INFLUENCE OF STRATEGIC DIRECTION ON ORGANIZATIONAL PERFORMANCE OF PUBLIC CORPORATIONS IN KENYA. A CASE STUDY OF AGRICULTURAL FINANCE CORPORATION

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INFLUENCE OF STRATEGIC DIRECTION ON ORGANIZATIONAL PERFORMANCE OF PUBLIC CORPORATIONS IN KENYA. A CASE STUDY OF AGRICULTURAL FINANCE CORPORATION

[1] Veronicah Mwihaki Muchiri, [2]Prof. Evangeline Gichunge, PhD & [3] Doreen Mutegi

[1] Masters Candidate, School of Business and Economics, Kenya Methodist University, Kenya
[2,3] Lecturer, School of Business and Economics, Kenya Methodist University, Kenya

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ABSTRACT

This study examined the influence of strategic direction on the organizational performance of public corporations in Kenya, focusing specifically on the Agricultural Finance Corporation. The study was grounded in Contingency Theory. A descriptive research design was employed, with data collected from a sample of 204 employees across various management levels at AFC. The study also adopted simple random method. Primary data were gathered through standardized questionnaires, while secondary data on organizational performance were sourced from AFC's financial reports and other relevant publications. Data analysis involved the use of descriptive and inferential statistics, including mean, standard deviation, Pearson correlation, and regression analysis, facilitated by SPSS version 29. It was found that a well-defined strategic direction, when effectively communicated and aligned with the organization's operations, led to improved financial performance, operational efficiency, and customer satisfaction. Based on these findings, the study recommended several strategies for improving the performance of public corporations like AFC. It was recommended that AFC's leadership enhance strategic communication to ensure that all employees are aligned with the organization's vision, mission, and goals.

Key Words*: Strategic Direction, Strategic Leadership, Public Corporations, Financial Performance*

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INTRODUCTION

The study of the influence of strategic leadership on organizational performance is rooted in the broader field of leadership studies, which has long recognized the critical role that leaders play in shaping organizational outcomes (Mui, Basit & Hassan, 2021). Strategic leadership, a subset of leadership theory, focuses on the actions, behaviors, and decisions of leaders that influence the direction and success of an organization over the long term. This form of leadership is characterized by a future-oriented mindset, the ability to navigate complex environments, and the capacity to align organizational resources and capabilities with strategic objectives. The growing interest in this area reflects the increasing complexity and dynamism of modern business environments, where traditional leadership approaches may no longer suffice (Ali & Anwar, 2021).

According to Joseph et al. (2022), strategic leadership plays a critical role in shaping the organizational performance of parastatals, or state-owned enterprises, across the globe. In Singapore, Temasek Holdings, a state-owned investment company, has thrived under strategic leadership. With a clear focus on long-term value creation, Temasek has expanded its portfolio globally, investing in diverse industries from telecommunications to biotech. The company's strategic leadership ensures a balance between national interest and global competitiveness, enabling it to deliver robust financial returns and contribute significantly to Singapore's economy (Bilginoglu & Yozgat, 2022).

Eskom, the state-owned electricity supplier in South Africa, presents a complex case. Historically, Eskom was a symbol of national pride and economic stability, thanks to strategic leadership that prioritized infrastructure development and reliable energy supply (Ali & Anwar, 2021). However, recent challenges underscore the consequences of strategic missteps, such as underinvestment in maintenance and failure to diversify energy sources. This highlights the critical need for strategic leadership that can address both current operational issues and future sustainability (Dahri, Amin & Waseem, 2022).

Strategic leadership in parastatals has been crucial in driving organizational performance. Kenya Electricity Generating Company (KenGen) is a prime example. KenGen's strategic leadership has focused on diversifying energy sources, including significant investments in geothermal energy (Munyao, Chiroma & Ongeti, 2020). This strategic direction has not only improved KenGen's operational efficiency but also positioned Kenya as a leader in renewable energy in Africa. The leadership's foresight in investing in sustainable energy sources ensures long-term energy security and economic benefits for the country (Ng'ang'a, Waiganjo & Njeru, 2023).

The organizational performance of public corporations is a multifaceted concept that extends beyond mere financial metrics to include operational efficiency, social impact, and customer satisfaction (Lin, Chen & Lin, 2022). Public corporations, which are government-owned entities tasked with providing essential services and goods, must navigate the complexities of balancing financial health with broader societal goals. Understanding and enhancing their performance requires a holistic approach that considers multiple dimensions of success (Mailu & Kariuki, 2022).

Financial performance remains a cornerstone of organizational performance for public corporations. It encompasses the ability to generate sufficient revenues to cover operating costs, achieve financial sustainability, and, where applicable, generate surpluses that can be reinvested in service improvements. Public corporations often face scrutiny regarding their financial management, as they are accountable to taxpayers and government oversight bodies (Munyao et al., 2020). Effective financial performance is indicated by prudent budgeting, cost control, and efficient allocation of resources. Achieving financial health is essential not only for the viability of the corporation but also for maintaining public trust and support (Akpa, Asikhia & Nneji, 2021).

The agricultural sector accounts for a substantial portion of Kenya's GDP, both directly and indirectly, amounting to twenty-four percent (24%) of the total (ASTGS, 2019–2029). Creating jobs, enhancing lives, and guaranteeing food and nutritional security are all greatly impacted by this industry, which is responsible for 65% of Kenya’s exports. An essential aspect of "The Big Four Agenda" and a critical component of Kenya Vision 2030's 10% yearly economic growth rate is the agricultural sector. The goal of AFC is to help achieve the 10% yearly economic development target set forth in Kenya Vision 2030 by resolving the issues related to access to financing that participants in the agriculture sector encounter. By providing funding for the "food and Nutritional Security" and "Agro-Manufacturing" pillars, AFC will fulfill its legal obligation and propel the Big Four Agenda forward. By aiding with the attainment of SDG2-Zero Hunger and SDG1-No Poverty, AFC helps bring about the Sustainable Development Goals (SDGs). Economic Growth and Decent Employment SDG 8 SDG10: We will reduce inequality. SDG12: We will use and produce goods in an ethical manner.

Statement of the Problem

To achieve organizational success in today's fast-paced, highly competitive market, strong strategic leadership is essential (Jaleha & Machuki, 2021). Agriculture is one of six key economic sectors identified by Kenya Vision 2030 as contributing to the country's expected yearly economic growth of 10% over the next two decades (Ngaruiya, K'aol & Njenga, 2023). The others are tourism, discount and exchange, manufacturing, money-related administrations, and IT-empowered administrations. Approximately three-quarters of Kenya's GDP growth comes from agricultural production, while over eighty-nine percent of the impoverished population relies on farming for subsistence (World Development Report, 2020).

Several studies have looked at how different strategic leadership strategies affect how well organizations do. Research like Rainy's (2021) found complaints about too bureaucratic processes, but it did not determine how far these problems had spread to operational processes. While some have voiced concerns about parastatals' lack of planning and information leaking, others, including Adilu (2022) and Bakhit (2017), have failed to detail the policy framework that has been put in place to address these issues or the several forms of government support for performance. The direct link between strategic leadership practices and performance characteristics was the primary focus of Kitonga's (2017) research on the impact of these practices on the performance of non-profit organizations in Nairobi County. The agriculture business in Kenya has not been the subject of this study, which has instead concentrated on non-profit organizations. Research conducted on a local level has examined many strategic leadership methods, including control, communication, planning, and direction, in works like Gaturu et al. (2017), Guuru et al. (2022), Mailu et al. (2022), and Munyao et al. (2020). However, research on the effects of different styles of strategic leadership on the productivity of Kenyan public companies is scant. Agricultural Finance Corporation: a case study. This therefore created a gap to examine the influence of strategic direction on organizational performance of public corporations in Kenya. A case study of Agricultural Finance Corporation.

Research Objective

This study was carried out to determine the influence of strategic direction on organizational performance of public corporations in Kenya. A case study of Agricultural Finance Corporation. The study was guided by the following hypothesis;

- **H_{01}:** Strategic direction has no significant influence on organizational performance of Agricultural Finance Corporation.

LITERATURE REVIEW

Theoretical Framework

Contigency Theory

Contingency theory, a prominent framework in strategic management, was developed in the 1960s and 1970s by theorists such as Fred Fiedler (1964), Paul Lawrence and Jay Lorsch (1967), and Joan Woodward (1965). According to Han and Hong (2021), this theory posits that there is no one-size-fits-all strategy; instead, the effectiveness of a strategic approach depends on the specific context and conditions in which an organization operates. The core idea is that organizational performance is contingent upon the alignment between strategy, structure, and the external environment. By understanding and adapting to these contingencies, organizations can craft strategies that are better suited to their unique circumstances, thereby enhancing their performance (Xanthopoulou, Sahinidis & Bakaki, 2022). This adaptability is particularly relevant for the Agricultural Finance Corporation (AFC), which operates in a dynamic and often unpredictable sector.

The strategic direction of AFC must be carefully aligned with the external environment, including economic conditions, technological advancements, and regulatory changes. Contingency theory suggests that AFC's strategies should be flexible and responsive to these external factors (Kitonga, Bichanga & Muema, 2022). For instance, in periods of economic downturn, AFC might adopt a conservative lending strategy to mitigate risk, while in times of economic growth, it might pursue more aggressive expansion. This alignment ensures that AFC remains resilient and capable of maintaining its performance despite fluctuations in the external environment (Okongo et al., 2024).

Internally, the structure and processes of AFC must support its strategic direction. According to contingency theory, the fit between organizational structure and strategy is crucial for effective performance (Garcia & Lopez, 2023). For example, if AFC decides to focus on digital transformation to improve service delivery, its organizational structure should be adjusted to support this initiative, perhaps by creating new roles focused on technology and innovation. This structural alignment enables AFC to implement its strategic plans more effectively, ensuring that the organization can achieve its performance objectives (Wilson & Harris, 2022).

Contingency theory highlights the importance of leadership in aligning strategy with the organization's needs and capabilities. Leaders must be adept at diagnosing the organization's internal and external environments and making strategic decisions that reflect this understanding (Smith & Brown, 2023). Effective leadership ensures that strategic direction is not only well-conceived but also well-implemented, thereby driving improved performance. For instance, if AFC aims to expand its market share in rural areas, leaders must ensure that resources are allocated appropriately and that staff are trained to meet the unique needs of rural clients (Jones & Williams, 2022).

The adaptability of AFC's strategy is also contingent on its resource base, as proposed by contingency theory. An organization's resources financial, human, technological must be leveraged to support its strategic goals (Davis & Clark, 2022). If AFC identifies an opportunity to introduce new financial products tailored to farmers' needs, it must ensure that it has the necessary resources to develop, market, and support these products. By aligning its resources with its strategic direction, AFC can enhance its ability to achieve desired outcomes and improve overall performance (Kim & Park, 2023).

The external stakeholder environment, including clients, government bodies, and partners, also plays a crucial role in AFC's strategic direction, as highlighted by contingency theory. AFC must engage with these stakeholders to understand their expectations and needs, which in turn should inform its strategic choices (Wilson & Harris, 2022). For example, if farmers express a growing need for climate-resilient financing options, AFC's strategy should reflect this demand, ensuring that its offerings are relevant and valuable. By aligning its strategic direction with stakeholder needs, AFC can enhance its performance and maintain strong relationships with key constituencies (Zhang & Liu, 2023).

Contingency theory is particularly suitable for explaining the influence of strategic direction on organizational performance at AFC due to its emphasis on context-specific strategy formulation and implementation. The theory's focus on aligning strategy with environmental conditions, organizational structure, leadership, resources, culture, and stakeholder needs provides a comprehensive framework for understanding and enhancing AFC's performance. By adopting a contingency approach, AFC can develop and execute strategies that are well-suited to its unique circumstances, thereby achieving its strategic objectives and sustaining long-term success.

Okongo, Riungu, and Nzioki (2024) studied youth empowerment organizations in Kenya that received funding from the government. They looked at how strategic direction affects the efficacy of the groups. Using the Balanced Scorecard approach and the tenets of strategic leadership, this study sought to put a number on achievement. In a descriptive research, 109 participants were chosen at random from five GSYEOs out of a total of 1,089 personnel. Strategic leadership is positively correlated with organizational performance, according to the results of the correlation research. Findings suggest that GSYEO's top brass should set aside enough cash to make strategic direction a reality.

The purpose of the study by Kitonga, Bichanga, and Muema (2022) was to examine the relationship between the process by which strategic leaders establish the long-term objectives of their businesses and the outcomes achieved by those leaders. In an embedded mixed-method study, 328 nonprofit managers from Nairobi County, Kenya, took part to find out how a strategic leadership variable affected the effectiveness of their organizations when it came to establishing strategic direction. The study found that organizations that take the time to choose their strategic direction had a higher chance of success. Nonprofits may benefit substantially from having their strategic direction clearly articulated by top management, according to this study. This study looked at the process of strategic planning in Kenya's Nairobi County, specifically at non-profits. It is suggested that future studies try to reproduce these results. The purpose of this paper is to suggest research into strategic direction-setting (planning) as a means of increasing strategic leadership practices and, by extension, the performance of non-profit organizations.

Conceptual Framework

Strategic Direction
- Moral purpose
- Vision
- Goals

→

Organizational Performance
- Customer Satisfaction
- Social Impact
- Operational Performance
- Financial Performance

Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

METHODOLOGY

In this particular study, a descriptive research strategy was chosen to gather data. Twelve members of the AFC senior management team, seventy-six members of the middle management team, and one hundred and sixteen members of the lower management and supervisory teams were the subjects of this research.

In order to determine how many people to survey for this study, the researcher utilized the Yamane (1967) sampling formula. Simple random selection was used to pick participants.

$$\mathbf{n} = \frac{\mathbf{N}}{\mathbf{1+N(e^2)}}$$

$$\mathbf{n} = \frac{\mathbf{204}}{\mathbf{1+204(0.05^2)}}$$

n = 135

The primary method of data collection was a structured questionnaire that included both closed- and open-ended questions pertinent to the objectives of the study. Secondary data were collected from preexisting, reputable sources to provide additional context, background information and validation for the findings obtained from primary data.

The internal consistency test (Cronbach's alpha) was utilized in this pilot project to evaluate the reliability of the questionnaire's measure items. To ensure that the research tool was content valid, it was evaluated and graded for validity by statisticians, industry experts, and strategic leaders.

Quantitative data analysis made use of descriptive statistics such as mean and standard deviation, as well as inferential statistics such as Pearson correlation and regression analysis. SPSS version 29 was used for the analysis.

RESULTS AND DISCUSSIONS

Response Rate

In this study, a sample of 135 respondents was selected. All 135 respondents were issued questionnaires, and 122 of these were returned fully completed, resulting in a response rate of 90.4%. Meanwhile, 13 questionnaires were either partially filled, left blank, or not returned, indicating a non-response rate of 9.6%. Dawadi et al. (2021) noted that a response rate between 40% and 80% is sufficient to draw conclusions and make recommendations. Therefore, this study met the necessary threshold.

Descriptive Results

Strategic direction

The findings in Table 1 provide a detailed analysis of the respondents' perceptions of strategic direction within their organization, as measured by several key statements. The table includes the number of respondents (N = 122), the minimum and maximum responses for each statement (ranging from 2.00 to 5.00), the mean scores, and the standard deviations (S.D), offering insights into the consistency and central tendencies of the responses.

The first statement, "There is a formal direction setting process (strategic plan) that results in clear strategic direction," has a mean score of 4.0984 with a standard deviation of .74312. This relatively high mean suggests that most respondents agree that their organization has a formal strategic planning process that effectively sets a clear direction. The standard deviation indicates moderate variability in responses, meaning that while most agree, there is some variation in how strongly respondents perceive the clarity of the strategic direction.

The second statement, "There is a written mission statement that clearly outlines who we are, what we do, and for whom," has a slightly lower mean of 3.8115 and a higher standard deviation of .81648. This suggests that, on average, respondents agree that their organization has a clear mission statement, but the variation in responses is more pronounced, indicating that some respondents might feel less certain about the clarity or effectiveness of this mission statement.

For the third statement, "The mission and vision statements are regularly reviewed and if necessary, revised," the mean score is 4.2295 with a standard deviation of .64008. This high mean reflects strong agreement that the organization frequently reviews and updates its mission and vision statements, which is a critical component of maintaining strategic relevance. The lower standard deviation suggests that this view is consistently held across the respondents.

The statement, "Our decisions are incisive, informed and bold at all levels of the organization," has a mean of 4.1311 and a standard deviation of .55968. The high mean score indicates that respondents generally agree that decision-making within the organization is effective and bold, with a relatively low standard deviation pointing to a strong consensus on this point.

The statement, "Top management communicates policies to the employees regularly," has a mean of 3.8361 and a standard deviation of .85629. While the mean indicates that respondents generally agree with this statement, the higher standard deviation suggests there is some variation in how regularly or effectively this communication is perceived by different employees.

For the statement, "The workforce understands the organization's performance goals," the mean score is 4.2459 with a standard deviation of .51924, indicating that respondents strongly agree that employees have a clear understanding of the organization's performance goals. The low standard deviation indicates a high level of agreement among respondents on this point, suggesting that the organization's goals are well-communicated and understood across the workforce.

Lastly, the statement, "Employees are encouraged to achieve goals," has a mean of 4.1148 and a standard deviation of .46704. This high mean reflects strong agreement that the organization actively encourages employees to achieve their goals, and the low standard deviation suggests that this is a uniformly held belief across respondents.

In summary, the data in Table 1 indicates that respondents generally perceive their organization as having a strong strategic direction, with formal processes, regular communication, and clear goals. The mean scores for most statements are above 4.0, signifying a high level of agreement on these aspects. However, there is some variability in perceptions, particularly regarding the clarity of the mission statement and the communication of policies by top management. Overall, these findings suggest that while the organization is perceived as strategically strong, there are areas where communication and clarity could be enhanced to further solidify its strategic direction.

The findings are in line with those by Kisiangani, Mukanzi and Miroga (2024) who focused on the influence of strategic direction determination on the performance of commercial banks in Kenya. The research draws on path-goal theory, which posits that effective leadership is essential for setting and achieving strategic goals. The study involved a descriptive survey of 577 strategic leaders across various commercial banks, with a notable 75% response rate. The analysis revealed a significant positive relationship between strategic direction practices such as establishing and regularly revising mission and vision statements and the banks' performance. The regression model showed that about 13.8% of the variation in bank performance could be attributed to these strategic practices. The findings emphasize the importance of top management in not only setting but also clearly communicating these strategic goals to ensure alignment across all organizational levels. The study concludes that the successful implementation of strategic direction practices is crucial for maintaining competitiveness in the banking sector.

Similarly, Abushaala and Amer (2024) investigated the strategic factors that influence the effectiveness of performance in the context of the Libyan Investment & Development Company (LIDCO). The researchers employed a descriptive analytical approach, utilizing tools such as SWOT analysis to evaluate the company's performance. The findings highlight the significant role of strategic factors specifically, the clarity and alignment of the company's mission, vision, and strategic direction in driving performance improvements. The study underscores that the absence of a formal strategic direction often leads to project delays and reduced competitiveness. Moreover, the research illustrates that when these strategic elements are ignored, the company struggles with continuous improvement and benchmarking against competitors. The study suggests that a well-articulated strategic plan, supported by mission and vision statements, is critical for steering an organization towards its goals, particularly in dynamic sectors like construction.

Table 1: Strategic Direction

Statements	N	Min	Max	Mean	S.D
There is a formal direction setting process (strategic plan) that results in clear strategic direction	122	2.00	5.00	4.0984	.74312
There is a written mission statement that clearly outlines who we are, what we do and for whom	122	2.00	5.00	3.8115	.81648
The mission and vision statements are regularly reviewed and if necessary, revised	122	2.00	5.00	4.2295	.64008
Our decisions are incisive, informed and bold at all levels of the organization	122	2.00	5.00	4.1311	.55968
Top management communicates policies to the employees regularly	122	2.00	5.00	3.8361	.85629
The workforce understands the organization’s performance goals	122	3.00	5.00	4.2459	.51924
Employees are encouraged to achieve goals	122	3.00	5.00	4.1148	.46704
Valid N (listwise)	122				

Organizational Performance

The findings in Table 2 provide an analysis of respondents' perceptions of organizational performance across various dimensions. The data includes the number of respondents (N = 122), the minimum and maximum responses (ranging from 1.00 to 5.00), the mean scores, and the standard deviations (S.D), which collectively offer insights into how well the organization is perceived to be performing in key areas.

The first statement, "Our customers are satisfied with the quality of our products/services," has a mean score of 3.9508 and a standard deviation of .94346. The mean suggests that respondents generally agree that customer satisfaction with the quality of products or services is high. However, the standard deviation indicates some variability in responses, suggesting that while many respondents perceive customer satisfaction positively, there are differing views, potentially reflecting varying experiences across different customer segments or products.

For the statement, "We effectively address customer complaints and issues," the mean score is 3.9344 with a standard deviation of 1.05813. This mean is slightly lower but still suggests a general agreement that the organization is effective in handling customer complaints. The higher standard deviation, compared to the first statement, indicates more variability in responses, suggesting that while many respondents believe the organization is effective in this area, others may have experienced or observed inconsistencies in how customer issues are addressed.

The statement, "We engage in sustainable practices that benefit the environment," has a mean score of 4.1721 and a standard deviation of .70056. The high mean score reflects strong agreement among respondents that the organization is committed to sustainability and environmental practices. The relatively low standard deviation indicates that this perception is consistent across the organization, suggesting a well-established and broadly recognized commitment to sustainability.

For the statement, "Our organization contributes positively to the community," the mean score is 3.5410 with a standard deviation of 1.15814. The lower mean suggests that respondents are somewhat less certain about the organization’s positive contribution to the community compared to other performance aspects. The high standard deviation indicates significant variability in perceptions, suggesting that community contributions may be inconsistent or less visible, with some respondents seeing a strong positive impact while others do not.

The statement, "We have streamlined processes that reduce waste and improve productivity," has a mean score of 3.9918 and a standard deviation of 1.22977. The mean indicates a general agreement that the organization has effective processes in place to reduce waste and enhance productivity. However, the high standard deviation suggests considerable variability in responses, indicating that while some parts of the organization may be highly efficient, others may not be as optimized, leading to a mixed perception of productivity and waste reduction.

Regarding the statement, "Our employees are productive and meet their performance targets," the mean score is 4.1148 with a standard deviation of .46704. This high mean reflects strong agreement that employees are generally productive and meet their performance targets. The low standard deviation suggests a consistent perception across the organization, indicating that employee productivity is widely recognized as a strength.

The statement, "Our revenue and profit margins are consistently growing," has a mean score of 3.3115 and a standard deviation of 1.37920. The lower mean suggests that respondents are less confident in the consistency of revenue and profit growth, with significant variability in responses. This high standard deviation indicates that while some respondents may see consistent financial growth, others may perceive fluctuations or inconsistencies, pointing to financial performance as a potential area of concern.

Finally, the statement, "Our organization is financially stable," has a mean score of 3.7951 and a standard deviation of .78138. The mean suggests that respondents generally perceive the organization as financially stable, although the moderate standard deviation indicates some variability in this perception, possibly reflecting concerns about specific financial aspects or uncertainties in the broader economic environment.

In summary, the data in Table 2 indicates that respondents generally perceive the organization as performing well in areas such as customer satisfaction, sustainability, employee productivity, and financial stability. However, there are areas where perceptions vary more widely, particularly regarding the organization’s community contributions, process efficiency, and financial growth. These findings suggest that while the organization has several strengths, there may be opportunities to improve consistency in its community engagement, streamline operations more effectively across all areas, and address any concerns related to financial performance and stability.

The study agrees with Verka, Sabharwal and Hassan (2024) who provided a detailed examination of how public leadership influences job performance within the context of public sector organizations in Pakistan. The researchers focused on the role of Public Service Motivation (PSM) as a mediator in this relationship and also considered the moderating impact of environmental complexity (ENC). The study's findings underscore that effective public leadership directly enhances job performance by fostering higher levels of PSM among employees. However, the study also reveals that high levels of environmental complexity can weaken this positive relationship. For instance, in highly complex environments, the challenges and uncertainties employees face might dilute the motivational effects of leadership, thereby reducing overall job performance. The research suggests that for public organizations to sustain high performance, leaders must be strategically adept at navigating these complexities, ensuring that their leadership practices are resilient to external pressures. The study offers valuable insights into the importance of adapting leadership styles to maintain employee motivation and performance, particularly in the face of environmental challenges that are often inherent in the public sector.

Table 2: Organizational Performance

Statements	N	Min	Max	Mean	S. D
Our customers are satisfied with the quality of our products/services.	122	1.00	5.00	3.9508	.94346
We effectively address customer complaints and issues.	122	1.00	5.00	3.9344	1.05813
We engage in sustainable practices that benefit the environment.	122	2.00	5.00	4.1721	.70056
Our organization contributes positively to the community.	122	1.00	5.00	3.5410	1.15814
We have streamlined processes that reduce waste and improve productivity.	122	1.00	5.00	3.9918	1.22977
Our employees are productive and meet their performance targets.	122	3.00	5.00	4.1148	.46704
Our revenue and profit margins are consistently growing.	122	1.00	5.00	3.3115	1.37920
Our organization is financially stable	122	2.00	5.00	3.7951	.78138
Valid N (listwise)	122				

Correlation Analysis

The findings in Table 3 from the correlation analysis reveal strong and statistically significant relationships between Organizational Performance and Strategic Direction.

Table 3: Correlation Analysis

		OP	SD
OP	Pearson Correlation	1	.718**
	Sig. (2-tailed)		.000
	N	122	122
SD	Pearson Correlation	.718**	1
	Sig. (2-tailed)	.000	
	N	122	122

Key: OP-Organizational Performance, SD-Strategic Direction

Model Diagnostics

This section includes tests for both dependent and independent variables to determine the feasibility of conducting a regression analysis test. This encompasses the examination of normality, multicollinearity and linearity.

Shapiro-Wilk Test Results on Box-Cox Transformed

The findings in Table 4 present the results of the Shapiro-Wilk test applied to Strategic Decision and Organizational Performance. The Shapiro-Wilk test is a statistical test used to assess the normality of data distributions. Specifically, it tests the null hypothesis that the data is normally distributed. A P-value above 0.05 suggests that the data does not significantly deviate from normality, while a P-value below 0.05 indicates that the data significantly deviates from a normal distribution.

Starting with the variable "Strategic Direction," the Shapiro-Wilk test yields a statistic of 0.9795 and a P-value of 0.0606. This P-value is slightly above the conventional threshold of 0.05, suggesting that the data for Strategic Decision does not significantly deviate from a normal distribution. Although the result is close to the threshold, it indicates that the transformed data is approximately normally distributed, making it suitable for parametric statistical analyses that assume normality.

"Organizational Performance" has a Shapiro-Wilk statistic of 0.9741 and a P-value of 0.0186. This P-value is the lowest among the variables, significantly below 0.05, indicating that the data for Organizational Performance deviates from normality even after the Box-Cox transformation. This significant deviation suggests that the data distribution for Organizational Performance is not adequately normalized, which could impact the validity of parametric analyses that assume normality. In this case, it might be necessary to consider alternative transformations, apply robust statistical methods, or use non-parametric approaches to ensure accurate analysis.

Table 4: Shapiro-Wilk Test Results on Box-Cox Transformed

Variables	Statistic	P-Value
Strategic Direction	0.9795	0.0606
Organizational Performance	0.9741	0.0186

Test for Linearity

The scatter plot illustrates the relationship between Strategic Direction and Organizational Performance. The data points suggest a positive correlation, where an increase in Strategic Direction scores tends to correspond with higher levels of Organizational Performance. Specifically, as the Strategic Direction score rises from approximately 2.0 to 4.5, there is a noticeable upward trend in Organizational Performance, which peaks around the 4.5 to 5.0 range. This indicates that organizations with a clear and focused strategic direction are likely to achieve higher performance outcomes.

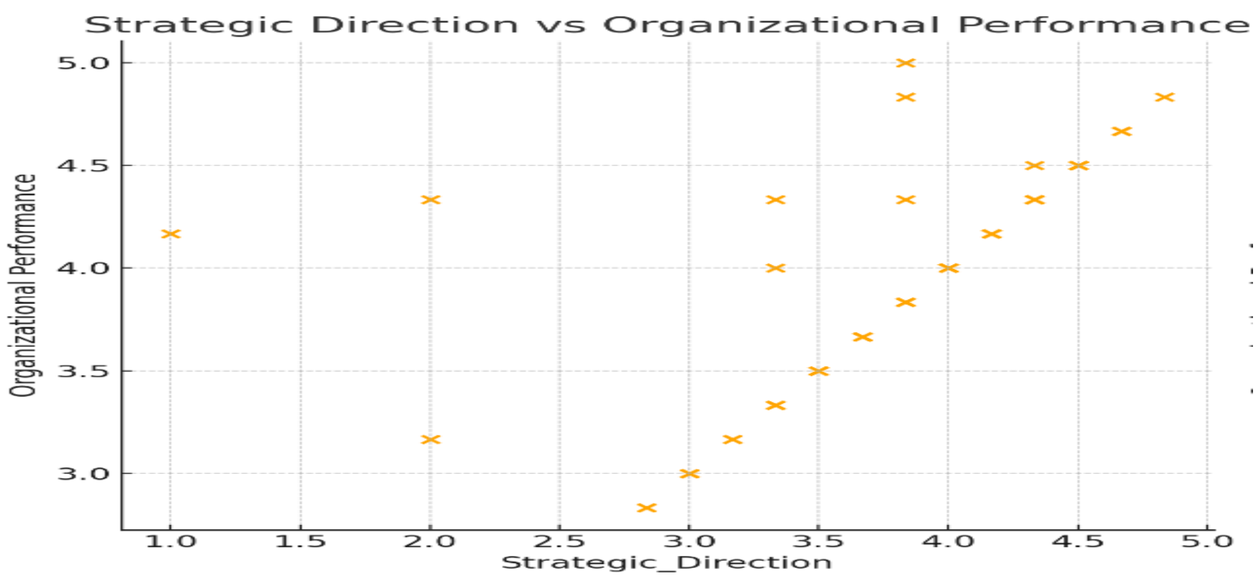

Figure 2: Scatterplot

Regression Analysis

Regression Coefficients

The findings presented in Table 5 provide an in-depth look at the regression coefficients for the model where Organizational Performance is the dependent variable, and the independent variable is Strategic Direction. This table includes both unstandardized and standardized coefficients, along with the corresponding t-values and significance levels (p-values), offering a detailed understanding of how the variable influences Organizational Performance.

The unstandardized coefficient for Strategic Direction is 0.152 with a standard error of 0.064. The standardized Beta coefficient is 0.185, indicating that for each one-unit increase in Strategic Direction, Organizational Performance increases by 0.152 units, holding other factors constant. The t-value of 2.365 and the p-value of .020 indicate that this relationship is statistically significant. The positive Beta coefficient suggests that a clear and effective strategic direction contributes positively to Organizational Performance, although the impact is moderate compared to other variables.

Table 5: Regression Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.844	.188		4.496	.000
	Strategic Direction	.152	.064	.185	2.365	.020

a. Dependent Variable: Organizational Performance

$Y = .844 + .152X_1$

Y – Organizational Performance

'$\mathbf{B_0}$ – is a constant, the results when all variables X_1 to X_4 are zero.

X_1 – Strategic Direction

'b_1– Regression coefficient

ε – error term

Hypothesis Test Results

The regression analysis results provided in Table 5 allow one to test the hypothesis regarding the effects of Strategic Direction on Organizational Performance. For the independent variable, we test the null hypothesis, which posits that the coefficient is equal to zero, indicating no effect on Organizational Performance. Conversely, the alternative hypothesis suggests that the coefficient is not equal to zero, implying a significant impact on Organizational Performance.

With Strategic Direction, the coefficient is 0.152, with a t-value of 2.365 and a p-value of 0.020. The p-value is less than the significance threshold of 0.05, leading us to reject the null hypothesis. This result indicates that Strategic Direction has a statistically significant positive effect on Organizational Performance. Specifically, a one-unit increase in Strategic Direction is associated with a 0.152-unit increase in Organizational Performance, underscoring the importance of a clear and effective strategic direction in driving organizational success.

In conclusion, the hypothesis test for Strategic Direction results in the rejection of the null hypothesis, affirming that the strategic variable significantly and positively impacts Organizational Performance. These findings highlight the importance of focusing on this strategic area to enhance organizational outcomes, providing actionable insights for leaders and decision-makers aiming to improve performance through targeted initiatives.

CONCLUSIONS AND RECOMMENDATIONS

Strategic Direction is essential for the Agricultural Finance Corporation as it provides a clear and unified roadmap that guides the organization towards its goals. The positive correlation between strategic direction and organizational performance emphasizes that when an organization has a well-defined and consistently communicated strategic direction, it is better equipped to align its resources and efforts effectively, ensuring that all activities are focused on achieving the set objectives. A strong strategic direction fosters organizational coherence, helping to mitigate confusion and inefficiencies while enabling the organization to navigate complex environments with a shared vision. However, to maintain its relevance and effectiveness, the strategic direction must be continuously reviewed and adjusted in response to changing external conditions, ensuring that the organization remains agile and responsive to new challenges and opportunities.

Continuously Review and Adjust Strategic Direction: Management should ensure that the organization's strategic direction is consistently reviewed and adjusted in response to changes in the external environment. The correlation between Strategic Direction and Organizational Performance indicates the importance of having a clear and adaptable strategic direction. Management should conduct periodic strategic planning sessions, engage in environmental scanning, and involve key stakeholders in the review process to ensure that the strategic direction remains relevant and effective.

Policy Framework for Strategic Alignment: Policies should mandate regular strategic alignment reviews to ensure that all aspects of the organization are working cohesively towards common goals.

Areas for Further Research

While this study focused on the Agricultural Finance Corporation, future research could expand the scope to include a comparative analysis across multiple public corporations in Kenya. This would allow for the identification of patterns, similarities, and differences in how strategic direction influences organizational performance across various sectors. Such a study could provide broader insights into the effectiveness of strategic direction and the specific challenges faced by different types of public corporations. Additionally, it would be valuable to explore how organizational context, such as size, mandate, and industry, influences the relationship between strategic direction and performance.

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