



THE MODERATING ROLE OF REGULATORY FRAMEWORK ON THE RELATIONSHIP BETWEEN CORPORATE CULTURE AND PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

Eddah Cheruiyot¹, Prof. Peter Kithae², Dr. James Mwikya³

^{1&2}Management University of Africa, P.O Box 29677-00100, Nairobi Kenya

³Kirinyaga University, P.O Box 143-10300, Kerugoya, Kenya

ABSTRACT

The objective of this study was to establish the moderating role of regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya. The study was anchored on the Denison cultural model and Shareholders Theory. The target population for this study will be all thirty two (32) commercial state corporations in Kenya as of 30th June 2023 which is the latest data published state corporations advisory committee. The study adopted a census to meets its objectives. The unit of observation in this study was one hundred and ninety two (192) respondents where primary data was sourced through a questionnaire from six respondents who are top managers at the Kenya commercial state corporations. The study results demonstrate the correlation coefficient (R) of 0.820, indicating a stronger positive relationship when the interaction term the product of corporate culture and regulatory framework is included in the model. This enhanced relationship is reflected in the R-Squared (R²) value of 0.672, which shows that approximately 67.2% of the variance in organizational performance can be explained by the model. The study concludes that the regulatory framework plays a moderating role in the relationship between corporate culture and the performance of commercial state corporations in Kenya. Specifically, the study found that the direct effect of corporate culture on performance is not significant on its own; instead, its positive influence is contingent upon a supportive regulatory environment. This means that a robust corporate culture alone is not sufficient to drive performance and must be complemented by an enabling regulatory framework to be effective. The study recommends that the positive effect of corporate culture is contingent upon a supportive regulatory framework, commercial state corporations must actively engage with policymakers and regulatory bodies. They should advocate for and collaborate on the development of policies that provide a conducive and enabling environment for innovation, efficiency, and organizational growth. A supportive framework will enhance the impact of internal cultural initiatives and is a key driver of success in its own right.

KEYWORDS: Corporate Culture, Regulatory Framework Performance, Commercial State Corporations

I. INTRODUCTION

According to Groysberg et al., (2018), Leadership goes hand-in-hand with strategy formation, and most leaders understand the fundamentals. Culture, however, is a more elusive lever, because much of it is anchored in unspoken behaviors, mindsets, and social patterns (Groysberg et al., 2018). For better and worse, culture and leadership are inextricably linked. Culture is the tacit social order of an organization: It shapes attitudes and behaviours in wide-ranging and durable ways. Cultural norms define what is encouraged, discouraged, accepted, or rejected within a group. When properly aligned with personal values, drives, and needs, culture can unleash tremendous amounts of energy toward a shared purpose and foster an organization's capacity to thrive (Nikpour, 2017).

State Corporations (SCs) offer critical services to industry and the general public. When things go well, they may create a stable foundation for economic and social growth, make considerable contributions to state finances, and serve as an essential instrument for implementing government programmes. When things go wrong, they may cause a massive financial and political burden. As a result, the public is often interested in how SCs perform. From the state's perspective, maximizing SCs performance is a goal of overriding importance. One of the most important factors driving SCs performance is the corporate culture. Studies on State corporations' performance show that a strong corporate culture translates into better results, while weak corporate culture is often at the root of many of the performance problems typically associated with state ownership (Mansi, 2021). Corporate culture can be viewed as the unique pattern of shared values, attitudes, rituals, beliefs, norms,



expectations, socialization, and assumptions of employees in the organization (Meduoye, & Meduoye, 2019). Corporate culture is often equated with the personality of the organization, depicting employee behaviour even when they are not instructed on what suggests that corporate culture exerts a considerable influence on organizational behaviour, especially in the areas of efficiency, effectiveness, and commitment. This means that by developing an appropriate corporate culture, organizations can achieve success.

The performance of firms in Africa is influenced by the African setting in a way that differs from other contexts, notably the Western context (Michalopoulos & Papaioannou, 2013). In her study, Beatrice (2014) examined how organisational culture affects public health organisation performance at the Ocean Road Cancer Institute in Tanzania. The study found that task organisation characteristics such as encouraging employee decision-making, giving clear roles and duties, and offering interesting and challenging work improved organisational performance. Kamugisha (2018) examined change management in an organisational environment at the National University of Rwanda. Specifically, this study examined how change management affects the National University of Rwanda's organisational culture. The study's themes—change management and its effects on organisational structure, culture, and leadership—were used to synthesise survey and secondary data. The study found that the institution's management faced strong pushback from staff due to the University's organisational culture. The studies also showed that cultural issues hindered organisational performance by hindering performance contracting implementation in the institution. Broadly, “culture” is perceived as socially and generationally transferred. It consists of the customary, value-related, traditional, religious and behavioural patterns of a particular set of people and is known as the essential root of behaviour and it forms the components of social order (Bulley et al., 2017). For instance, the culture in West African regions (Ghana, Cameroun, Liberia, Benin, Nigeria, etc.) is often described as less egalitarian, more religious, and more collectivist (Ferguson et al., 2008).

According to Beth Williams (2021), Culture is the softer human element of business. It is how people think and feel their internalized values and beliefs. It follows that what blocks organizations from innovative success are human traits that resist experimentation and change. Indeed, at this time that has been renamed the age of changing, achieving performance excellence through traditional methods of management is not possible, and organizations are forced to use the new managerial approaches (Taslami, 2015). Therefore, to achieve high performance of organization, it is necessary to identify the factors affecting organizational performance. In this regard, the studies have revealed that among the factors that can be effective on organizational performance are the company's Corporate Culture and employee's organizational commitment (Irefin & Mechanic, 2014). The current study will examine the relationship between organisation culture and performance in the Kenyan public sector in a commercial state corporation context.

According to Clune and Zehnder (2018), law and governance are important pillars to advance sustainability solutions within institutional settings. Unfortunately, sustainability is hardly an ongoing concern in the legal framework in Kenya particularly for the construction sector, and much of the sustainability initiatives are based on voluntary uptake (Onkangi & Getugi, 2020). This implies that effects of moderation of regulatory framework in the relationship between innovation practice and organisation performance may not be significant until there exists a holistic integration of sustainability related policies and laws within the key sectors in Kenya. The world bank report (2021) on Corporate Governance and Fiscal Risks of Kenya's State Corporations, recommends the strengthening of the performance of Kenya's commercial State Corporations through; strengthening the legal framework and institutional structure; improving performance monitoring; and enhancing controls and transparency of State Corporations' operational performance and relations with the government. This study will therefore interrogate these three priorities of commercial State Corporations reform strategy areas under regulatory framework variable since the commercial State Corporations are purely owned by the Kenyan Government and its government's mandate to institute regulatory framework and structures to achieve the objectives of the three commercial State Corporations reform priority areas.

Organization performance has been defined as the capability of firm to accomplish its goals and objectives with the help of talented administration, good governance and have a constant rededication to accomplish business objectives (Mahapatro, 2013). According to Ramanujan and Venkatraman (1986), performance is often categorised as operational, financial, and organisational effectiveness. According to Sun et al. (2007), organisational performance is defined as customer and staff satisfaction. Similarly, as Kaplan and Norton (2005) noted, organisational success is determined by a corporation's ability to utilise its assets to foresee the long future. Individual engagement in the organisation moulds all practises connected to organisational objectives, which affects organisational success (Tseng & Lee, 2014). The degree to which a certain aim is achieved is referred to as organisational performance. Achievement may result in the attainment and effectiveness of a certain aim (Abu-



Jarad et al. 2014). According to Hussain et al. (2018), organisational performance is related to a company's success and innovativeness. Lusthaus et al. (2002) define organisational performance as four factors: efficiency, effectiveness, financial viability, and organisational relevance.

1. Statement of the Problem

In Kenya's government Vision 2030, commercial state corporations remain strategic to the socio-economic development of the country and the government intends to use state corporations to achieve the objectives of transforming Kenya into a "newly industrializing, middle income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment. World Bank report (2021), posit that commercial State Corporations revenues account for an average of 14 percent of Gross Domestic Product (GDP) in Sub-Saharan Africa (SSA) against 3.5 percent in Kenya. In some small, less diversified, or resource dependent countries, such as Seychelles, Angola, or Lesotho, state corporations revenues average to 30 to 40 percent of GDP (Andreas, et al. 2021). The weakening aggregate performance of commercial state corporations, even before COVID-19, is visible in declining profitability ratios, such as the return on equity, return on assets and net profit margin. Kenya's commercial state corporations net profits fell by half in FY2018/19, indicating pre-existing financial performance challenges which were only exacerbated by COVID-19 (World Bank report 2021). In the FY2019/20 commercial SCs made losses of Ksh 9,484million, the aggregate operational performance, revenue and net profits of commercial SCs turned negative for the first time in recent years. This continued under performance has negative implication on the welfare of Kenyan Citizens on socio-economic development and may also lead to Kenya's Vision 2030 not achieved.

According to Fiebelkorn, Owuor, and Nzioki, (2021) commercial state corporations' operate in a dynamic and competitive environment with privately owned organisations on commercial principles to perform a strategic function profitably, are generally self-financing and sustaining, except in financing investment for public policy objectives; and are accountable to all stakeholders and the public through the relevant departmental and oversight committees of Parliament. Commercial state corporations have the ability to contribute more positively to the Kenyan economy than is currently the case through the practice of innovations to survive in a rapidly changing business environment and spur organisational performance.

1.1 Research Specific Objectives

- i. To determine the moderating role of regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya.

II. LITERATURE REVIEW

2.1 The Denison Culture model

It was created by Daniel Denison in the 1980s, and since then, it has grown to become one of the cultural models that is used all over the globe the most. Denison Culture model has created a widely used and practically relevant model that demonstrates in a clear and concise manner the connection that exists between the culture of an organisation and its level of productivity. The model is based on four fundamental aspects of organisational culture, namely engagement, consistency, flexibility, and purpose (Denison, 1980). Within these four categories, there are three sub-groups for each of the fundamental aspects.

As a direct consequence of this, a model that illustrates the connection between organisational culture and productivity and that includes twelve (12) distinct aspects of organisational culture has been developed. In this model, the effectiveness of an organisation's activity is evaluated based on a number of different factors, including a rise in trade volume, a larger proportion of the market, increased profitability, the creation of new services and products, the quality of those services and goods, the level of employee satisfaction, and the overall efficiency of the organisation. As a direct consequence of this, the Denison model of organisational culture has emerged as one of the most prominent contenders for the position of most popular model for the examination of organisational culture. Denison exemplifies how the organisation's effectiveness, flexibility, consistency, engagement, and purpose are mutually influenced by the four cultural variables (Denison, Hooijberg, Lane & Lief, 2012).

2.2 The New Public Management Theory

The New Public Management (NPM) theory was proposed by Hood (1991) in the 1980s and 1990s whilst arguing for their configuration of the public sector along more cost efficient (and effective) lines. New Public Management theory asserts the superiority of private managerial techniques over those of public administration and has the assumption that the adoption of private sector practices would lead to improvements in the efficiency and effectiveness of public services. It further recommends that the public sector should be opened up to greater private



sector influence. The relevance of New Public Management (NPM) to the study of corporate culture, innovation practices, regulatory frameworks, and performance in commercial state corporations in Kenya is significant, as NPM provides a comprehensive framework for understanding how these corporations can adopt private sector principles to enhance efficiency and accountability while still fulfilling their public service mandates. By examining how NPM principles can be integrated into the governance of state corporations, researchers can explore the impact of corporate culture on innovation practices and how regulatory frameworks can support or hinder these efforts. For instance, the integration of NPM principles can lead to a more entrepreneurial culture within state corporations, encouraging innovation and responsiveness to market demands, and this shift can be particularly important in the Kenyan context, where state corporations play a crucial role in economic development and service delivery.

Furthermore, NPM's emphasis on performance measurement aligns with the need to evaluate the effectiveness of state corporations in delivering services and achieving financial sustainability, and by focusing on measurable outcomes, state corporations can better assess their impact on the communities they serve and make informed decisions to improve service delivery. Additionally, the regulatory frameworks in place can either facilitate or obstruct the implementation of NPM principles, making it essential to understand how these frameworks interact with corporate culture and innovation practices to identify barriers to effective governance and performance. For example, overly rigid regulations may stifle innovation, while supportive policies can empower state corporations to adopt more flexible and responsive management practices, highlighting that this theoretical lens is crucial for analyzing the balance between profit maximization and public service obligations, which makes it a vital component of the study. In summary, New Public Management offers valuable insights into the dynamics of public sector reform and its implications for the performance of commercial state corporations in Kenya, emphasizing the need for a careful balance between efficiency, accountability, and social responsibility. By leveraging NPM principles, state corporations can enhance their operational effectiveness while remaining committed to their public service roles, ultimately contributing to the broader goals of national development and social equity.

2.3 Shareholders Theory

Shareholder Theory, also known as the Friedman Doctrine, was formally conceptualized in 1970 by economist Milton Friedman in his seminal essay "The Social Responsibility of Business is to Increase its Profits," published in *The New York Times Magazine* (Friedman, 1970), and the theory's roots can be traced to classical economic theories, particularly those of Adam Smith, who emphasized the role of self-interest in economic activities (Friedman, 2009). Shareholder Theory posits that the primary responsibility of a corporation is to maximize profits for its shareholders, emphasizing that corporate executives, as agents of shareholders, must focus solely on increasing shareholder value while operating within legal and ethical boundaries (Friedman, 1970), and this perspective views the corporation as a nexus of contracts among various stakeholders, with shareholders being the most critical due to their role as residual claimants—the last to receive any financial returns after all other obligations have been met (Meckling & Jensen, 1976). Friedman (1970) argued that the social responsibility of business is to increase its profits, asserting that any diversion of corporate resources towards social causes, without shareholder consent, effectively amounts to spending someone else's money, and this view aligns with the agency theory, which posits that managers are obligated to act in the best interests of shareholders, thereby prioritizing profit maximization as the primary goal of corporate governance (Jensen & Meckling, 1976). The implications of Shareholder Theory have been profound, influencing corporate practices and governance structures, particularly in the context of executive compensation and performance metrics, which are often tied to shareholder returns (Bower & Paine, 2017).

Shareholder Theory is particularly relevant to the study of commercial state corporations in Kenya for several reasons, as it provides a framework for understanding the complex dynamics between profit maximization and public service obligations, with organizational structure impact being one of the key areas where Shareholder Theory helps analyze how state corporations balance profit maximization with their public service obligations, allowing researchers to explore how the organizational structure of these corporations influences their ability to meet both financial goals and societal needs (Riany, 2021), and understanding this balance is crucial, as it can reveal the effectiveness of governance structures in promoting both profitability and service delivery. Additionally, in terms of performance measurement, the theory offers metrics for evaluating the financial performance of state corporations, which is essential for assessing their operational efficiency, and by focusing on shareholder value, researchers can examine how capital structure affects organizational performance, providing insights into the financial health of these entities (Riany, 2021), making this performance measurement vital for identifying areas of improvement and ensuring that state corporations can sustain their operations without



excessive reliance on government funding. Furthermore, regulatory framework analysis is another area where Shareholder Theory assists in understanding how regulatory environments influence corporate governance in Kenya, providing insights into how state corporations can balance shareholder interests with public service mandates, particularly in a regulatory landscape that may prioritize different stakeholder needs (Riany, 2021), which is crucial for evaluating the effectiveness of existing regulations and identifying potential reforms that could enhance corporate governance. The theory also plays a significant role in examining innovation and corporate culture, helping to assess how a profit-oriented culture influences innovation practices within state corporations, and by understanding the relationship between shareholder returns and innovation investments, researchers can determine whether a focus on profit maximization stifles or encourages innovation (Riany, 2021), which is particularly relevant in a rapidly changing economic environment where innovation is critical for competitiveness. Lastly, in the context of reform, Shareholder Theory is relevant to ongoing reforms in Kenyan state corporations, as it provides a framework for evaluating the effectiveness of current governance structures, and as the government seeks to improve the performance and efficiency of these corporations, understanding the principles of Shareholder Theory can help identify best practices and areas for reform (Riany, 2021), with this relevance being heightened by the need for state corporations to operate effectively while fulfilling their public service mandates. The significance of Shareholder Theory in this context is particularly pronounced given Kenya's current focus on enhancing the performance and efficiency of state corporations while maintaining their public service obligations, and by applying this theoretical framework, researchers can analyze how these organizations can effectively balance profit maximization with their broader societal responsibilities, making it a crucial component of the study.

2.3 Corporate culture, regulatory framework and organisational performance

The study by Ibrahim, Mahmood and Bakar (2018), undertook a study to explore the strategic improvisation and higher education institutions performance: the moderating role of Corporate Culture. A total of 229 questionnaires were filled and returned by academic leaders from higher education institutions in Kano state, Nigeria. The study used partial least squares path modeling to test the hypotheses postulated. The major findings indicate that both strategic improvisation and Corporate Culture dimensions have direct relationship with higher education institutions performance. However, only innovative culture moderates the relationship between strategic improvisation and higher education institutions, while bureaucratic culture and supportive culture fail to support the proposed hypothesis. More studies are needed to further validate the impact of strategic improvisation (SI) on other public sector performance. Also, future studies should use longitudinal approach to establish at which stage SI has more impact on performance. The current study will assess the moderating role of regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya.

The extant study by Arokodare, Asikhia and Makinde (2020) investigated the relationship between information technology capability and market share as well as the moderating effect of organisational culture on the relationship between information technology capability and performance of oil and gas marketing companies in Lagos State, Nigeria. The study employed survey research design. The target population comprised 515 oil and gas marketing and retail outlets operating in Lagos State, Nigeria. A total enumeration technique was adopted. Findings revealed that there is a significant and positive relationship between information technology capability and market share and also organisational culture significantly moderate the relationship between information technology capability and market share of oil and gas marketing companies in Lagos State, Nigeria. The study concludes that there is relationship between information technology capability and market share. Also, organisational culture moderates the relationship between information technology capability and market share. It is recommended that oil and gas marketing companies should evolve dynamic business models that will enhance adoption of information technology capability and organisational culture flexibility in order to achieve the advantage of larger market share. The current study will assess the moderating role of regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya.

The study by Oketch, Kilika and Kinyua (2020) examined the moderating effect of the legal environment on the relationship between top management team characteristics and organizational performance of the independent regulatory agencies in Kenya. To achieve this objective, the study adopted descriptive cross-sectional research design. The target population of the study was all the twenty-three state regulatory agencies currently existing in Kenya. Due to the uniqueness of each independent regulatory agency and the distinct roles played by each top management team member in their organization, the study adopted a census survey of all the top management team members in all the twenty three state regulatory agencies in order to capture the required information. Primary data was gathered using structured questionnaire administered through drop and pick later method. Descriptive statistics was then used to summarize the survey data into percentages, frequencies, means and



standard deviations. Whisman and McClelland model was used to test for the moderation. The findings of the study showed that legal environment has significant moderating effect on the relationship between top management team characteristics and performance of the independent regulatory agencies in Kenya. The study recommends that the independent regulatory agencies should have stable funding mechanism so as not to rely on the parent ministries or exchequer support for them to be financially independent in executing their mandates. The current study will assess the moderating role of regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya.

In a study conducted in 2019, Odero, Egessa, and Oseno (2019) examined the moderating influence that legal considerations have on the link between strategic leadership practises and performance of Deposit Taking SACCOS in Kenya. It was decided to go with a descriptive correlation design. The population of the research was comprised of 42 DTS in Nairobi County, and 168 individuals were targeted as responders. Both closed-ended questionnaires and an interview guide were used in the data collection process. 126 top managers were given questionnaires to fill up, and interviews were conducted with 12 randomly selected CEOs. The CEOs were chosen for the sample at random. Pearson's product moment correlation, hierarchical multiple regression, and content analysis were the methods that were used while doing the data analysis. According to the findings, the role that legal variables had in modulating the association between strategic leadership practises and performance of Deposit Taking SACCOS in Kenya was substantial. According to the findings of the research, strategic leaders have to have an awareness of legal aspects in order to generate improved organisational performance. The current study will assess the moderating role of regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya.

III. RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

A research design is the program that guides the investigation of the research in collection, analysis and interpretation of observations made (Cresswell, 2008). It is a logical model of proof that allows inferences to be drawn concerning causal effect relations between the variables under investigation. It also defines the domain of generalization to a larger population or to different situation, (Mitchell & Jolley, 2012). Research design can also be thought of as the structure of research. It is the glue that holds all of the elements in a research project. This research adopted cross-sectional survey design since it can be used to identify correlations between variables, which can lead to further research to investigate the effect and causal relationships (Cooper & Schindler, 2006). In a cross sectional study, all the measurements for a sample member are obtained at a single point in time, Cross sectional survey has been used in similar previous studies by Ongeti (2014), Njoroge (2015) and Mkalama (2018). The cross-sectional survey design is adopted for this study because it helped provide answers to the research question of how and to what extent corporate culture influences performance of commercial state corporations in Kenya, and how this is mediated by innovation practice and moderated by the regulatory framework.

3.2 Target Population

Zhao, Cai, Claggett and Wei (2013) defined target population as a collection of individual elements which may be finite or infinite. Kombo and Tromp (2009) define the target population as a grouping of persons, entities or articles from which samples are taken for measurement. The target population for this study consisted of all thirty two (32) commercial state corporations in Kenya as of 30th June 2023. This study adopted a census since the population was drawn from all the 32 commercial state corporations.

3.3 Sample Frame and Sampling Technique

A sample is a subset drawn from a population using a defined procedure (Saunders, Lewis, Thornhill & Bristow, 2015). This study adopted a census to meet its objectives by focusing on all the thirty two (32) commercial state corporations in Kenya. The unit of observation in this study represented the respondents was one hundred and ninety two ($192=32*6$) where primary data will be source from six (6) respondents who comprised of Chief Executive Officers, Head of Finance/Accounts, Head of Human Resource Management and Development, Head of Information and Communications, Head of Operations and Head of Marketing. The respondents from each commercial state corporation category was selected using purposive sampling technique (Afifah, & Daud, 2018.) to enable get key and rich information on corporate culture, innovation practice, regulatory framework and performance of commercial state corporations in Kenya.

3.4 Data Collection Instruments and procedures

According to Cooper and Schindler (2006) the use of structured questions on the questionnaire allows for uniformity of responses to questions. The structured question was in form of a five point Likert type scale,



whereby respondents were required to indicate their views on a scale of 1 to 5. Only Six (6) key respondents were selected from each commercial and respective regulatory state corporation to ensure reliability, objectivity and consistency of data. The six (6) are the, Chief Executive Officers, Head of Finance/Accounts, Head of Human Resource Management and Development, Head of Information and Communications, Head of Operations and Head of Marketing. These six are likely to articulate all issues as per the objectives of the study.

3.5 Pilot Testing

This study utilized 6% of the target population for the pilot study. Specifically, three licensed A pilot test is an investigation which is carried out on a small group of respondents to make sure the questions being asked in the questionnaire are reliable (Marczyk, DeMatteo & Festinger, 2005). The objective of a pilot test is largely to test run the questionnaire and make use of the responses given to refine it for the main research (Muus & Baker-Demaray, 2007). Furthermore, it detects and addresses weaknesses in the research design and instrumentation as well as difficulties that may be encountered before administering the questionnaire to the targeted respondents. The questionnaire of this study was therefore pretested to ensure clarity and information validity prior to being administered.

Ravitch and Riggan (2012) posited that pilot testing builds on the questionnaire to limit problems in answering the questions by the respondents. For high precision and due to time, cost and practicality of the pilot study, 1% to 10% of the sample size is preferred for pilot test (Arain, Campbell, Cooper & Lancaster, 2010). In this study 5% of the sample size were adopted for pilot test. Using Denison's validated questionnaire, a pilot testing carried out on the instrument using 10 respondents (5% of sample size) from two commercial state corporations that were randomly selected. The 12 respondents will not be included on the final study.

3.5.1 Reliability

Reliability denotes the degree to which a scale can reproduce the same measurement results in repeated trials (Bajpai & Bajpai, 2014). This study used the Cronbach alpha (α) to determine the measuring instruments' reliability. Generally, Cronbach's alpha is the widely utilized measure for checking reliability, especially when studies address multiple Likert-type of scale in research (Tavakol & Dennick, 2011). A computed alpha coefficient varies between 1 (denoting perfect internal reliability) and 0 (denoting no internal reliability). Higher alpha coefficient values therefore infer that the scales are more reliable (De Vaus, 2002; Kipkebut, 2010). While there is no consensus among researchers concerning the adequate value of reliability, as a rule of thumb, the widely acceptable Cronbach alpha coefficient should be 0.70 or above (Cooper & Schindler, 2014). The results of the reliability tests are summarized in table 1.

Table 1: Reliability results

Variable	Number of Items	Cronbach Alpha
Corporate Culture	28	0.911
Regulatory Framework	16	0.824
Organisational performance	20	0.936

The analysis revealed that the Cronbach's alpha coefficient for Corporate Culture was 0.911, Regulatory Framework at 0.824 and organizational performance at 0.936. These coefficients indicate that the items within each respective variable construct are consistent and aligned with the same underlying dimension. Overall, the results demonstrate that all constructs achieved high reliability coefficient scores, suggesting that each variable possesses a reliable index measure. This indicates that the instrument used for data collection is dependable and suitable for the research purposes.

3.5.2 Validity

Validity refers to the approximate truth of an inference or knowledge claim of a relationship based on evidence that supports an inference as being true or correct (Shadish, Cook & Campbell, 2002). According to Leedy and Ormrod (2010), validity is the capability of a study tool to gauge what it is supposed to measure. The questionnaire to be used in this study, known as the Denison's questionnaire, has undergone a rigorous validation procedure to establish its face and content validity. As a result, it has been standardised for use in research. The Denison Organisational Culture Survey (DOCS) has been used in several national settings, including the United States, Russia, Europe, the Middle East, Africa, and Asia (specifically Hong Kong), as shown by research conducted in these regions. Denison and his consulting business, which is situated in the United States, have extensively used the aforementioned instrument in many organisations like Daimler Chrysler, Norsk Hydro, Clariant, Danfoss,



Swiss Re, IKEA, Roche, Shell, UBS, and Credit Suisse. According to McBurney (1994), face validity refers to the superficial appearance of a test aligning with its intended purpose, while content validity pertains to the extent to which a test adequately covers the range of behaviours associated with the theoretical concept being assessed. The test for construct validity was evaluated using the Kaiser Meyer Olkin (KMO) & Bartlett Test of Sphericity (Othman et al., 2019). This test checks the null hypothesis that the original correlation matrix is an identity matrix (Thao et al., 2022). The results of these tests are presented in Table 2, demonstrating the appropriateness of the data for further analysis.

Table 2: Summary of KMO and Bartlett's Test

Variable	KMO	Bartlett's Test of Sphericity		
		Chi-Square (χ)	Df	Sig. Level
Corporate Culture	.526	2813.011	300	.000
Regulatory Framework	.487	3405.844	136	.000
Organisational performance	.836	3798.781	171	.000

The findings demonstrate that factor analysis was appropriate, as the Kaiser-Meyer-Olkin (KMO) index exceeded the threshold of 0.4. The specific KMO values for each variable were as follows: Corporate Culture (KMO = 0.526, Chi-square (χ) = 2813.011, df = 300, and significance level = 0.000); Regulatory Framework (KMO = 0.487, Chi-square (χ) = 3405.844, df = 136, and significance level = 0.000) and Organizational Performance (KMO = 0.836, Chi-square (χ) = 3798.781, df = 171, and significance level = 0.000). The p-value from Bartlett's Test of Sphericity was 0.000, which falls within the acceptable range for assessing the significance and validity of the data. This result indicates that there is a significant relationship among the variables being studied. The statistical analysis revealed that all KMO scores were substantial, each exceeding 0.50, which signifies that the items included in the analysis were valid and suitable for further statistical procedures, including factor analysis, regression analysis, and other relevant statistical tests.

3.6 Diagnostics Tests

Diagnostic tests were carried out by the researcher before the multiple regression analysis. Testing statistical issues and ensuring adherence to the classical linear regression model (CLRM) was beneficial. Homoscedasticity, multicollinearity, normality and linearity diagnostic tests were adopted. These techniques were used to make sure that drawn conclusions do not violate any of the multiple regression analysis's assumptions.

3.7 Model for the Study

To determine the moderating effect of regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya. The following steps was followed:

$$Y = \beta_0 + \beta_1 CC + e \dots \dots \dots (i)$$

$$Y = \beta_0 + \beta_1 CC + \beta_2 RF + e \dots \dots \dots (ii)$$

$$Y = \beta_0 + \beta_1 CC + \beta_2 RF + \beta_3 CC * RF + e \dots \dots \dots (iii)$$

Where: CC is corporate culture; RF is Regulatory Framework; β_0 is constant (intercept)

β_1 , β_2 and β_3 are coefficient parameters to be determined; Y is performance of commercial state corporations; e is error/disturbance

Check change in R² when interaction term is introduced.

Y is performance of commercial state corporations

If by introducing interaction term, (CC*RF) the effect of CC and RF become insignificant, then moderation has occurred. If by introducing interaction term, (CC*RF) the effect of CC and RF remain significant, then moderation has occurred and enhancing /buffering effects are also significant.

IV. RESEARCH FINDINGS AND DISCUSSIONS

4.1 Demographic Characteristics

The results in table 3 shows respondents years worked in the organisation were 4.5% of the respondents indicated they had worked for the organisation below 1 year, while 12.8% indicated that they had worked between 1-5 years. Those who had worked for 6-10 years were 24.6% and those who worked between 11-15 years were 31.3% and finally those with work experience for over 15 years were 26.8%. This is a clear indication that majority of the respondents were significantly experienced and worked for many years in the commercial state corporations in Kenya. The predominance of long-serving employees suggests that while there is a wealth of experience, there may also be challenges in adapting to new regulatory frameworks and innovative practices. Organizations may benefit from fostering an environment that encourages knowledge sharing and collaboration between experienced employees and newer staff to enhance innovation.

Table 3: Demographic characteristics

Demographic Profile		Percentage
Years worked in the organisation.	Less than 1 year	4.6
	1- 5 years	12.8
	6 – 10 years	24.6
	11 - 15 years	31.3
	Over 15 years	26.8
Level of Education	Diploma	15.6
	Bachelor’s Degree	57.5
	Master’s Degree	24
	Doctorate or PhD	2.8

The results provide a clear picture of the educational qualifications of staff within commercial state corporations, highlighting the distribution of academic achievements among employees. The majority, 57.5%, of the workforce holds a bachelor's degree as their highest qualification. This indicates that undergraduate education forms the backbone of the workforce, suggesting that most roles within these corporations require a foundational level of academic knowledge and skills typically associated with bachelor's degree holders. A smaller but significant proportion, 24%, of the respondents have attained a master's degree. This group likely represents employees with advanced expertise and specialized knowledge, which could contribute to strategic decision-making and innovation within the corporations. However, only 2.8% of the staff hold a PhD, indicating that highly specialized or research-oriented roles are relatively rare. This could reflect a limited focus on research-intensive activities or a need for further investment in fostering advanced academic qualifications among employees. Additionally, 15.6% of the workforce holds a diploma qualification, which suggests that a notable portion of employees are equipped with practical or technical training. These individuals likely play a critical role in operational and technical tasks, supporting the day-to-day functioning of the corporations.

4.2 Hypothesis Testing

4.2.1. Corporate culture, Regulatory framework and performance of commercial state corporations

The objective of this study aimed to assess the moderating role of the regulatory framework on the relationship between corporate culture and performance of commercial state corporations in Kenya. This objective was pursued by testing the hypothesis $H0_1$, which states that regulatory framework has no moderating role on the relationship between corporate culture and performance of commercial state corporations in Kenya. To evaluate this null hypothesis, a hierarchical multiple regression analysis was employed. The moderation effect was examined using the linear regression capabilities in SPSS version 28, following the methodology established by Baron and Kenny (1986). This process involved analyzing the regression relationships among corporate culture, Regulatory Framework, and performance of commercial state corporations in Kenya. The regression analysis was conducted in a hierarchical manner; specifically, an interaction term—derived from the product of corporate culture and Regulatory Framework was included as an additional predictor in the model. The hierarchical regression models utilized in this analysis are elaborated upon in the following sections. These findings are presented in table 4, table 5 and table 6.

Table 4: Model Summary corporate culture, Regulatory Framework and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.807 ^a	.652	.648	.38164	.652	164.705	2	176	.000
2	.820 ^b	.672	.667	.37134	.020	10.897	1	175	.001

a. Predictors: (Constant), corporate culture and Regulatory Framework

b. Predictors: (Constant), corporate culture and Regulatory Framework, Interaction Term

In Model 1, the correlation coefficient (R) is 0.807, indicating a strong positive relationship between the predictors— corporate culture and regulatory framework—and the dependent variable, organizational performance. This high R value suggests that the model accounts for a significant portion of the variance in performance. Specifically, the R-Squared (R^2) value of 0.652 indicates that approximately 65.2% of the variance in organizational performance can be explained by these two factors, highlighting their critical role in influencing



performance outcomes. Furthermore, the Adjusted R-Squared (Adjusted R^2) value of 0.648 adjusts the R-squared for the number of predictors in the model, providing a more precise measure of the model's explanatory power. The slight decrease from the R-squared value indicates that the model is well-specified and not overfitting the data.

In Model 2, the correlation coefficient (R) increases to 0.820, indicating an even stronger positive relationship when the interaction term—the product of corporate culture and regulatory framework—is included in the model. This enhanced relationship is reflected in the R-Squared (R^2) value of 0.672, which shows that approximately 67.2% of the variance in organizational performance can be explained by the model, marking an increase from Model 1. This suggests that the interaction between corporate culture and the regulatory framework significantly enhances the understanding of performance outcomes. Furthermore, the Adjusted R-Squared (Adjusted R^2) value of 0.667 remains close to the R-squared value, indicating that the model is still well-specified and that the addition of the interaction term contributes meaningfully to the overall model. The change statistics reveal that the R-squared change of 0.020 signifies that the interaction term adds a small but significant amount of explanatory power, while the F-change statistic of 10.897, with a significance level of 0.001, confirms that the inclusion of the interaction term significantly improves the model's fit. The study demonstrates that corporate culture and regulatory framework are significant predictors of performance, with the regulatory framework playing a moderating role. Model 2, which incorporates the interaction term, provides a more comprehensive understanding of the dynamics between these variables. The statistical significance of the findings supports the hypothesis that regulatory frameworks enhance the relationship between corporate culture and performance, offering actionable insights for improving organizational effectiveness in commercial state corporations in Kenya.

Table 5: ANOVA for corporate culture, Regulatory Framework and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.977	2	23.989	164.705	.000 ^b
	Residual	25.634	176	.146		
	Total	73.611	178			
2	Regression	49.480	3	16.493	119.611	.000 ^c
	Residual	24.131	175	.138		
	Total	73.611	178			

a. *Dependent Variable: Organisational Performance*

b. *Predictors: (Constant), corporate culture, Regulatory Framework*

c. *Predictors: (Constant), corporate culture, Regulatory Framework, Interaction Term*

According to the ANOVA table 5, in the Model 1 ANOVA analysis, the Regression Sum of Squares is 47.977, indicating the variation in organizational performance that can be explained by the predictors, which are corporate culture and the regulatory framework. A higher regression sum of squares signifies that the model accounts for a significant portion of the variance in performance. The F-statistic is calculated to be 164.705, which tests the overall significance of the regression model; this exceptionally high F-value suggests a robust relationship between the predictors and the dependent variable, organizational performance. Furthermore, the significance level (Sig.) is 0.000, indicating that the regression model is statistically significant. This p-value confirms that at least one of the predictors—either innovation practices or the regulatory framework—has a significant effect on organizational performance.

In the Model 2 ANOVA analysis, the Regression Sum of Squares is 49.480, reflecting an increase compared to Model 1. This increase indicates that the addition of the interaction term—the product of corporate culture and the regulatory framework—has enhanced the model's explanatory power. The F-statistic for this model is 119.611; although this value is lower than that of Model 1, it still signifies a strong relationship between the predictors and the dependent variable, organizational performance, confirming that the model remains significant. Furthermore, the significance level (Sig.) is 0.000, which indicates that the second model is statistically significant. This p-value confirms that the interaction term adds meaningful explanatory power to the relationship between corporate culture and organizational performance.

**Table 6: Model Coefficients for Innovation practice, Regulatory Framework and Performance**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.399	.201		1.986	.049	.003	.796
	corporate culture	.298	.061	.285	4.875	.000	.177	.418
	Regulatory Framework	.578	.057	.592	10.110	.000	.465	.691
2	(Constant)	1.139	.297		3.830	.000	.552	1.726
	corporate culture	-.047	.120	-.046	-.395	.693	-.285	.190
	Regulatory Framework	.492	.061	.504	8.027	.000	.371	.614
	Interaction Term	.065	.020	.419	3.301	.001	.026	.105

a. Dependent Variable: Organisational performance

The model coefficients in table 6 provide crucial insights into the relationships among corporate culture, regulatory frameworks, and organizational performance in commercial state firms in Kenya. The analysis consists of two models, and understanding the coefficients helps to elucidate the nature of these relationships, especially the moderating effect of the regulatory framework. In the Model 1 analysis, the constant term is represented by B = 0.399, which signifies the expected organizational performance when both corporate culture and regulatory framework are at zero. This value is statistically significant, with a p-value of 0.049, indicating that a baseline level of performance exists even in the absence of these predictors. The unstandardized coefficient for corporate culture is B = 0.298, suggesting that a one-unit increase in corporate culture is associated with a 0.298 unit increase in organizational performance while holding the regulatory framework constant. This positive relationship indicates that corporate culture play a beneficial role in enhancing performance. Similarly, the regulatory framework has a coefficient of B = 0.578, which implies that a one-unit increase in the regulatory framework results in an increase of 0.578 units in organizational performance, while controlling for innovation practice. This finding underscores the importance of a supportive regulatory environment in driving performance. The t-statistic for the regulatory framework is 10.110, with a significance level (Sig.) of 0.000, confirming the statistical significance of this relationship and highlighting that the regulatory framework is a key driver of organizational performance.

In the Model 2 analysis, the constant term increases to B = 1.139, indicating that the baseline performance estimate is higher when the interaction term is included. This value is statistically significant, with a p-value of 0.000. In contrast to Model 1, the coefficient for corporate culture is now B = -0.047, suggesting that the direct effect of corporate culture on performance is negligible when the interaction term is present, which may indicate a potential moderating effect of the regulatory framework. For the regulatory framework, the coefficient is B = 0.492, meaning that with the inclusion of the interaction term, a one-unit increase in the regulatory framework still results in a 0.492 unit increase in performance, although this figure is slightly lower than in Model 1. This finding reinforces the significance of the regulatory framework in driving performance. The t-statistic is 8.027 with a significance level (Sig.) of 0.000, indicating that this relationship remains statistically significant even with the interaction term included. Additionally, the interaction term has a positive coefficient of B = 0.065, suggesting that the interaction between corporate culture and the regulatory framework positively affects organizational performance. This indicates that the relationship between corporate culture and performance strengthens when the regulatory framework is favorable. The t-statistic for this interaction term is 3.301, with a significance level of 0.001, confirming that it plays a crucial role in moderating the relationship between corporate culture and performance.

The moderating model can be summarized as:

(i)... *Performance of commercial state corporations* = 0.399 + 0.298 (*corporate culture*) + 0.578 (*Regulatory Framework*)

(ii)...*Performance of commercial state corporations* = 1.139 - 0.047 (*corporate culture*) + 0.492 (*Regulatory Framework*) + 0.065 (*corporate culture and Regulatory Framework*).

The researcher therefore, Rejects the null hypothesis three (H₀₁) and consequently concludes that there Regulatory framework has significant moderating role on the relationship between corporate culture and performance of commercial state corporations in Kenya. The results from the model coefficients highlight the critical role of the



regulatory framework in moderating the relationship between corporate culture and performance. While corporate culture and the regulatory framework independently contribute to performance, their combined effect (captured by the interaction term) is particularly significant. These findings emphasize the need for a holistic approach that integrates both organizational and regulatory factors to drive the performance of commercial state corporations in Kenya.

These results are in agreement with the study by Oketch, Kilika and Kinyua (2020) who examined the moderating effect of the legal environment on the relationship between top management team characteristics and organizational performance of the independent regulatory agencies in Kenya. The findings of the study showed that legal environment has significant moderating effect on the relationship between top management team characteristics and performance of the independent regulatory agencies in Kenya. The study recommends that the independent regulatory agencies should have stable funding mechanism so as not to rely on the parent ministries or exchequer support for them to be financially independent in executing their mandates. Additionally, the current study results concur with a study conducted in 2019 by Odero, Egessa, and Oseno (2019) examined the moderating influence that legal considerations have on the link between strategic leadership practises and performance of Deposit Taking SACCOS in Kenya. According to the findings, the role that legal variables had in modulating the association between strategic leadership practises and performance of Deposit Taking SACCOS in Kenya was substantial. According to the findings of the research, strategic leaders have to have an awareness of legal aspects in order to generate improved organisational performance. The results from the model coefficients highlight the critical role of the regulatory framework in moderating the relationship between corporate culture and performance. While corporate culture and the regulatory framework independently contribute to performance, their combined effect (captured by the interaction term) is particularly significant. These findings emphasize the need for a holistic approach that integrates both organizational and regulatory factors to drive the performance of commercial state corporations in Kenya.

5.0 CONCLUSIONS AND RECOMMENDATIONS

The study concludes that the regulatory framework plays a moderating role in the relationship between corporate culture and the performance of commercial state corporations in Kenya, leading to the rejection of the null hypothesis. The findings show that while both corporate culture and the regulatory framework are significant predictors of organizational performance, their combined effect is more powerful. Specifically, the study found that the direct effect of corporate culture on performance is not significant on its own; instead, its positive influence is contingent upon a supportive regulatory environment. This means that a robust corporate culture alone is not sufficient to drive performance and must be complemented by an enabling regulatory framework to be effective. The results underscore that the regulatory framework is a vital driver of success, as it enhances the positive effects of corporate culture on organizational performance.

The study recommends that the positive effect of corporate culture is contingent upon a supportive regulatory framework, commercial state corporations must actively engage with policymakers and regulatory bodies. They should advocate for and collaborate on the development of policies that provide a conducive and enabling environment for innovation, efficiency, and organizational growth. A supportive framework will enhance the impact of internal cultural initiatives and is a key driver of success in its own right. While a strong corporate culture alone may not be sufficient to drive performance, it remains a critical factor. Therefore, corporations should continue to invest in building and nurturing a positive culture through shared values, enhanced employee engagement, and aligning internal practices with corporate goals. These efforts, however, must be strategically planned to thrive within the existing or evolving regulatory landscape. The full benefit of a robust corporate culture will only be realized when it operates in harmony with a supportive regulatory environment.

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