



**INFLUENCE OF DYNAMIC ENVIRONMENTAL SCAN PRACTICES ON PERFORMANCE OF COMMERCIAL
BASED STATE PARASTATALS IN KENYA**

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ABSTRACT

The purpose of the study was to establish the influence of dynamic environmental scan practices on performance of commercial based state parastatals in Kenya. The study adopted a cross section survey research design and the target population was the fifty five (55) commercial based state parastatals. A sample of forty eight (48) commercial based state parastatals was used for the study. These were identified through stratified random sampling. The respondents of the study constituted CEO's, Finance Managers and HR Managers and finance managers of each of the sampled commercial based state parastatals. Collection of data was conducted with the aid of questionnaires and interviews. Collection of Secondary data was done from financial and audited statements. Questionnaires were hand delivered to the respondents in the respective institutions by the help of research assistants. The research assistants self-administered the questionnaires to the respondents of the sampled commercial based state parastatals under the supervision of the researcher. Data was analyzed using SPSS version 24 and Microsoft Excel. Regression models were fitted and hypothesis testing was carried using standard F and t tests. The study found that dynamic environmental scan practices were found to have significant positive influence on performance and therefore, this means that state corporations that respond to dynamic and hostile environment will have a competitive edge and hence better performance.

Key terms: Environmental Scan, Profitability, Change Management, Strategic Planning, Performance

INTRODUCTION

Environmental conditions in which organizations usually operate are dynamic, hence strategies have to be developed for businesses to gain competitive advantage over their competitors. For this reason, performance is of great concern today to all organizations including public, private, profit and those that are not for profit. For many years, both researchers and practitioners have tried to study why some organizations achieve higher levels of performance than their counterparts (Ogollah, Bolo & Ogutu, 2011).

The performance of a firm could be influenced through change practices which create immense contribution competencies in an organization that yield a great boost to further enhancing innovativeness. Business Organizations associate maximization of performance with existence of change practices (Horngren 2000; Anantharaman 2003). Due to intensive competition, product life cycles which are short term in nature, volatile environments for products and markets, organizations are constantly looking for latest sources of competitive advantage. One of the most important is change practices, which has great prospective to revolutionize and define the fate of an organization (Kelleher & Perrett, 2001).

The environment in which business organizations tend to operate has changed so much that it is not easily predictable apart from being highly turbulent and complex (Van Tonder, 2004). Survival in the market would be only possible for organizations that will be able to respond easily and effectively to the varying environmental conditions. (Burnes, 2004). Increased global competition coupled with different government and international regulations, economic restructuring and technological innovations are believed to be some of the major causes of environmental changes. Then considering the

ecological dilemma with excessive attention on impact of environment on organizational practices there has been shifting patterns in stakeholder and customers' expectations.

There have been many studies that focused on change practices of organizations given the contributions they make to the global economy (Huselid, 2005; Appelbaum, 2000; Wright, 2005; Schuler & Jackson, 2001). The goal for change management has been for long a crucial area in the field of strategic management (Armstrong, 2009). A potential new framework that has emerged for the analysis of sources of sustainability of change practices in the modern world, has been the configurationally theory. In the field of Change practices both internal and external fit are the two main research areas. Environmental characteristics and Organization characteristics, also significantly influence business performance. External environmental characteristics highly influence customer demands and nature of market competition and yet they are the main determinants of firm performance.

Chemengich (2013) claims that public sector organizations in the world are under intense pressure to improve efficiency while at the same time providing integrated and improved services. The public sector remains a key vehicle to deliver in both for developing and developed world, in a framework designed for realization of equality, effectiveness, justice, security and competitiveness. The main issue in various countries lies with the way public organizations are managed where emphasis is placed on effectiveness and efficiency. Melese *et al.* (2004) argue that public organizations continue being held more increasingly accountable for their performance hence they are expected to operate effectively and efficiently. The implication is that Public Organizations will be forced to look for ways of improving their activities. He further noted that in an

ever changing global economy, organizations should find ways of operating by designing new competences since old competencies gained are easily eroded resulting from changes on the environment.

Research Hypothesis

H₀₁: Dynamic environmental scan practices has no significant influence on performance of Commercial based State Parastatals in Kenya.

RELATED LITERATURE

Theoretical Framework

Systems Theory

Littlejohn a renowned biologist in 1983 developed system theory. He defined a system as a group of objects and entities that interrelate to get a whole. System theory mostly concerns itself with problems or interactions of structures, interdependence instead of fixed aspects of objects. The organization is viewed as a social setting that contains people cooperating in a given framework. Within the system resources like people, finances are drawn from their environment and in exchange the products and services they offer are taken back to the environment. Managers need to consider the role played by every part of the organization rather than looking at them as separate parts (Hannagan, 2002). This theory emphasizes the fact that the organization does not only exist in close connection with the environment but the larger system of the community which it serves.

Strategic change practices would be very critical in state parastatals in terms of steering the institutions to better performance. It is important that all stakeholders in the organizations understand the process and how their own contribution can help achieve the overall organizational goal. Commercial

based state parastatals consists of a system with various groups of individuals including line managers, members of staff, customers and even the Government. The theory considers the interactions and interrelationships among the different stakeholders involved in the organization. The Commercial based state parastatals system hence should react to influences of the external environment during formulation of business objectives and goals. The organization structure also needs to conform with the dynamic environment for the whole system to operate. The theory therefore assists in knowing the role of stakeholders' involvement in enhancing performance of the commercial based state parastatals.

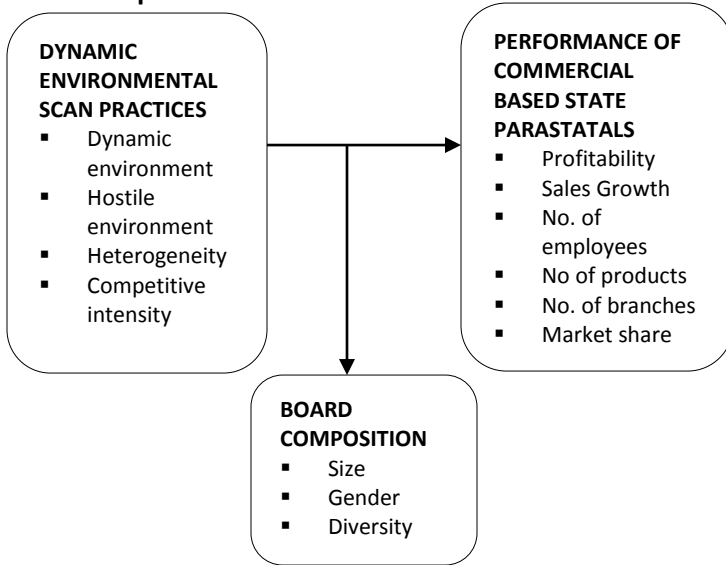
The Environment Dependency Theory

The environment dependency theory postulations are grounded in the open systems theory. Open systems theory refers to the idea that the environmental forces of technology, economic, political and social to a great extent influences organizations (Burnes, 2009). Therefore the organization's survival depends upon the relationship it has with the environment. External factors are outside the physical confines of an organization and firms do not have control over them. These factors cause turbulence and uncertainty and could have a significant impact on an organization.

The theory posits that it is crucial that the organizations should constantly scan, analyse and evaluate the environment they operate in. The underlying objective behind this purpose is to discover trends at initial stages to avoid future problems to these organization. This suggests that as Managers in commercial based parastatals develop strategic decisions, they will be subject to environmental influences and will need to continuously ensure that any decisions have to consider such influences. Businesses that are not

aware of their environment in which they operate are likely to be plunged into some crisis arising from environmental complexities. Hence the managers will take decisions accordingly.

Conceptual Framework



Independent Variables

Moderating Variables

Dependent Variables

Dynamic Environmental Scan practices and Performance

Environment scan practices refers to the monitoring, evaluation, and distributing information from the external and internal environment to crucial individuals within the organization (Kazmi, 2008). The effects caused by business environment factors on firm performance have been discussed in several theoretical contributions and empirical studies. Yoengtaak *et al.* (2009) in his research of effects of environmental factors on firm performance identified that the performance of firms is positively influenced by dynamic environment, heterogeneity and competitive intensity. Dynamic environments would most possibly provide several aspects such as varying conditions that transfer bases for competitive advantage and provoke new explorations of sources of advantage.

Stable environments are only known for reinforcing the current sources of competitive advantage hence provide limited opportunities (Martin & Osberg, 2007). An organization may decide to change its products by intensively advertising and creating a marketing niche when faced with unfavourable environmental conditions in the market. In case the environment continues being hostile, organizations may opt to consider new business ideas to add to the existing ones through joint ventures, mergers and product diversification and extension hence better performances (Katz, 2010).

Organizations that do not devise new ways to survive amidst the intensive competition or enter the expanding markets late, compute opportunity costs hence seek for different strategies to remain or survive in the competition (Birkinshaw, Hood & Young, 2005). Two organizations may be in competition in the same industry with similar customer groups but their perception of the environment may be quite different. One organization may have the perception of a very simple and manageable environment, while the other as a composite and uncontrollable environment.

Adaptation to both internal and external environmental changes should be continuously be practiced by organizations given that evolution and change management of organizations are taking place. The organizations should thrive to achieve harmony between its external environment which constitutes; economic, political, technological, legal and internal comprising of structure, resources culture of the culture, leadership style and mode of exercising power (Bermig, 2010). Organizations need to identify factors that lead to its success since if goals of achieving these factors are left out then failure of the organization is inevitable. A crucial success factor is leaving out a critical performance area for achieving consistently increased productivity.

Organizations operate in environments that have become very complex, turbulent, and unclear and highly unpredictable (Van Tonder, 2004). It is envisaged that organizations that will be able to survive the turbulence will be those that are able to respond effectively and quite rapidly. (Burnes, 2004). Environmental changes are as a result of rising global competition, innovations in technology, restructuring of economies, changes in labour force, international regulations, shifting patterns of stakeholder and customer expectations and increased dilemma of dealing with environmental impact on organization. Organizations therefore are called forth to exercise change so that they may remain in equilibrium with the changing environment. It has been confirmed that whereas the future may be unclear, organizational managers should be highly alert and responsive to the rapid changes or else their future in the society will be at stake (Harper, 2004).

Empirical Review

Babatunde and Adebisi (2012) in a study on Organizational Performance vis-a-vis Strategic Environmental Scanning within a Business Competitive Environment found a proportional relation between the performance of an organization and strategic environmental scanning, with a coefficient of determination (R^2) of 0.297. It indicates that a variation in effective performance of 30% of the change of an organization is due to a change in environmental scanning strategy. The study also established that the exterior environmental forces impact positively on the performance of an organization. This is an indication that the utilization of strategic environmental scanning in assessing the exterior environmental factors (threats and opportunities) assists in taking advantage of available opportunities thus avoiding threats hence leading to an organization's profitability. Given that the findings were positive, the study recommended that organizations should periodically, strategically, and

on a continuous basis engage strategic environmental scanning while at the same time taking cognizance to opportunities and threats in the environment.

These findings were similar to those of Agbim, Oriarewo and Zever (2014) who sought to establish the behaviour of entrepreneurial performance on micropreneurs due to business environmental scanning actions. The study established that interest level and the frequency of scanning are related to an entrepreneur's performance. The study recommended that even where micropreneurs get affected by resources and the capacity to conduct environmental scanning, they still require to maintain and develop keen interest in factors with the greatest uncertainty to their microenterprises within the business environment (the work environment – suppliers, customers, and competitors). This will ensure stability in the environment and in turn improve their performance and competitiveness. Njuguna, Munyoki and Kibera (2014) conducted a research in Nairobi County, Kenya on how performance of community-based HIV and AIDS organizations are influenced by the external organizational environment. The research findings show that an organization's efficiency, effectiveness, financial viability and relevance with relevance performance indicators being most affected and influenced by its external environment. The latter was thus evaluated from dimensions of, domain consensus, dynamism, capacity, uncertainty and heterogeneity. Their study revealed that all activities of an organization from planning to implementation are influenced if the external environment is properly scanned. Nevertheless, more emphasis was to be paid to the external environment. They emphasized the relevance of proper scanning of external environment by managers of community based organizations as it influenced all organization activities from program planning to implementation.

METHODOLOGY

The study adopted a cross sectional descriptive survey research design with both qualitative and quantitative approaches. Commercial based parastatals was the target population given that they played a critical role in enabling economic and social transformation in the economies they operate, improving public service delivery as well as employment opportunities in various jurisdictions and are useful conduit for international partnerships (RoK, 2013). There was a total number of 55 commercial based state parastatals in Kenya. A sample size of 48 commercial based state parastatals was drawn randomly using random number generator from 55 reclassified government owned entities that was traced for the study. Respondents for the study were selected from the following three management positions namely; CEO's, Human resource and Finance managers from each of the respective commercial based state parastatals. The regression model for the study was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_1 Z + \epsilon_i$$

Where:

Y_i = Dependent variable (Performance)

X_1 = Dynamic Environmental Scan Practices

β_i = Regression coefficient for the Independent variable

β_0 = Constant or intercept (value of dependent variable when an independent variables are zero)

ϵ = Error term

$X_1 Z$ = Product term/interaction term of Board members composition the independent variables (X_{1i}).

RESEARCH FINDINGS

Influence of Dynamic Environmental Scan Practices on Performance

To test on the influence of dynamic environmental scan practices on organizational performance, the respondents were asked to indicate their level of agreement with different statements on technology adoption practices. The respondents were required to use a scale of 1 to 5 where 1 is strongly disagree, 2 disagree, 3 neither agree or disagree, 4 agree and 5 strongly agree. The purpose of this data was to determine whether the respondents felt that dynamic environmental scan practices in place was sufficient to improve on the performance of the organizations. The findings of the study were as presented in Table 1.

Table 1: Influence of Dynamic Environmental Scan Practices on Performance

	Strongly Disagree	Disagree	Neither	Agree	Strongly Agree	Mean	Standard Deviation
Dynamic environment affects commercial based parastatal performance	0%	5.5%	7.1%	40.2%	47.2%	4.29	0.827
In the dynamic environment prices of products and changes in taxes	1.6%	2.4%	1.6%	44.1%	50.4%	4.39	0.778
Hostile environment affects commercial based	0.8%	1.6%	15%	39.4%	43.3%	4.23	0.818

state parastatal performance								
As a result of hostile environment where combination of market strategies	0.8%	3.9%	11.8%	49.6%	33.9%	4.12	.822	
Heterogeneity affects commercial based state parastatal performance	0.8%	4.7%	10.2%	54.3%	29.9%	4.08	0.813	
In the environment which is heterogeneous commercial based parastatals can take	3.1%	2.4%	21.3%	44.1%	29.1%	3.94	.941	
Competitive intensity affects commercial based state parastatal performance	0.0%	2.4%	12.6%	48.8%	36.2%	4.19	0.742	
The commercial based state parastatals takes into consideration dynamic environment	0.8%	0.8%	9.4%	52.8%	36.2%	4.12	.715	
The commercial based state parastatal takes into consideration of heterogeneity	2.4%	1.6%	12.6%	46.5%	37%	4.14	0.87	

It was clear from the results that dynamic environmental practices positively influence performance of commercial based state parastatals in Kenya. This was indicated by the findings which showed that 47.2% strongly agreed to the statement. Moreover 50.4% strongly agreed to the statement that in the dynamic environment prices of products and changes in taxes affects performance of commercial based state parastatals. 52.8% also agreed that commercial based state parastatals takes into consideration dynamic environment when undertaking strategic planning for enhancing performance. Further, 43.3 % strongly agreed that hostile environment affects commercial based state parastatal performance. Additionally 49.6% agreed that as a result of hostile environment where combination of marketing strategies, market niche and new methods of packaging were used greatly influences performance of commercial based state parastatal.

On heterogeneity affecting commercial based state parastatal performance 54.3% agreed to this statement. On whether in the environment which

was heterogeneous commercial based parastatals can take greater risks as a result their performance are greatly influenced. 44.1% agreed to this statement. Also a further 46.5% agreed that commercial based state parastatal takes into consideration of heterogeneity and competitive intensity for improving performance. 48.8% agreed that competitive intensity affects commercial based state parastatal performance. The respondents who were interviewed indicated that since they operate in a dynamic environment, environmental scanning practices become key activities in their daily operations

Organizational Performance

To test the indicators for organization performance, the respondents were asked to indicate their level of agreement with different statements on the organization performance. The purpose of this data was to determine whether the respondents understood the procedures and processes that impacted on organization performance. The findings of the study are as presented in Table 2.

Table 2: Organizational Performance

	Strongly Disagree	Disagree	Neither	Agree	Strongly Agree	Mean	Standard Deviation
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Our firm profitability has increased over the last five years	11%	17.3%	23.6%	28.3%	19.7%	3.28	1.272
The number of employees has increased over the last five years	8.7%	26%	14.2%	28.3%	22.8%	3.31	1.312
Our firm has experienced an increase in number of branches over the last 5 years	30.7%	28.3%	15.7%	15%	10.2%	2.46	1.338
Our firm has experienced increased sales growth over the last 5 years	11%	14.2%	15%	40.9%	18.9%	3.43	1.257
Our firm has increased number of products over the last 5 years	8.7%	11.8%	18.9%	41.7%	18.9%	3.50	1.181
our firm has experienced increased market share over the last 5 years	10.2%	19.7%	20.5%	37.8%	11.8%	3.21	1.193
Our firm has experienced increased annual running expenditure over the last five years	8.7%	12.6%	16.5%	41.7%	20.5%	3.53	1.201
Over the last five years your organization has been able to achieve its goals in relation to organizational performance	7.9%	15.7%	17.3%	37.8%	21.3%	3.49	1.214

Table 2 represented the findings of indicators on performance of commercial based parastatals in Kenya. On organization profitability had increased over the last five years, 28.3% agreed to the statement. A total of 28.3 % of the respondents agreed to the statement that the number of employees in the organization has increased over the last five years. On whether their organization has experienced an increase in number of branches over the last 5 years, 30.7% strongly disagreed to this statement while 28.3% disagreed. In regard to the organization experiencing increased sales growth over the last 5 years, 40.9% of the respondents agreed to this statement. 41.7% agreed to the statement that their organization has increased number of products over the last 5 years. 37.8% of

the respondents agreed that their organization has experienced increased annual running expenditure over the last five years. 37.8% agreed that over the last five years your organization has been able to achieve its goals in relation to performance.

A large number of the informants in the interviews indicated that they were satisfied with the organizations performance though a few expressed their dissatisfaction with the performance of their organizations. These informants cited that better performance would have been realized if they were allowed to go fully commercial. Majority of those interviewed came up with the following ways of enhancing organizations performance; intensifying employee training programmes, motivation among the staff in terms of improved working conditions and

remuneration. Also engaging in aggressive advertisement to boost revenue and enhance survival in the competitive market conditions in addition to

engaging in research and innovation of products geared towards consumer satisfaction.

Table 3: Dynamic environmental scan practices Rotated Component Matrix Results

	Componet	
	1	2
Dynamic environment affects commercial based parastatal performance		.821
In the dynamic environment prices of products and changes in taxes affects commercial based state parastatals		.819
Hostile environment affects commercial based state parastatal performance as a result of hostile environment where combination of market strategies , market niche and new methods of packing..		.550
Heterogeneity affects commercial based state parastatal performance		.567
In the environment which is heterogeneous commercial based parastatals can take greater risks as a result their performance are greatly influenced		.621
Competitive intensity affects commercial based state parastatal performance		.801
The commercial based state parastatals takes into consideration dynamic environment when undertaking strategic planning for enhancing development		.774
The commercial based state parastatal takes into consideration of heterogeneity and competitive intensity for improving performance		.744
		.859

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 3 iterations.

Descriptive Results of retained sub variables of dynamic environmental scan practices

Dynamic environment practices were assessed by two measures namely heterogeneity and dynamic

environment. Descriptive data was given by Table 4 on a scale of 1 to 5 (where 5 = Strongly Agree and 1 = Strongly Disagree).

Table 4: Descriptive Results of retained sub variables of dynamic environmental scan practices

Variable	Mean	Std. Deviation	Cronbach's Alpha
Heterogeneity	4.1155	.6206	.850
Dynamic environment	4.3045	.6101	.722

Table 4 showed that respondents on average agreed that heterogeneity affect dynamic environment scan practices with a mean of 4.1155. Respondents also agreed that dynamic environment affects dynamic environment scan practices with a mean of 4.3045. Cronbach’s alpha was used to test the reliability of the selected variables. Heterogeneity had a

coefficient of .850. On the other hand dynamic environment had a coefficient of .722. Since the Cronbach’s coefficient is more than 0.7 then the data is reliable.

Descriptive Results of Performance

Descriptive data shown on Table 5 presented the relevant results on a scale of 1 to 5 (where 5 =

Strongly Agree and 1 = Strongly Disagree).

Table 5: Descriptive Results of Performance

Variable	Mean	Std. Deviation	Cronbach's Alpha
Performance	3.2756	.8681	.848

Cronbach's alpha was used to test the reliability of the proposed constructs (Ali *et al.*, 2016). The performance variable had a Cronbach's alpha value of 0.848 which is more than the proposed threshold of 0.7 hence the tools were reliable.

Table 6: Dynamic environmental scan practices and Performance Correlations Results

		performance	dynamic_envt	Heterogeneity
performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	127		
dynamic_envt	Pearson Correlation	.444**	1	
	Sig. (2-tailed)	.000		
	N	127	127	
Hetero	Pearson Correlation	.549**	.235**	1
	Sig. (2-tailed)	.000	.008	
	N	127	127	127

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

Results showed a strong positive relationship between heterogeneity and performance, dynamic environment and performance with a correlation coefficient of 0.549 and 0.444 respectively and p-values of 0.000. This implies that Dynamic environmental scan practices influence performance of state parastatals.

Dynamic environmental scan practices Data Normality Test Results

One of the assumptions of linear regression is that the sample data must have come from a population

that follows normal distribution. Several normality tests exist in the literature. However in this research the Kolmogorov Smirnov (K-S) one sample test was used. In Kolmogorov Smirnov test the null hypothesis is that the data came from a normal distribution and the alternative is that the data didn't come from a normal distribution. The rule is to reject the null hypothesis when the p value is less than 0.05 (the proposed level of significance). Table 7 presented the results of the K-S test.

Table 7: Dynamic environmental scan practices One-Sample Kolmogorov-Smirnov Test

		Heterogeneity	Dynamic_envt
N		127	127
Normal Parameters ^{a,b}	Mean	4.1155	4.3045
	Std. Deviation	.62060	.61006
Most Extreme Differences	Absolute	.120	.172
	Positive	.097	.127

	Negative	-.120	-.172
Kolmogorov-Smirnov Z		1.352	1.22
Asymp. Sig. (2-tailed)		.058	.102

a. Test distribution is Normal.

b. Calculated from data.

Since the p value was more than 0.05 for the two cases we failed to reject the null hypothesis and concluded that the two data sets are normal.

Another assumption of linear regression is that there should be no auto correlation. One of the tests used for auto correlation is Durbin Watson test which checks for serial correlation (Yupitun, 2008).

Durbin-Watson Test Results

Table 8: Durbin-Watson (Autocorrelation) Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.637 ^a	.406	.397	.5773	2.001

a. Predictors: (Constant), heterogeneity, Dynamic environment

b. Dependent Variable: Performance

Durbin Watson test takes values of between 0 to 4. A value of 2 shows that errors are not correlated. However, values from 1.75 to 2.25 are considered acceptable. Other scholars argue that value between 1.5 and 2.5 may be considered to indicate no presence of collinearity (Makori & Jagongo, 2013). Durbin-Watson value of 2.001 indicates that there is no autocorrelation.

Dynamic environmental scan practices and performance ANOVA Results

Table 9 gave the analysis of variance of the study on Dynamic environmental scan practices and performance of state parastatals. The results showed that at least one of the measures of Dynamic environmental scan practices (heterogeneity and dynamic environment) has a significant relationship with performance (F = 42.447, p = 0.000) as indicated in Model 1.

Table 9: Dynamic environmental scan practices and performance ANOVA Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.587	2	19.293	42.447	.000 ^b
	Residual	56.361	124	.455		
	Total	94.948	126			
2	Regression	40.252	4	10.063	22.445	.000 ^c
	Residual	54.696	122	.448		
	Total	94.948	126			

a. Dependent Variable: performance

b. Predictors: (Constant), heterogeneity, dynamic environment

c. Predictors: (Constant), heterogeneity & board composition, dynamic environment & board composition

When moderating variable (board composition) was introduced, the F value reduced (F = 22.445 with a p value of 0.000) as indicated in Model 2. However the model still showed a significant relationship between the measures of Dynamic environmental scan practices measures and performance.

Dynamic environmental scan practices Goodness-of-fit Model Results

Table 10 showed that measures of dynamic environmental practices (dynamic environment and heterogeneity) explains 40.6% of the variation in Performance of State parastatals. Other factors explain 59.4% of the changes on performance. This implied that the measures have a predictive power on the performance.

Table 10: Dynamic environmental scan practices Goodness-of-fit Model Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.637 ^a	.406	.397	.5773
2	.651 ^b	.424	.405	.5695

The introduction of the moderating variable Board composition increases the coefficient of determination by 1.8% to 42.4%. This implies the moderating variable influence is not very significant.

Regression Results of Dynamic environmental scan practices and Performance

To determine the influence of Dynamic environmental scan practices measures (heterogeneity and dynamic environment) the following hypotheses were stated:

Hypothesis two

H₀₁: There is no statistically significant influence of Dynamic environmental scan practices on

the performance of commercial based state parastatals in Kenya.

H_{0A}: There is statistically significant influence of Dynamic environmental scan practices on the performance of commercial based parastatals in Kenya.

Regression analysis was conducted to determine the probable form of the relationship between heterogeneity, dynamic environment and performance. The regression model shows whether the measures have significant influence on performance. The results were given by Table 11.

Table 11: Coefficients for Regression Results of Dynamic environmental scan practices and Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
	(Constant)	-.678	.463		-1.466	.145
1	Dynamic environment	.495	.105	.334	4.693	.000
	Heterogeneity	.673	.102	.470	6.605	.000

a. Dependent Variable: performance

Table 11 showed the regression coefficients results of the Dynamic environmental scan practices measures

(dynamic environment and heterogeneity). Both measures were found to be significant at 5% level of

significance with coefficients of 0.495 and 0.673 respectively and p-values of 0.000. The resultant regression model is given by equation 1 as

$$Y = 0.495X_1 + 0.673X_2 \dots\dots\dots (1)$$

When the two sub variables were combined into one variable, dynamic environmental scan practices, the resultant regression results are given by Table 12.

Table 12: Coefficients For combined Regression Results of Dynamic environmental scan practices and Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.799	.450		-1.777	.078
	Dynamic environment	1.173	.128	.633	9.142	.000

a. Dependent Variable: performance

This implied that the null hypothesis was rejected and the alternative hypothesis was accepted. i.e. H_{0A} was accepted since $\beta \neq 0$ and $p\text{-value} < 0.05$. The regression model was summarized by equation 2

$$Y = 1.173X_1 \dots\dots\dots (2)$$

Where, X_1 – dynamic environmental scan practices.

It was concluded that there was statistically significant relationship between dynamic environmental scan practices and performance of State Parastatals in Kenya. These results were in agreement with Yoengtaak *et al.* (2009) in his research of effects of environmental factors on firm performance identified that the performance of firms is positively influenced by dynamic environment, heterogeneity and competitive intensity. Babatunde and Adebisi (2012) as well established a proportional relation between the performance of an organization and strategic environmental scanning.

To determine the moderation effect of Board composition on dynamic environmental scan

practices and performance of commercial state parastatals, the following hypotheses were tested:

Hypothesis Five

H_{01} : There is no statistically significant moderating effect of board composition on the dynamic environmental scan practices and performance of commercial based state parastatals in Kenya.

H_{0A} : There is statistically significant moderating effect of board composition on the dynamic environmental scan practices and performance of commercial based state parastatals in Kenya

Moderated regression was done to determine if dynamic environmental scan practices measures moderated with board composition has any significant influence on the performance of commercial state parastatals in Kenya. Table 13 gave the results.

Table 13: Coefficients for Environmental scan practices moderated results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.678	.463		-1.466	.145
	dynamic_envt	.495	.105	.334	4.693	.000
	Hetero	.673	.102	.470	6.605	.000
2	(Constant)	-.435	.477		-.913	.363

dynamic_envt	.116	.515	.078	.225	.822
Hetero	.870	.674	.608	1.291	.199
heterogeneity_boardcomp	-.052	.172	-.188	-.303	.762
dynamicenvt_boardcomp	.083	.127	.372	.659	.511

a. Dependent Variable: performance

Results in Table 13 showed that the interaction variables had a p value of more than 0.05. This implied that the null hypothesis was not rejected. It can be concluded that there is no moderation effect of board composition on the dynamic environmental scan practices measures (heterogeneity and dynamic environment) and performance of commercial based state parastatals in Kenya.

Conclusions

Dynamic environment scan practices has a significant influence on firm. For the purposes of sustaining their position in business, there is need for organizations to keep in balance with environmental changes. Increased global competition coupled with different government and international regulations, economic restructuring and technological innovations are believed to be some of the major causes of environmental changes. Then considering the ecological dilemma with excessive attention on impact of environment on organizational practices there has been shifting patterns in stakeholder and customers' expectations. The present research provided evidence that it is helpful to consider the influence of dynamic environmental scan practices as a strategic change practice for organizations to be able to survive in business. Heterogeneity and dynamic environment were established to be very crucial in environment scan practices. Based on the findings of this study, it can, therefore, be concluded that majority of the commercial based parastatals in Kenya sampled in this study lay more emphasis on being alert on preference and taste of consumers which keep on changing prices of products and also taxes. Due to heterogeneity where there is competitive aggressiveness and investing in new ventures greatly influences commercial based state

parastatal's performance hence these organizations can take greater risks to sustain and improve their performance.

Recommendations

The correlation results established a significant relationship between dynamic environmental practices and performance. The study further found that dynamic environment and heterogeneity are the most important factors that determine performance. So that commercial based state parastatals enhances their performance, they require to Consider dynamic and hostile environment aspects when undertaking strategic planning and make use of heterogeneity and competitive intensity for better performance.

The study found that strategic change practices improves performance among commercial based state parastatals in Kenya. Therefore, commercial based state parastatals need to come up with policy guidelines that will lead to adoption of strategic change practices in order to cope with environmental uncertainties in the business organizations. Appropriate strategies should be designed to cope with changes and thus the organizations would be ensured improvement in their performance. The Government need to relook Boards appointments in order to have individuals who will add value and devote more time in the affairs of the organizations. The Government should also consider having more inside directors than outside who will be more keen in the activities of commercial based parastatals. This will definitely improve their role in these parastatals.

Areas for Further Research

There is need of identifying a suitable combination of strategic change practices to enhance further performance. Hence there is need for a study to be carried out to explore other strategic change practices which would form a rich base for research

results to determine if it will result in some different influence on organizational performance. Future studies could also shift the emphasis to single strategic change practices to derive more specific evidence regarding the influence of Strategic change practices on organizational performance

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