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**Influence of Organizational Capabilities and Strategic Leadership on the Performance  
of Commercial Parastatals in Kenya**


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Strategy

### Influence of Organizational Capabilities and Strategic Leadership on the Performance of Commercial Parastatals in Kenya

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#### Abstract

**Purpose:** The main purpose of the study was to assess the influence of organizational capabilities and strategic leadership on the performance of commercial parastatals in Kenya. The research was guided by two specific objectives; to determine the influence of organizational capabilities on the performance of commercial parastatals; to determine the influence of strategic leadership on the performance of commercial parastatals in Kenya. The findings are expected to provide insights to policy makers on how the commercial parastatals in Kenya can incorporate organizational capability and strategic leadership to improve performance. The study was anchored on two major theories; the resource-based theory and the transformational leadership theory.

**Methodology:** Mixed research design was used for the study in order to address the research questions. The study targeted 297 respondents who were the head of divisions and heads of departments from selected commercial parastatals in Kenya. Both primary and secondary data was used. The data was analyzed using descriptive statistics and inferential methods including Pearson correlation and simple linear regression were used.

**Findings:** The results were organized and presented in tables. The findings indicate that organizational capability is positively correlated with performance of commercial parastatals ( $r = 0.620, p < 0.05$ ). The study also concluded that strategic leadership is positively correlated with performance of commercial parastatals in Kenya ( $r = 0.668, p < 0.05$ ).

**Unique Contribution to Theory, Practice and Policy:** In recommendation the study recommends that parastatals should promote a leadership culture that supports innovation, accountability, and employee empowerment to enhance organizational responsiveness and performance.

**Keywords:** *Organizational Capabilities, Strategic Leadership, Commercial Parastatals, Performance*

**JEL Classification Codes:** *M10, M12, M15, O33*

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## INTRODUCTION

Strategic management drivers in Kenyan commercial parastatals have evolved to include innovation, digital transformation, corporate governance, stakeholder engagement, and organizational capability development. According to the National Treasury, there are currently about 236 parastatals in Kenya, and they have been organized into eight different functional categories based on their primary responsibilities. The categories are; public universities, training and research, service, financial, regulatory, regional development authorities, tertiary education and commercial/manufacturing. For the study the focus is on the commercial parastatals which are 28, (National Treasury, 2022). State Corporations must adopt modern business management practices, as emphasized in the guidelines on terms and conditions of service for parastatals issued by the office of the President in consultation with the state Corporation Advisory Committee in November 2014 (Government Press, 2014). The regulations require each Corporation to have a corporate strategy with clearly articulated aims, values, goals, and a mission.

Lee (2021) posits that the evaluation of the administrative capabilities of public services worldwide is predominantly based on the outstanding performance governance and progress system. This system is utilized to assess the effectiveness and efficiency of these services in carrying out their administrative functions. The diverse functions of public sector organizations in Kenya encompass providing services within their respective geographical jurisdictions, as posited by Waswa and Kyego (2019). The imperative has driven implementation of strategic management practices to improve productivity and performance within Kenyan Parastatals. Insufficient attention has been devoted to evaluating their effectiveness in improving the provision of services (Kiveu et al., 2019). Commercial parastatals are distinct from regulatory and service-oriented state corporations because they operate in competitive markets and are expected to generate revenue while fulfilling public mandates. Unlike regulatory agencies, whose primary role is oversight and policy enforcement, or service-based parastatals that focus on delivering essential public services often without a profit motive, commercial parastatals combine public ownership with business-oriented operations. They are therefore required to balance financial sustainability, operational efficiency, and profitability with broader socioeconomic objectives, making them particularly sensitive to market dynamics, governance practices, and performance management requirements.

### Problem Statement

Commercial parastatals play a critical role in promoting economic development, generating revenue, creating employment opportunities, and delivering strategic services that support national development objectives. Despite their importance, many commercial parastatals in Kenya continue to experience challenges related to operational inefficiencies, declining financial performance, low competitiveness, and difficulties in adapting to rapidly changing business environments. Reports have indicated that several state-owned enterprises have struggled to achieve their performance targets, leading to concerns among policymakers and stakeholders regarding their sustainability and contribution to the economy (World Bank, 2023; Organisation for Economic Co-operation and Development [OECD], 2024).

Similarly, strategic leadership has emerged as a critical factor influencing organizational performance. Strategic leaders are responsible for developing vision, fostering innovation, managing organizational change, and aligning resources with strategic objectives. Effective strategic leadership has been associated with improved decision-making, employee motivation, organizational adaptability, and overall organizational success (Ireland & Hitt, 2005; Boal & Hooijberg, 2001). Nevertheless, evidence regarding the influence of strategic leadership on the performance of state-owned enterprises remains limited and fragmented, especially in the Kenyan context where governance structures, political influences, and resource constraints may shape leadership effectiveness differently from private-sector organizations.

Although previous studies have examined various determinants of organizational performance, limited empirical attention has been given to the combined influence of organizational capabilities and strategic leadership on the performance of commercial parastatals in Kenya. Existing studies have largely focused on private-sector firms or public institutions in other jurisdictions, creating a contextual gap in understanding how these factors influence the performance of Kenyan commercial parastatals. Consequently, there is insufficient evidence to guide policymakers, boards, and managers in strengthening internal capabilities and leadership practices to enhance organizational outcomes. These inefficiencies often stem from inadequate organizational capabilities and the absence of strategic leadership. While studies exist on private firms, commercial parastatals operate under unique political and regulatory constraints, making the applicability of private-sector findings uncertain. This study therefore seeks to determine the influence of organizational capabilities and strategic leadership on the performance of commercial parastatals in Kenya, thereby contributing to the strategic management literature and providing practical insights for improving the effectiveness and sustainability of state-owned commercial enterprises.

### **Objective of the Study**

- i. To determine the influence of organizational capabilities on performance of commercial parastatals in Kenya.
- ii. To determine the influence of strategic leadership on performance of commercial parastatals in Kenya.

### **Research Hypothesis**

H0<sub>1</sub>: There is no significant influence of organizational capabilities on performance of commercial parastatals in Kenya

H0<sub>2</sub>: There is no significant influence of strategic leadership on performance of commercial parastatals in Kenya

### **Theoretical Framework**

#### **Resource Based Theory**

The present investigation was grounded in the theoretical framework of resource-based theory. Penrose (1959) first proposed the idea of resource-based theory, and Barney (1989, 1991, and 2003) has since developed it further to provide a thorough understanding of how organizations can strategically position themselves in the market by efficiently utilizing their

available resources. This theory posits a presumption of heterogeneity among firms operating within an industry or strategic group regarding the resources they possess. Additionally, it declares that resource heterogeneity may endure due to the limited mobility of resources utilized in firms' strategic implementations. Specifically, certain resources cannot be exchanged in factor markets and are challenging to accumulate and replicate.

According to resource-based theory, contemporary organizations depend on their workforce as the primary provider of competitive resources. The theory emphasizes the notion that the unique skills possessed by employees have the potential to augment a firm's competitive advantage. Hence, allocating resources to employees via strategic planning is pivotal to providing services. This theory can be applied to commercial parastatals that aim to maintain competitiveness in the context of growing globalization and quality control systems. These companies can sustain their competitiveness by prioritizing investment in distinctive assets like intellectual capital. This study examines the impact of strategic management drivers on the performance of parastatals in Kenya, utilizing resource-based theory as the theoretical framework. Resource-Based Theory provides the lens through which Organizational Capabilities are analyzed, while Transformational Leadership Theory provides the lens for Strategic Leadership.

### **Transformation Leadership Theory**

This theory was first introduced by a sociologist called James V. Downton in 1973 which later states that transforming leaders seek to bring new change from the existing thought, technique and goal towards achieving the best results. The theory of transforming leaders is the best with different Microfinance transformation leadership style that will guide employees by executing change tandem. It is committed to group members in integral way of leadership styles. The established assumption is that transforming leadership demonstrates four elements in which intellectual stimulation, individual consideration, and inspirational motivation using leadership skills and idealized influence to maintain positive organizational performance. It determined by the leadership research to emphasize multifactor results which based on senior level managers.

The potential of transformation leadership strategy can be negatively influenced by leaders regardless of valuable approaches in managing leadership (Thompson and Vecchio, 2019). It is applicable in this study as it will enable explanation of transformation leadership styles and describe how it will enhance organizational performance. It has the foundation in vision and mission statement is promoted consistently with set values. Vision of the organization let the individual to understand and guide followers enthusiastically to improve Microfinance commitment. It encourages followers to create new ideas innovate them without criticizing leaders focus. The shortcoming of this theory is that intellectual stimulation by leaders can encourage subordinates to criticize one another. Leaders may focus on their needs without blaming the whole problem affecting the organization. It has not hesitated by discarding leadership styles when it becomes ineffective to improve performance. It is relevance to explain leadership styles on organizational performance.

## **Empirical Review**

### **Influence of Organizational Capabilities and Performance of Commercial Parastatals in Kenya**

Nasution et al. (2021) sort to test whether there is an influence of organizational structure and position analysis on work motivation and its impact on the performance of the Office of Cooperatives for Small and Medium Enterprises, Industry and Trade, Mentawai Islands Regency. The study used a quantitative approach with the path analysis method. Questionnaires were used to collect data. Respondents of this study were 50 employees from the Office of Cooperatives for Small and Medium Enterprises Industry and Trade. The results of the study found that organization structure had a significant influence on work motivation and performance.

Strategic leaders make and communicate decisions for their organization's future (Zaccaro, 2019). They formulate the organization's goals and strategies, develop structures, processes, controls and core competencies for the organization, manage multiple constituencies, choose key executives, groom the next generation of executives, provide direction with respect to organizational strategies, maintain an effective organizational culture, sustain a system of ethical values, and serve as the representative of the organization to government and other organizations and constituencies as well as negotiate with them. Such strategic leadership must be able to deal with ambiguity, complexity, and information overload requiring adaptability and a sense of timing (Boal and Hooijberg, 2018).

### **Influence of Strategic Leadership on Performance of Commercial Parastatals in Kenya**

A study by Musyimi (2016) investigated the impact of strategic leadership on employee performance within the context of commercial banks in Kenya. The study employed a cross-sectional descriptive research design focused on a population of 43 commercial banks in Kenya. The research findings indicate that implementing ethical practices led to a notable enhancement in the relationship between managers and employees. This, in turn, served as a deterrent to corrupt behavior, diminished dishonesty and breakdowns in communication, and fostered a more positive attitude among employees towards the organization.

Serfontein (2018) did research on the impact of strategic leadership on the operational strategy and performance of business organizations in South Africa. The research found that strategic leadership is directly and indirectly positively associated with operational strategy and organizational performance of business organizations in South Africa. Also, the research recommended that organizations that want to improve their performance need to implement effective strategic leadership practices. The research focused on private business organizations in South Africa and this study was on SCs which function under strict regulations, and they are government owned and therefore there was a research gap.

Njiru and Nyamute (2018) studied the influence of organizational culture on financial performance of commercial state corporations in Kenya. The study employed a survey research design and targeted all the 34 commercial state corporations in Kenya. The study used both structured closed and open-ended questionnaires to collect data. The study findings revealed that organizational size, structure formalization, structure complexity and

structure centralization affected the financial performance of commercial state corporations. The study findings found out that organizational structure had a statistically significant relationship with financial performance of Kenyan commercial state corporations.

### Conceptual Framework

Figure 1 shows the independent variables organizational capabilities and strategic leadership and the dependent variable performance.

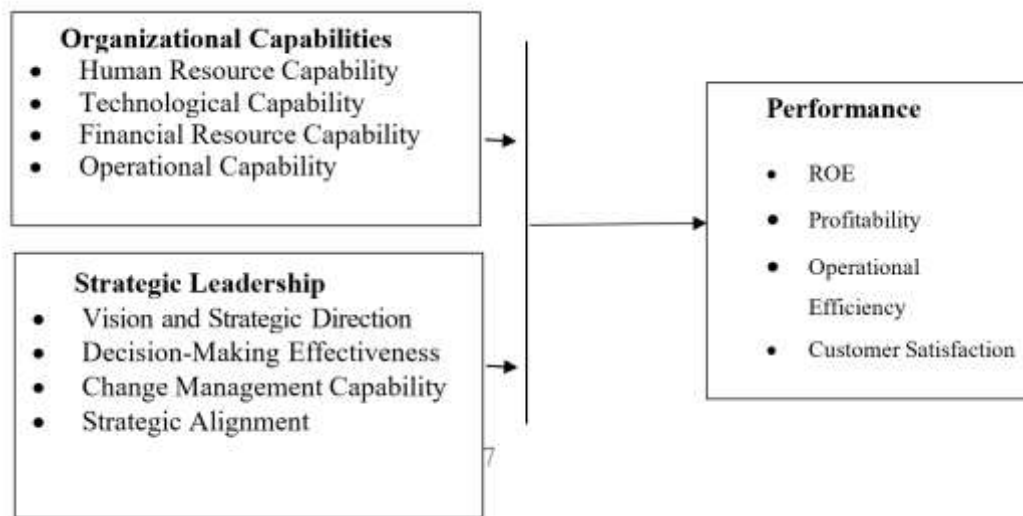


Figure 1: Conceptual Framework

Source: Researcher (2026)

### METHODOLOGY

The study applied mixed research designs, which are descriptive and correlational design. The study focused on the 21 commercial parastatals which have headquarters in Nairobi. The study focused on the heads of departments and head of divisions of the commercial parastatals. The unit of analysis for this study was commercial parastatals in Kenya, as they are the primary entities responsible for service delivery to citizens. The units of observation comprised Heads of Departments and Heads of Divisions within the selected parastatals, who provided organizational-level information on strategic management drivers and performance. The sample size used for the study was 297 respondents from the stated commercial parastatals. The study used simple random sampling to select the respondents in the parastatals. The study used questionnaires to obtain quantitative and qualitative data for analysis. The study intends to collect primary and secondary data. Primary data is first-hand information collected from the field by the researcher purposefully for the study at hand. Secondary data is a data set collected and compiled by other agencies related to the area of study and or study variables.

The study employed the linear regression model. The statistical analysis was done using the model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Whereby;

$Y$  = Performance of parastatals

$\beta_0$  = Constant

$X_1$  =Organizational Capabilities;

$X_2$  = Strategic Leadership;

## **FINDINGS AND DISCUSSIONS**

For demographic characteristics, majority of the respondents 52.7% were females while the least 47.3% were males, 60.6% of the respondents were aged 35-44 years, 19.5% were aged above 45 years, 18.3% were aged 25-34 years and 1.7% were aged 18-24 years, 50.6% of the respondents had bachelor's degree, 16.6% had master's degree, 7.5% had PhD and 2.1% had secondary education, 68.5% of the respondents had worked for a period of more than 10 years, 27.4% had worked for a period of between 5-10 years and 4.1% had worked for a period of less than 5 years.

### **Descriptive Statistics**

#### **Influence of Organizational Capabilities on Performance of Commercial Parastatals**

The study sought to determine the descriptive statistics for organization capability. The results are displayed in Table 1. The results indicate that the organization demonstrates strong human resource capability. Respondents strongly agreed that the organization has employees with the skills and competencies required to perform their duties effectively (Mean = 4.52, SD = 0.541). In addition, there was strong agreement that the organization regularly provides training and development opportunities for employees (Mean = 4.54, SD = 0.562). This suggests that capacity building and continuous professional development are well established within the organization. Furthermore, the statement that employees are capable of adapting to changing work requirements recorded the highest mean score (Mean = 4.60, SD = 0.489), indicating that employees are highly adaptable and responsive to changing operational demands.

The findings show that the organization has a moderately strong technological capability. Respondents agreed that the organization possesses adequate technological infrastructure to support its operations (Mean = 4.11, SD = 0.701). However, slightly lower agreement was recorded for the statement that the organization effectively adopts and utilizes modern technologies in its activities (Mean = 3.68, SD = 0.791). Similarly, respondents were neutral to moderately positive regarding the statement that information systems improve efficiency and decision-making (Mean = 3.56, SD = 0.762). These results suggest that while basic technological infrastructure exists, the extent of effective utilization and integration of technology in decision-making processes is still moderate and may require improvement.

The results indicate moderate perceptions regarding financial resource capability. Respondents moderately agreed that the organization has sufficient financial resources to support its strategic activities (Mean = 3.45, SD = 1.008), suggesting some concerns about resource adequacy and stability. Similarly, the statement that the organization effectively allocates and manages its financial resources recorded a mean of 3.62 (SD = 0.910), indicating moderate

effectiveness in financial management practices. The relatively higher standard deviation in this dimension suggests variation in respondents' perceptions regarding financial capacity and resource utilization within the organization.

The findings reveal relatively strong operational capability within the organization. Respondents agreed that the organization efficiently coordinates and manages its operational processes (Mean = 3.90, SD = 0.802). In addition, the statement that the organization has the ability to deliver services or products effectively and consistently recorded a high mean score (Mean = 4.46, SD = 0.276), indicating strong agreement among respondents. The low standard deviation further suggests a high level of consensus on the organization's service delivery consistency and reliability.

**Table 1: Organization Capability**

Statement	SD	D	N	A	SA	Mean	Std. Dev
The organization has employees with the skills and competencies required to perform their duties effectively.	0	0	1.7	45.2	52.7	4.52	0.541
The organization regularly provides training and development opportunities for employees.	0	0	3.3	39	57.7	4.54	0.562
Employees in the organization are capable of adapting to changing work requirements.	0	0	1.2	12.4	85.5	4.6	0.489
The organization possesses adequate technological infrastructure to support its operations.	0.4	0	17	53.1	29.5	4.11	0.701
The organization effectively adopts and utilizes modern technologies in its activities.	1.7	3.3	32	51	12	3.68	0.791
Information systems in the organization improve efficiency and decision-making.	0	5	45.2	38.2	11.6	3.56	0.762
The organization has sufficient financial resources to support its strategic activities.	2.9	11.2	41.9	25.7	18.3	3.45	1.008
The organization effectively allocates and manages its financial resources.	1.2	6.6	39.8	33.2	19.1	3.62	0.91
The organization efficiently coordinates and manages its operational processes.	0	1.2	34	38.6	26.1	3.9	0.802
The organization has the ability to deliver services/products effectively and consistently.	0	0	13.7	47.3	39	4.46	0.276

### **Influence of Strategic Leadership on Performance of Parastatals in Kenya**

The study sought to determine the descriptive statistics for Strategic Leadership. The results are displayed in Table 2. On the statement that senior management provides a clear and compelling vision that guides the organization toward achieving its strategic objectives, 51.5% of the respondents agreed while 46.5% strongly agreed, with only 2.1% remaining neutral. The statement recorded a mean score of 4.44 and a standard deviation of 0.538, implying that respondents generally perceived management as providing clear strategic direction with relatively low variation in responses. Regarding whether organizational leaders effectively communicate strategic goals and priorities to employees, 53.9% agreed and 44.4% strongly agreed, while 1.7% were neutral. The statement achieved a mean of 4.43 and a standard deviation of 0.528. This suggests that organizational leaders effectively disseminate strategic

information and maintain communication regarding organizational priorities. For the statement that strategic decisions within the organization are made in a timely and effective manner, 41.9% agreed and 55.6% strongly agreed while 2.5% were neutral. The mean score was 4.53 with a standard deviation of 0.548. These findings indicate that respondents considered organizational decision-making processes to be efficient and effective. Similarly, on whether organizational leaders consider relevant information and stakeholder perspectives when making strategic decisions, 44.0% agreed and 52.7% strongly agreed while 3.3% were neutral. The statement attained a mean score of 4.49 and a standard deviation of 0.564, suggesting that leadership decision-making incorporates diverse perspectives and evidence-based considerations.

Concerning management effectively leading and managing organizational change initiatives, 41.9% agreed, 54.8% strongly agreed, and 3.3% remained neutral. The mean score of 4.51 and standard deviation of 0.563 indicate strong agreement among respondents that organizational leaders effectively manage change processes. On the statement that leaders support employees in adapting to changes arising from strategic initiatives and organizational developments, 27.0% agreed while the majority, 68.4%, strongly agreed and 4.6% were neutral. This statement recorded the highest mean score of 4.80 and a standard deviation of 0.598, indicating that respondents strongly perceived leadership support during organizational change processes.

**Table 2: Strategic Leadership**

Statement	SD	D	N	A	SA	Mean	Std. Dev
Senior management provides a clear and compelling vision that guides the organization toward achieving its strategic objectives.	0	0	2.1	51.5	46.5	4.44	0.538
Organizational leaders effectively communicate strategic goals and priorities to employees.	0	0	1.7	53.9	44.4	4.43	0.528
Strategic decisions within the organization are made in a timely and effective manner.	0	0	2.5	41.9	55.6	4.53	0.548
Organizational leaders consider relevant information and stakeholder perspectives when making strategic decisions.	0	0	3.3	44	52.7	4.49	0.564
Management effectively leads and manages organizational change initiatives.	0	0	3.3	41.9	54.8	4.51	0.563
Leaders support employees in adapting to changes arising from strategic initiatives and organizational developments.	0	0	4.6	27	68.4	4.8	0.598
Organizational leadership ensures that departmental goals and activities are aligned with the overall organizational strategy.	0	0	2.9	33.2	63.9	4.61	0.545

### Performance of Commercial Parastatals in Kenya

The study sought to determine the descriptive statistics for performance. The results are displayed in Table 3. Under the return on equity (ROE) dimension, respondents were asked whether the organization had experienced improvement in return on equity over the past few years. The findings indicate that 47.7% agreed and 30.7% strongly agreed, while 21.6% remained neutral. The statement recorded a mean score of 4.09 and a standard deviation of 0.719, indicating that respondents generally perceived improvement in return on equity, although there was relatively greater variation in responses compared to other indicators.

On the statement that the organization effectively utilizes shareholders' investments to generate returns, 50.2% agreed and 28.6% strongly agreed while 21.2% were neutral. The statement achieved a mean score of 4.07 and a standard deviation of 0.703. This suggests that respondents believed that the organization effectively uses invested resources to generate value.

Similarly, regarding whether the organization consistently achieves favorable returns relative to its invested capital, 42.3% agreed and 39.0% strongly agreed while 18.7% were neutral. The mean score was 4.20 with a standard deviation of 0.733, implying favorable perceptions regarding the organization's financial return performance.

Under the profitability dimension, respondents indicated positive perceptions regarding the organization's financial outcomes. On whether the organization has experienced growth in overall profitability in recent years, 49.0% agreed and 40.7% strongly agreed while 10.4% were neutral. The statement recorded a mean score of 4.30 and a standard deviation of 0.648, indicating strong agreement among respondents.

Regarding whether the organization consistently achieves its profit targets and financial objectives, 50.6% agreed, 36.5% strongly agreed, and 12.9% remained neutral. The statement attained a mean score of 4.24 and a standard deviation of 0.663, suggesting that respondents perceived the organization as achieving its financial goals consistently.

Further, on the statement that the organization effectively manages costs to improve profitability outcomes, 42.3% agreed, 44.4% strongly agreed, 12.9% were neutral, and only 0.4% disagreed. The mean score was 4.31 with a standard deviation of 0.705, indicating effective cost management practices that support profitability.

Additionally, respondents indicated that the organization has maintained stable financial performance over time, with 40.2% agreeing and 49.4% strongly agreeing while 10.4% remained neutral. The statement recorded a mean score of 4.39 and a standard deviation of 0.669, reflecting positive perceptions regarding financial stability.

Under the operational efficiency dimension, the results reveal particularly high agreement levels among respondents. Regarding whether the organization effectively utilizes available resources to maximize productivity, 49.4% agreed and 48.1% strongly agreed while only 2.5% remained neutral. This statement recorded a mean score of 4.66 and a notably low standard deviation of 0.238, suggesting a strong consensus among respondents regarding efficient resource utilization.

Similarly, on whether organizational processes are carried out efficiently with minimal wastage of resources, 56.0% agreed and 41.9% strongly agreed while 2.1% remained neutral. The mean score was 4.40 with a standard deviation of 0.531, indicating positive perceptions regarding process efficiency.

On the statement that the organization delivers services or products within expected timelines, 45.2% agreed, 54.4% strongly agreed and only 0.4% were neutral. The statement achieved a mean score of 4.54 and a standard deviation of 0.508, implying that respondents viewed the organization as efficient in service and product delivery.

Likewise, continuous improvement of internal processes to enhance operational performance was highly rated, with 43.6% agreeing and 55.2% strongly agreeing while 1.2% remained neutral. The statement attained a mean score of 4.54 and a standard deviation of 0.524, suggesting strong organizational commitment to operational improvement. Under the customer satisfaction dimension, respondents expressed highly positive perceptions. On whether customers are satisfied with the quality of products and services offered by the organization, 36.1% agreed and 61.0% strongly agreed while 2.9% remained neutral. The statement recorded a mean score of 4.58 and a standard deviation of 0.550. Further, on whether the organization responds effectively to customer needs and concerns, 35.7% agreed and 62.2% strongly agreed while 2.1% remained neutral. The statement attained a mean score of 4.60 and a standard deviation of 0.531, indicating strong customer responsiveness. Finally, regarding whether the organization consistently maintains positive relationships with its customers, 34.4% agreed and 63.5% strongly agreed while 2.1% remained neutral. This statement recorded a mean score of 4.61 and a standard deviation of 0.529, suggesting that customer relationship management was highly regarded.

**Table 3: Performance**

Statement	SD	D	N	A	SA	Mean	Std. Dev
The organization has experienced improvement in return on equity over the past few years.	0	0	21.6	47.7	30.7	4.09	0.719
The organization effectively utilizes shareholders' investments to generate returns.	0	0	21.2	50.2	28.6	4.07	0.703
The organization consistently achieves favorable returns relative to its invested capital.	0	0	18.7	42.3	39	4.2	0.733
The organization has experienced growth in overall profitability in recent years.	0	0	10.4	49	40.7	4.3	0.648
The organization consistently achieves its profit targets and financial objectives.	0	0	12.9	50.6	36.5	4.24	0.663
The organization effectively manages costs to improve profitability outcomes.	0	4	12.9	42.3	44.4	4.31	0.705
The organization has maintained stable financial performance over time.	0	0	10.4	40.2	49.4	4.39	0.669
The organization effectively utilizes available resources to maximize productivity.	0	0	2.5	49.4	48.1	4.66	0.238
Organizational processes are carried out efficiently with minimal wastage of resources.	0	0	2.1	56	41.9	4.4	0.531
The organization delivers services or products within the expected timelines.	0	0	0.4	45.2	54.4	4.54	0.508
The organization continuously improves internal processes to enhance operational performance.	0	0	1.2	43.6	55.2	4.54	0.524
Customers are satisfied with the quality of products and services offered by the organization.	0	0	2.9	36.1	61	4.58	0.55
The organization responds effectively to customer needs and concerns.	0	0	2.1	35.7	62.2	4.6	0.531
The organization consistently maintains positive relationships with its customers.	0	0	2.1	34.4	63.5	4.61	0.529

**Inferential Statistics**

There is a positive and a significant correlation between performance and the set of independent variables organizational capabilities and strategic leadership.

**Table 4: Correlation Analysis**

		Y	X1	X2
Y	Pearson Correlation	1		
X1	Pearson Correlation	.620**	1	
X2	Pearson Correlation	.564**	.324**	1

Where X1 is Organizational Capabilities, X2 is Strategic Leadership and Y is Performance

### Regression Analysis

The study used regression analysis to determine the statistical significance of the independent variables on the dependent variable.

### Regression Analysis of Organizational Capability and Performance

The first objective was to find out the influence of organizational capability on performance. The following hypothesis was formulated:

**H0<sub>1</sub>:** Organizational Capability has no statistically significant influence on performance of commercial parastatals in Kenya.

In Table 5, organization policy framework has an R square of 0.381 implying that organization policy framework accounts for 38.1% of the variation in performance of commercial parastatals in Kenya.

**Table 5: Model Summary for Organization Capability Framework**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.620 <sup>a</sup>	.384	.381	2.84702

The findings on the ANOVA as shown in Table 6 indicates that  $F = 148.861$ ,  $p = 0.000$  which is less than 0.05 implying that the model summary is statistically significant.

**Table 6: Model Summary for Organizational Capability**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1206.597	1	1206.597	148.861	.000 <sup>b</sup>
	Residual	1937.223	239	8.106		
	<b>Total</b>	<b>3143.820</b>	<b>240</b>			

Based on the regression coefficients in Table 7, there is a statistically significant positive relationship between organization policy framework and performance of commercial parastatals, ( $\beta = 2.242$ ,  $p = 0.000 < 0.05$ )

**Table 7: Table of Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	0.214	.176			1.216	.000
X3	2.242	.184	.620		12.201	.000

The results show that performance of commercial parastatals will rise by 2.242 units for every unit increase in organization policy framework. The regression equation is given as:

$$Y = 0.214 + 2.242 X_1$$

Y = Performance of Commercial Parastatals and  $X_1$  = organization capability

### Regression Analysis of Strategic Leadership and Performance

The second objective was to find out the influence of strategic leadership on performance. The following hypothesis was formulated:

**H0<sub>2</sub>:** Strategic Leadership has no statistically significant influence on performance of commercial parastatals in Kenya.

In Table 9, citizen centric strategies have an R square of 0.444 implying that citizen centric strategies accounts for 44.1% of the variation in performance of commercial parastatals in Kenya.

**Table 9: Model Summary for Citizen Centric Strategies**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.668 <sup>a</sup>	.446	.444	2.69899

The findings on the ANOVA as shown in Table 10 indicates that  $F = 192.573$ ,  $p = 0.000$  which is less than 0.05 implying that the model summary is statistically significant.

**Table 10: Model Summary for Citizen Centric Strategies**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1402.810	1	1402.810	192.573	.000 <sup>b</sup>
	Residual	1741.010	239	7.285		
	<b>Total</b>	<b>3143.820</b>	<b>240</b>			

Based on the regression coefficients in Table 11, there is a statistically significant positive relationship between citizen centric strategies and performance of commercial parastatals, ( $\beta = 2.418, p = 0.000 < 0.05$ )

**Table 11: Table of Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.678	.201		-3.373	.000
	X2	2.418	.174	.668	13.877	.000

The results show that performance of commercial parastatals will rise by 2.418 units for every unit increase in citizen centric strategies. The regression equation is given as:

$$Y = 0.678 + 2.418 X_2$$

Y = Performance of Commercial Parastatals and  $X_2$  = Strategic Leadership

## **CONCLUSION AND RECOMMENDATIONS**

### **Conclusion**

In conclusion, based on the study findings, both organizational capabilities and strategic leadership were found to have a positive and statistically significant influence on the performance of commercial parastatals in Kenya at the 95% confidence level. The results confirmed that organizations with strong capabilities such as effective resource utilization, skilled human capital, and adaptive operational systems are better positioned to enhance performance outcomes. Similarly, strategic leadership was shown to play a critical role in shaping organizational direction, fostering innovation, and ensuring effective implementation of strategic decisions. Consequently, the study accepted the alternative hypotheses for both variables and established that strengthening organizational capabilities alongside effective strategic leadership is essential for improving the overall performance of commercial parastatals in Kenya.

### **Recommendations**

Based on the findings that innovative strategic practices and citizen-centric strategies Based on the study findings, the study recommends that management of commercial parastatals in Kenya should prioritize the development and strengthening of organizational capabilities through continuous skills development, improved resource allocation, and the enhancement of internal systems and processes that support efficiency and adaptability. In addition, organizations should invest in strategic leadership by ensuring that leaders are adequately trained in strategic thinking, decision-making, and change management to enable them to effectively guide institutions in dynamic operating environments. Further, parastatals should promote a leadership culture that supports innovation, accountability, and employee empowerment to enhance organizational responsiveness and performance. Collectively, these measures will enable commercial parastatals to improve service delivery, operational efficiency, and overall institutional performance.

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