefore push them to the realisation of their vision. For the case of this study, the corporate strategies which were analysed include: concentric strategy, horizontal integration strategy, vertical integration strategy and collaboration diversification.

The specific objectives of commercial state corporations may vary depending on their sector, purpose, and the specific needs of the population they serve. (Mwaura, 2010). Commercial state corporations in Kenya perform diverse functions across various sectors (GoK, 2015). Commercial state corporations are established with the expectation of serving the needs of various industries, providing employment opportunities, and promoting citizen participation in economic activities. While some commercial state corporations have achieved notable successes in fulfilling their objectives and failures in their performance (Government of Kenya, 2013). Inefficiency and poor services have been identified as significant challenges faced by some commercial state corporations in Kenya (Odhuno et al., 2010). Further investigation is needed to clarify the connection between business strategies and the effectiveness of Kenya's Commercial State Corporations. Such studies could examine the particular approaches these entities adopt, how well these align with organisational objectives, obstacles encountered during implementation, and

the strategies' effects on performance. This research could offer valuable insights into analysing the effect of vertical integration strategy on the performance of commercial state corporations in Kenya.

Existing research on the effects of corporate strategies on performance has yielded conflicting results. Cicotello and Grant (2012) and Walker (2011), for example, disagree on the relationship between corporate strategies and performance. As a result, when it comes to corporate risk management strategies, fund size is not the only determinant of risk or performance. It is important for organisations, regardless of their size, to have robust risk management processes in place, including thorough risk assessment, mitigation measures, monitoring, and ongoing evaluation of risk exposures. Organisations of any size can strive to achieve their goals and optimise their performance by effectively managing risks, despite the fact that Malhotra and McLeod (2009) discovered contrasting results on the same topic. Over the years, various authors have conducted extensive research on the factors that influence a business's performance.

The mixed results can be attributed to various factors. While corporate strategies can be effective in driving organisational performance, their success is contingent on various factors, including the context, implementation, and adaptability of the strategy. Organisations should consider these factors and continuously evaluate and refine their strategies to ensure their relevance and effectiveness in achieving their goals (Lankeu & Maket, 2012). This is what motivated the researcher of the current study to assess whether corporate strategies can affect the performance of State Enterprises. Several factors, including the organisation's internal capabilities and resources, external market conditions, competitive dynamics, and the ability to align the strategy with the organisation's goals and objectives, can all have an impact on the effectiveness of corporate strategies. Before developing and implementing a corporate strategy, companies must conduct a thorough analysis of their internal and external environments, consider their strengths and weaknesses, and assess market opportunities and

threats. The current study has the potential to contribute to both academic knowledge and practical implications by filling a gap in the literature and providing insights into the complex relationship between corporate strategies, strategic plan implementation, and performance in the context of Commercial State Corporations in Kenya.

LITERATURE REVIEW

Effect of Vertical Integration Strategy on Performance

Wanjiru (2016) used an explanatory design to investigate the contributions of product diversification strategy (independent variable) to firm performance (dependent variable) in his study. The study's target population included 231 respondents, the majority of whom were likely managers or key personnel from Nairobi City County real estate companies. Data was gathered using structured questionnaires.

The results revealed a significant contribution of vertical product diversification to firm performance ($p=0.177$). Vertical product diversification improves firm performance, according to the findings. To improve risk management associated with the diversification process, real estate companies should establish a policy for per-unit cost allocation of diversified products and implement risk management strategies, according to the study. While Wanjiru's (2016) study focused on real estate companies in Nairobi City County and used an explanatory research design, the current study used a cross-sectional design to investigate the contribution of diversification on the performance of state corporations. This distinction emphasises the research gap that was filled by the current study's findings, which provided insights.

Njuguna (2019) examined the contribution of vertical integration to the performance of non-financial firms listed on the NSE. The researcher wanted to look into the impact of vertical integration strategy on performance, with capital structure acting as a moderating variable. Several theories guided the study, including the RBV theory, the Agency theory, the TCT, and the Ansoff theory.

The study found that employing a vertical integration strategy had a notable and beneficial impact on company performance. According to the regression analysis, the collective use of corporate strategies accounted for 56.3 per cent of the changes in performance. The results revealed that a moderation of capital structure significantly affected the relationship between corporate strategies and firm performance. Firms that have not yet diversified their product portfolio should consider doing so in order to remain competitive and profitable, according to the findings. It also advised management to develop sound policies to guide them through the diversification process. Although Njuguna's (2019) study focused on NSE-listed firms and investigated the contribution of vertical integration strategy to firm performance with capital structure as a moderator, the current study used a cross-sectional methodology. The current study was guided by Modern Portfolio Theory, Dynamic Capability Theory, and the Balanced Scorecard Model, which addressed a research gap specific to state corporations.

Oloda (2017) conducted a study to investigate the contribution of vertical integration to organisational survival in selected Nigerian manufacturing firms. The researcher wanted to look into the relationship between vertical integration and organisational survival, with a focus on the forward and backward integration dimensions. It is important to highlight the differences between Oloda's research and the current study. Oloda examined Nigerian manufacturing companies, looking at how vertical integration related to organisational survival. In contrast, this study explores the effects of diversification on state corporation performance using a cross-sectional approach. Additionally, this research aims to fill a knowledge gap regarding commercial state corporations by applying Modern Portfolio Theory, Dynamic Capability Theory, and the Balanced Scorecard Model.

Theoretical Framework

Modern Portfolio Theory

Modern Portfolio Theory (MPT) was developed by Harry Markowitz in the 1950s. Modern Portfolio Theory is based on the idea that an investor can optimise their portfolio based on risk and return.

Markowitz introduced the concept of diversification, emphasising that the risk of a portfolio should not be measured solely by the risk of its individual assets, but by how those assets interact with each other. A central tenet of Modern Portfolio Theory is the concept of diversification - allocating investments across various asset types and securities. This approach allows investors to potentially mitigate overall portfolio risk while maintaining anticipated returns. MPT suggests that the risk of a portfolio should be evaluated based on the combined risk of its individual assets, considering their correlations. MPT recognises that investors typically expect higher returns for taking on more risk. MPT assists investors in building portfolios with the goal of maximising returns for a given level of risk or minimising risk for a target level of expected return.

Utilising Modern Portfolio Theory (MPT) in corporate diversification allows firms to evaluate the potential advantages and disadvantages of entering new markets. The theory proposes that diversification is most beneficial when new business ventures have minimal correlation with existing operations, potentially lowering the overall risk of the company's portfolio. However, it's crucial to recognise that while MPT offers a structure for building and diversifying portfolios, it relies on certain premises, like the efficient market hypothesis and normally distributed asset returns. Some critics contend that these assumptions may not always reflect real-world conditions, pointing out limitations in MPT's practical application. Despite these critiques, MPT continues to be a significant and widely researched theory in financial studies.

Despite its significant influence on financial practices and portfolio management, Modern Portfolio Theory (MPT) faces criticism from some quarters. Sceptics argue that MPT's foundational assumptions and inherent constraints may be overly reductive or disconnected from real-world scenarios. A key premise of MPT is market efficiency, which posits that asset prices instantly and accurately reflect all available information. However, critics challenge this notion, pointing out that markets can exhibit inefficiencies. They cite examples such as speculative bubbles or temporary

price distortions as evidence that perfect market efficiency is not always achievable in practice. MPT assumes that all investors have the same expectations about future returns and risks. In reality, investors have diverse opinions and beliefs, and their expectations can differ significantly. This criticism suggests that MPT's reliance on homogenous expectations may not accurately reflect the complexities of real-world markets. Despite these criticisms, MPT remains a widely used framework in portfolio management. However, many practitioners and researchers recognise its limitations and incorporate additional approaches or modifications to address the shortcomings of the theory.

The study's goal is to shed light on the effects of vertical integration strategy on the performance of commercial state corporations in Kenya. By considering vertical integration strategies, the study can provide insights into the potential benefits and challenges associated with the approach, as well as how they contribute to the overall performance of these state corporations.

METHODOLOGY

Research Philosophy

The study aligned more closely with the positivist paradigm. Positivism emphasises the use of quantification and systematic approaches to generate information and improve the accuracy of parameter representation. It focuses on identifying causal relationships and determining the relationship between variables through rigorous empirical research (Cohen et al., 2007). By employing a positive analysis approach in the study, the aim is to apply quantitative methods to ascertain the contributions of corporate strategies to the performance of the corporations. The current study used this research worldview because it had quantitatively proven results from statistical analysis presented using quantifiable figures in the regression models.

A descriptive survey design was used in conjunction with a cross-sectional correlational research design in the current study. The researcher was able to collect data from a large sample of Commercial State Corporations in Kenya at a specific point in time using the cross-sectional

correlational research design. This design is useful for studying phenomena that cannot be observed directly and allows for the efficient collection of a large volume of data, often via questionnaires.

The target population for the study consisted of 1026 senior managers from various departments in the 54 Commercial State Corporations in Kenya. The choice of the 54 Commercial State Corporations in Kenya is that they are semi-autonomous government commercial limited companies that face competition just as other competitive private companies, profit-driven, and therefore must formulate competitive corporate policies that can keep them afloat. The justification for taking Senior Managers drawn from various departments is that they are involved in the implementation of various corporate policies, and also to ensure that corporate strategies work to make the Commercial State Corporations competitive.

The researcher sampled 1,026 employees of Kenya's Commercial State Corporations using the sampling formula for small populations. Nassiuma's (2000) recommendation of a coefficient of variance of 21 to 30 per cent and a standard error of 2 to 5 per cent is generally appropriate.

$$S = \frac{N(Cv)^2}{(Cv)^2 + (N-1)e^2}$$

Where S = the sample size
N = the population size
Cv = the Coefficient of Variation
e = standard error

Therefore, the sample size is:

$$S = \frac{1,026 (0.21)^2}{(0.21)^2 + (1,026-1) 0.02^2} = 99.64017 \approx 99 \text{ Senior Managers}$$

Using a sample size of 99 for the Senior Managers is a practical approach to gather data for the study. The researcher ensured a representative sample by using simple random sampling. To implement simple random sampling, the researcher assigned a unique identifier to each member of the target population. Randomisation technique to select the

desired number of participants from each stratum (Fraenkel & Wallen, 2000) was achieved.

A simple random sample was used for an equal and independent chance of being chosen (Fraenkel & Wallen, 2000). This is because simple random sampling is the most suitable form for almost any survey, and it is critical for the data's reliability and validity. Since it is the most reflective of the entire population, it is the strongest. The sampling structure for the study was developed by selecting 99 Senior Managers of the Commercial Corporations.

A questionnaire is appropriate in a survey research because it is simple to administer and easy for the respondents to score on a 5-point Likert Scale, which is easy to analyse (Cohen et al., 2007). A structured questionnaire is also useful in obtaining consistency across the respondents (Denscombe, 2007) because some respondents may not understand the full content of the questionnaire, which was administered to respondents to fill out based on guidance from research assistants.

Descriptive statistics were used to condense and characterise the key features of the collected information. This involved calculating averages, tallies, and percentages to offer a comprehensive summary of the data. This involved calculating means (average), frequencies (counts), and percentages to provide a clear overview of the data. Bivariate Analysis: Bivariate analysis examines the relationship between two variables. This analysis helped determine if there is a correlation or association between these variables. Multivariate regression was used to assess the combined effect of corporate strategy performance. It helped in identifying the individual and combined contributions of different factors on the outcome variable.

Regression analysis was used in determining the predictive importance of independent variables and the extent to which they account for variance in the dependent variable are critical steps. Beta (β) Values in regression analysis represented the standardised regression coefficients for each independent variable. Beta values assess the predictive significance of each independent

variable. Generally, larger absolute values of Beta indicate a stronger impact on the dependent variable. Positive Beta values indicate a positive relationship, while negative Beta values indicate a negative relationship. The hypothesis was evaluated using the p-value method at a 95 per cent confidence level, based on the regression results. To ensure the validity of the analysis, the researcher conducted several normality tests: Auto-correlation was assessed using the Durbin-Watson test. Multi-collinearity was examined through VIF (Variance Inflation Factor) and Tolerance measures. Linearity was verified using ANOVA (Analysis of Variance), and homogeneity was checked with the Levene test. These tests were performed to confirm that the data met the

necessary assumptions for the statistical analyses employed.

FINDINGS AND DISCUSSION

Effect of Vertical Integration Strategy on Customers' Performance

This section presents the results of the effect of vertical strategies on the performance of Commercial State Corporations in Kenya. In testing the effect of Vertical Integration Strategy on the performance of state corporations, the study used the following Balanced Score Card measures: financial performance as the outcome variable against Vertical Integration Strategy as the cause variable.

Table 1: Model Summary for Effect of Vertical Integration Strategy on Customers' Performance

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.530 ^a	.281	.274		.56257

Results from Table 1 revealed that the R value was 0.530, whereas the R Square was 0.281, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, "financial performance of Commercial State Corporations in Kenya," was explained by the independent variable, "vertical integration strategy". In this case, 28 per cent was the R-

squared, which was fairly large, indicating a high degree of correlation. The high degree of correlation implied that 28.1 per cent of the variation of the dependent variable (Financial performance) of the state corporation was due to changes in the independent variable (Vertical Corporate Strategy).

Table 2: ANOVA between Vertical Strategy and Financial Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.379	1	8.379	23.915	.000 ^b
	Residual	32.585	93	.350		
	Total	40.964	94			

The Predictors: "vertical integration strategy." The dependent variable: "financial performance of Commercial State Corporations in Kenya". Table 2 indicates that the regression model predicted the outcome variable significantly with p=0.000, which was less than 0.05, and indicates that, overall, the model statistically and significantly

predicted the outcome variable. The implication of this finding was that the data collected for the study showed a high correlation between the independent variable (vertical integration strategies) and the dependent variable (financial performance).

Table 3: Effect of Vertical Integration Strategy on Financial Performance

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.756	.384		4.570	.000
	Vertical strategy	.474	.097	.452	4.890	.000

Table 3 shows the results of the analysis of the effect of Vertical Integration Strategy on the financial performance of commercial state corporations in Kenya. The study established a significant effect of vertical strategy on the financial performance of commercial state corporations in Kenya, $\beta = 0.474$, $p = 0.000 < 0.05$. The results, therefore, indicated that an increase in Vertical Integration Strategy by one (1) unit will lead to financial performance of commercial state corporations in Kenya by 0.474 multiple units. Based on statistical evidence, it was deduced that the Vertical Integration Strategy had a significant effect on the financial performance of Commercial State Corporations in Kenya. Njuguna (2019) examined the contribution of vertical integration on the performance of non-financial firms listed in NSE and found a significant positive contribution of vertical integration strategy on the performance of the firms. According to the regression analysis, the collective use of corporate strategies accounted

for 56.3 per cent of the changes in performance. The results revealed that a moderation of capital structure significantly modifies the relationship between corporate strategies and firm performance. The finding is further supported by Kenyuru et al. (2016), who established that the positive contribution of vertical product diversification to bank financial performance.

Effect of Vertical Integration Strategy on Customers' Performance of State Corporations

This section presents the results of the effect of vertical strategies on the performance of Commercial State Corporations in Kenya. In testing the effect of Vertical Integration Strategy on the performance of state corporations, the study used the following Balanced Score Card measures: customers' performance as the outcome variable against Vertical Integration Strategy as the cause variable.

Table 4: Model Summary for the Effect of Vertical Integration Strategy on Customers' Performance of State Corporations

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	0.505	.293	.283		.74830

Results from Table 4 revealed that the R value was 0.505, whereas the R Square was 0.293, which indicated a high degree of correlation. The R^2 value indicates how much of the dependent variable, "customers' performance of Commercial State Corporations in Kenya," was explained by the independent variable, "horizontal integration strategy". In this case, 28.3 per cent was the R-

squared, which was fairly large, indicating a high degree of correlation. The high degree of correlation implied that 28.3 per cent of the variation of the dependent variable (Customer performance) of the state corporation was due to changes in the independent variable (Vertical Corporate Strategy).

Table 5: ANOVA between Corporate Strategy and Financial Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.232	1	5.232	9.343	.003 ^b
	Residual	50.955	91	.560		
	Total	56.187	92			

The Predictors: "horizontal integration strategy." The dependent variable: "customers' performance of Commercial State Corporations in Kenya". Table 5 indicated that the regression model predicted the outcome variable significantly with $p=0.003$, which was less than 0.05, and indicated that, overall, the model statistically and

significantly predicted the outcome variable. The implication of this finding was that the data collected for the study had a high correlation between the independent variable (vertical strategies) and the dependent variable (customers' performance).

Table 6: Effect of Vertical Integration Strategy on Customers' Performance

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.767	.492		3.589	.001
	Vertical strategy	.382	.125	.305	3.057	.003

Table 6 shows the results of the analysis of the effect of Vertical Integration Strategy on the performance of commercial state corporations in Kenya. The study established a significant effect of vertical strategy on customers' performance of commercial state corporations in Kenya, $\beta = 0.382$, $p = 0.003 < 0.05$. The results, therefore, indicated that an increase in Vertical Integration Strategy by one (1) unit will lead to customers' performance of commercial state corporations in Kenya by 0.382 multiple units. Based on statistical evidence, it was deduced that the Vertical Integration Strategy had a significant effect on the performance of Commercial State Corporations in Kenya. The finding is also supported by Wanjiru (2016), who used an explanatory design to investigate the contributions of product diversification strategy (independent variable) to firm performance (dependent variable) and found that vertical product diversification improves firm performance,

according to the findings. To improve risk management associated with the diversification process, real estate companies should establish a policy for per-unit cost allocation of diversified products and implement risk management strategies, according to the study.

Effect of Vertical Integration Strategy on Internal Business Process Performance of State Corporations

This section presents the results of the effect of vertical integration strategies on the internal business process performance of Commercial State Corporations in Kenya. In testing the effect of Vertical Integration Strategy on internal business process performance of state corporations, the study used the following Balanced Score Card measures: internal business process performance as the outcome variable against Vertical Integration Strategy as the cause variable.

Table 7: Model Summary for Effect of Vertical Integration Strategy on Internal Business Process Performance of State Corporations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.395 ^a	.156	.147	.72084

Results from Table 7 revealed that the R value was 0.395, whereas the R Square was 0.256, which indicated a high degree of correlation. The R² value indicates how much of the dependent variable, "internal business process performance of Commercial State Corporations in Kenya," was explained by the independent variable, "vertical integration strategy". In this case, 15.6 per cent

was the R-squared, which was fairly large, indicating a high degree of correlation. The fairly large degree of correlation implied that 15.6 per cent variation of the dependent variable (Internal Business Process performance) of the state corporation was due to changes in the independent variable (Vertical Corporate Strategy).

Table 8: ANOVA between Vertical Integration Strategy and Internal Business Process Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.936	1	8.936	17.197	.000 ^b
	Residual	48.323	93	.520		
	Total	57.259	94			

The Predictors: "vertical integration strategy." The dependent variable: "internal business process performance of Commercial State Corporations in Kenya". Table 8 indicates that the regression model predicted the outcome variable significantly with p=0.000, which was less than 0.05, and indicates that, overall, the model statistically and

significantly predicted the outcome variable. The implication of this finding was that the data collected for the study had a high correlation between the independent variable (vertical integration strategies) and the dependent variable (internal business process performance).

Table 9: Effect of Vertical Integration Strategy on Internal Business Process Performance

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.358	.468		2.903	.005
	Vertical strategy	.490	.118	.395	4.147	.000

Table 9 shows the results of the analysis of the effect of Vertical Integration Strategy on internal business process performance of commercial state corporations in Kenya. The study established a significant effect of vertical strategy on internal business process performance of commercial state corporations in Kenya, $\beta = 0.490$, $p = 0.000 < 0.05$. The results, therefore, indicated that an increase in Vertical Integration Strategy by one (1) unit will

lead to internal business process performance of commercial state corporations in Kenya by 0.490 multiple units. Based on statistical evidence, it was deduced that the Vertical Integration Strategy had a significant effect on the internal business process performance of Commercial State Corporations in Kenya. This finding is supported by Oloda (2017), who conducted a study to investigate the contribution of vertical integration to

organisational survival in selected Nigerian manufacturing firms and found a significant relationship between vertical integration and organisational survival, with a focus on the forward and backward integration dimensions.

Effect of Vertical Integration Strategy on Learning, Growth and Development Performance of State Corporations

This section presents the results of the effect of Vertical Integration Strategy on learning, growth

and development strategies performance of Commercial State Corporations in Kenya. In testing the effect of Vertical Integration Strategy on learning, growth and development performance of state corporations, the study used the following Balanced Score Card measures: learning, growth and development performance as the outcome variable against Vertical Integration Strategy as the cause variable. The finding is supported by Oloda (2017)

Table 10: Model Summary for Effect of Vertical Integration Strategy on Learning, Growth and Development Performance of State Corporations

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.361 ^a	.131	.121		.53823

Results from Table 10 revealed that the R value was 0.361, whereas the R Square was 0.131, which indicated a low degree of correlation. The R² value indicates how much of the dependent variable, "learning, growth and development performance of Commercial State Corporations in Kenya," was explained by the independent variable, "vertical integration strategy". In this case, 13.1 per cent

was the R-squared, which was fairly high, indicating a high degree of correlation. The fairly large degree of correlation implied that 13.1 per cent variation of the dependent variable (Learning Growth and Development Performance) of the state corporation was due to changes in the independent variable (Vertical Corporate Strategy)

Table 11: ANOVA between Vertical Integration Strategy and Learning, Growth and Development Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.046	1	4.046	13.966	.000 ^b
	Residual	26.941	93	.290		
	Total	30.987	94			

The Predictors: "vertical integration strategy." The dependent variable: "learning, growth and development performance of Commercial State Corporations in Kenya". Table 11 indicated that the regression model predicted the outcome variable significantly with $p=0.027 < 0.05$, which was greater than 0.05, and indicated that, overall, the model statistically and significantly predicted the outcome variable. The implication of this finding was that the data collected for the study

had a high degree of correlation between the independent variable (learning, growth and development strategies) and the dependent variable (learning, growth and development performance). Based on statistical evidence, it was deduced that the Vertical Integration Strategy had a significant effect on the learning, growth and development performance of Commercial State Corporations in Kenya.

Table 12: Effect of Vertical Integration Strategy on Learning, Growth and Development Performance

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.014	.349		5.765	.000
	Vertical strategy	.330	.088	.361	3.737	.000

Table 12 shows the results of the analysis of the effect of Vertical Integration Strategy on learning, growth and development performance of commercial state corporations in Kenya. The study established a significant effect of Vertical Integration Strategy on learning, growth and development performance of commercial state corporations in Kenya, $\beta = 0.330$, $p = 0.000 < 0.05$. The results, therefore, indicated that an increase in Vertical Integration Strategy by one (1) unit will lead to learning, growth and development performance of commercial state corporations in Kenya by 0.201 multiple units. Based on statistical evidence, it was deduced that the Vertical Integration Strategy had a significant effect on the learning, growth and development performance of Commercial State Corporations in Kenya.

The hypothesis that the vertical integration strategy has no significant effect on the performance of Commercial State Corporations in Kenya was rejected. This was based on a statistical test that established a significant effect of vertical integration strategy on financial, customer, internal business process and learning, growth and development performance of Commercial State Corporations in Kenya. The researcher therefore concluded that the vertical integration strategy had a significant effect on the financial performance of commercial state corporations in Kenya.

CONCLUSION AND RECOMMENDATIONS

Conclusion: Effect of Vertical Integration Strategy on Performance: Financial Performance: The study found a significant effect of vertical integration strategy on the financial performance of commercial state corporations. Statistical evidence indicated a significant impact. Customer Performance: The study also established a significant effect on customer performance.

Statistical evidence demonstrated this significant impact. Internal Business Process Performance: The study identified a significant effect on internal business process performance. Statistical evidence confirmed this significant impact. Learning, Growth, and Development Performance: The study established a significant effect on learning, growth, and development performance. The hypothesis HO3, stating that the vertical integration strategy has no significant effect on performance, was rejected based on statistical tests showing significant effects on financial, customer, internal business process, and learning, growth, and development performance.

Recommendations: It was established that horizontal and vertical integration strategies had a significant effect on the performance of state corporations in Kenya. The study recommends that commercial state corporations should streamline and update regulations to facilitate horizontal integration activities among commercial state corporations while ensuring fair competition and consumer protection. The corporations should develop policy to ensure that the horizontal integration efforts align with the overall strategic objectives of the government and respective commercial state corporations. This alignment should prioritise sectors where integration can create synergies, improve efficiency, and enhance service delivery. A policy guideline should be developed to ensure collaboration with competition authorities to ensure that horizontal integration activities comply with antitrust laws and regulations. Proactively address any concerns related to market concentration, monopolistic behaviour, or anti-competitive practices to maintain a level playing field. The moderating impact of strategic plan implementation on the correlation between corporate strategies and the



performance of Kenya's Commercial State Corporations was evaluated in this study. An analysis comparing the relationship between corporate strategies and performance of Kenyan listed government-owned companies and Commercial State Corporations, with a focus on the moderating effect of strategic plan implementation. This will make it clearer which

class of government-owned business uses corporate strategies and the execution of strategic plans to improve performance. The study's conclusions will produce the data required for these organisations to share knowledge and explore corporate strategies and the execution of strategic plans as performance drivers.

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