INTERNATIONAL JOURNAL OF INNOVATION, ENTERPRISE, AND SOCIAL SCIENCES

ISSN 2454-6186
Volume 5, Issue 1, Pages 428-445, October, 2025
Journal Website: https://scholarnestpublishers.com/index.php/IJIESS

STRATEGIC LEADERSHIP PRACTICES AND PERFORMANCE OF REGULATORY STATE CORPORATIONS IN NAIROBI COUNTY, KENYA

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ABSTRACT

In the recent past, many state corporations in Kenya have been facing dismal performance trends, a situation that has derailed the sustainability of most of these crucial institutions. The general objective of the study was to determine the influence of strategic leadership practices on the performance of regulatory state corporations in Nairobi County, Kenya. Specifically, the study sought to w determine the influence of talent development on the performance of regulatory state corporations in Nairobi County, Kenya, to establish the influence of innovativeness on the performance of regulatory state corporations in Nairobi County, Kenya. This research was conducted based on Human Capital Theory, innovation diffusion theory. This study adopted a descriptive research design. The unit of analysis for this study was 46 state corporations in Kenya while the unit of observation was 340 management employees working with the state corporations. The study used Yamane formulae (Yamane 1967) to determine the appropriate sample size for this study. The 184 respondents were chosen with the help of stratified random sampling technique. The study then used simple random sampling to select respondents from each group. This research used a questionnaire to collect primary data. Eighteen questionnaires were piloted that represented 10% of the target population. The study collected quantitative data which was analysed using descriptive and inferential statistics using the Statistical Package for Social Sciences (SPSS) version 24. Multivariate linear regression was used to determine the relationship between the dependent and independent variables. Descriptive analysis showed that talent development had the highest mean score (4.136), followed by innovativeness (4.094). Correlation analysis confirmed significant positive relationships between all independent variables and performance, with talent development showing the strongest correlation ($r = 0.835$, $p = 0.004$). Regression analysis revealed that talent development ($B = 0.412$, $p = 0.000$), innovativeness ($B = 0.356$, $p = 0.001$), significantly predict organizational performance. The study concluded that talent development had the greatest influence on performance, followed by innovativeness. It is recommended that state corporations strengthen talent development programs, foster a culture of innovation, to improve decision-making and adaptability. Future research should explore additional performance factors, conduct longitudinal studies, and assess the role of external environmental influences on organizational success.

Key Words: Strategic Leadership Practices, Talent Development, Innovativeness, Performance of Regulatory State Corporations, Nairobi County, Kenya

Background of the study

Strategic leadership is described by Hitt et al. (2019) as the capacity of a leader to foresee, predict, preserve flexibility, and enable others to bring about strategic change. The ability of management to articulate their strategic vision for the business or a specific division of it as a means of motivating people to strive towards that vision is referred to as strategic leadership. The use of technique to manage personnel is a definition of strategic leadership. According to Freedman and Tregoe (2018), it is thought to have the power to persuade organizational members to accept change.

With the help of resource allocation and the expression of a strategic vision, strategic leadership enables the organisation to create a structure. When dealing with extremely challenging issues that are influenced by other organisations and events, strategic leadership might be used. It serves multiple purposes, including collaborating with others to manage change that the current business environment seems to bring about exponentially. To effectively manage complex information, strategic leadership must be able to adapt to and integrate both internal and external settings (Hambrick & Mason 2018).

Aznar, Ikram, Rashid, and Saqib (2016) made the organizational case that strategic leadership is a successful business process by creating effective strategies and utilizing internally motivated personnel. Performance results from leadership's goal of empowering organisational stakeholders and motivating them to work together to achieve the company's goal. In addition to enabling corporate leaders to effectively influence their followers to contribute to the accomplishment of the goals and objectives of the organization, strategic leadership practices also shape the formation of strategic intent, which influences successful strategic practices in an organization. Strategic leadership, according to Covin and Slevin (2017), is the capacity of a leader to anticipate, preserve flexibility, and enable subordinates to implement strategic change as required. According to Shao (2019), SL refers to a leader's capacity to foresee problems, preserve flexibility, think strategically, and collaborate with subordinates to bring about changes that secure the organization's future.

According to Golensky and Hager (2020), SL is multifunctional and refers to managing people as well as companies to handle the difficulties posed by the current international business environment. According to Norzailan, Othman, and Ishizaki (2016), strategic leadership also involves proficiency in managing both internal and external corporate operations.

Statement of the Problem

State corporations are crucial in delivering services to Kenyans and supporting the government's goals, such as those outlined in the Vision 2030 (Walter & Vincent, 2018). However, recent statistics indicate that 70% of state corporations have reported operational deficits, and 60% exhibit poor performance metrics compared to private entities (GoK, 2023; Auditor General's report, 2023). This study aims to address these performance issues by exploring the influence of strategic leadership practices on the performance of regulatory state corporations in Nairobi County, Kenya (Wanyama, 2016; Godia, 2017).

Recent debates on the performance of state corporations in Kenya have included discussions on privatization, mergers, and closures as strategies to improve efficiency, better management and reduce financial burdens on the government. (Kireri, 2021). Some of the state corporations that have or almost collapsed due to poor performance and the government had to intervene and bail out in the last couple of years include Agricultural Finance Corporation (AFC), Kenya Meat Commission (KMC), Kenya Cooperative Creameries (KCC), Mumias Sugar Company, Uchumi Supermarkets, Kenya Airways, Kenya Broadcasting Corporation among others (Amayi, & Ngugi ,2017).

One of the critical attributes of any leadership team is to improve the performance of an organization and meet the goals of stakeholders. The leadership of an organization should pragmatically make decisions that make use of the operational capital that is now available, follow legal requirements, effectively communicate corporate goals, and train the workforce for professional preparedness (Coppin, 2017). To that aim, the leadership of the organization should make an effort to create policies and put plans into place that will have a beneficial impact on the performance of the organization over the long and short terms (Muhamad & Auzair, 2018). A leadership that is strategic in its decision-making is anticipated to bring together the organizational functional capabilities in such a way that it can foster a synergy between the available internal resources and external opportunities. By effectively utilizing the resources at hand, strategic leadership has the potential to visualize where the organization needs to be in the short and medium-term, as Becerra-Fernandez and Sabherwal (2019) noted. Different studies have been conducted on a global and local level to study the impact of strategic leadership on organizational outcomes. Although various researchers have investigated how strategic change affects organizational performance the performance of state corporations has received relatively little attention in the studies because the majority of the research has focused on profit-driven businesses. To fill the highlighted gaps, the current study seeks to determine the influence of strategic leadership practices on the performance of regulatory state corporations in Nairobi County, Kenya.

General Objectives

The general objective of the study is to determine the influence of strategic leadership practices on the performance of regulatory state corporations in Nairobi County, Kenya

Specific Objectives

i) To determine the influence of talent development on the performance of regulatory state corporations in Nairobi County, Kenya.

ii) To establish the influence of innovativeness on the performance of regulatory state corporations in Nairobi County, Kenya

LITRATURE REVIEW

Theoretical Review

Human Capital Theory

The proponent of human capital theory is Schultz (1961) but was developed extensively by Becker (1964). Schultz (1961) in an article entitled "Investment in Human Capital" introduces his theory of Human Capital. Schultz argues that both knowledge and skills are a form of capital, and that this capital is a product of deliberate enterprise growth. Therefore, an organization should invest in people through education and training. According to Schultz acquisition of knowledge and skills is compared to acquiring the means of production. The difference in earnings between people relates to the differences in access to education and health. In the theory Schultz argues that investment in training leads to an increase in human productivity, which in turn leads to a positive rate of return and hence of growth of organizations.

The theory stresses the value addition that people contribute to an organization. According to this theory people are regarded as assets and it stresses that investments by organizations in people will generate worthwhile returns. These must be retained in the organization if it has to perform well. The theory is associated with the resource based view of strategy developed by Barney (1991) who proposes that sustainable competitive advantage is attained by an organization if it has a human resource pool that cannot be imitated or substituted by its competition. Therefore, organization should always strive to attract the best talent through investment in training and development. This will always help retain the people who have the best skills that can create a competitive advantage for the organization that will improve its returns. These returns are expected to be improvements in performance, productivity, flexibility and the capacity to innovate that should result from enlarging the skills base and increasing levels of knowledge and competence. Human Capital Theory was used to assess the influence of talent development on the performance of regulatory state corporations in Nairobi County, Kenya

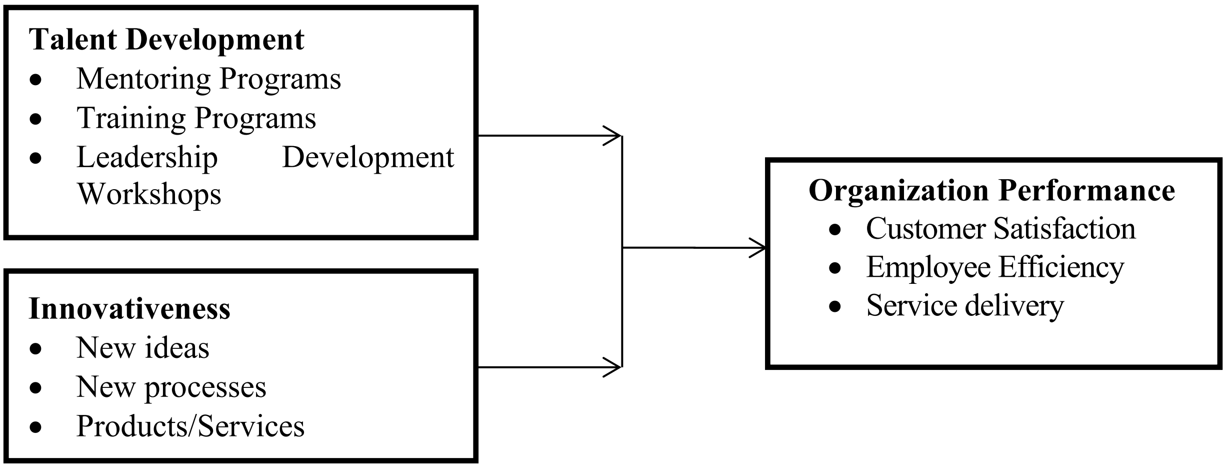
Innovation Diffusion Theory

Innovation Diffusion Theory, proposed by sociologist Everett Rogers in 1962, seeks to explain how and why innovations are adopted and spread within a population over time. This theory has been influential in various fields, including sociology, marketing, economics, and technology management. Innovation Diffusion Theory outlines a five-stage process through which individuals or organizations adopt innovations: awareness, interest, evaluation, trial, and adoption. Adoption refers to the decision to make full use of an innovation as the best course of action available. According to the theory, the rate of adoption of an innovation is influenced by its perceived characteristics, including relative advantage (the degree to which an innovation is perceived as better than the existing alternatives), compatibility (the extent to which an innovation is consistent with existing values, needs, and experiences), complexity (the perceived difficulty of understanding and using the innovation), trialability (the ability to experiment with the innovation on a limited basis), and observability (the visibility of the results of using the innovation).

Innovation Diffusion Theory emphasizes the role of communication channels in disseminating information about innovations. Different communication channels, such as mass media, interpersonal networks, and opinion leaders, influence the diffusion process by shaping perceptions, attitudes, and behaviors related to the innovation. The adoption and diffusion of innovations occur within a social system characterized by norms, values, social networks, and institutions. The structure and dynamics of the social system influence the diffusion process, determining the speed and extent of adoption of innovations within the population. The theory assumes that individuals or organizations within a population exhibit heterogeneous adoption patterns, with some adopting innovations early (innovators and early adopters) and others adopting later (early majority, late majority, and laggards). In addition, Innovation Diffusion Theory assumes that the adoption of innovations is a rational decision-making process influenced by perceived benefits, costs, risks, and social influences. Individuals or organizations weigh these factors before deciding whether to adopt an innovation. This study used innovation diffusion theory to establish the influence of innovativeness on the performance of regulatory state corporations in Nairobi County, Kenya

Conceptual Framework

The conceptual framework indicates that the study hypothesizes and strategic leadership practices innovativeness, core competencies, and organizational control. Independent variables in this study were talent development, and innovativeness while performance of state corporations was the dependent variable.



Independent Variable **Dependent Variable**

Figure 2.1: The conceptual framework

Talent Development

Talent development is a critical aspect of organizational success, encompassing various strategies and initiatives aimed at enhancing the skills, knowledge, and capabilities of employees. Three key components of talent development include mentoring, training, and workshops (Perez, 2020). Mentoring involves a relationship in which a more experienced individual, known as the mentor, guides and supports the development of a less experienced individual, the mentee. This personalized approach provides valuable insights into roles and industries, fosters confidence, and creates a sense of belonging within the organization. Regular one-on-one interactions, goal-setting, and feedback sessions are integral to mentoring, with the relationship often being long-term for sustained development and growth (Godwin, 2022). Training is a structured approach to improving specific skills, competencies, or knowledge among employees. It can take various forms, including workshops, seminars, online courses, and on-the-job training. Training addresses both technical and soft skills, contributing to individual and organizational performance improvement. Programs are designed based on identified skill gaps, and evaluations help measure the effectiveness of the training, ensuring that employees have the necessary skills for their roles (Mbuba, 2022).

Workshops are interactive sessions focused on specific topics, allowing participants to engage in hands-on activities, discussions, and collaborative learning. They provide a platform for experiential learning, encouraging active participation and knowledge application. Workshops are effective for skill-building, problem-solving, and fostering teamwork. Facilitators guide participants through the material, creating an environment conducive to learning and skill acquisition. Workshops can be tailored to address specific organizational needs or challenges (Godwin, 2022).

Innovativeness

Innovativeness refers to the ability and willingness of individuals, teams, or organizations to generate and implement new ideas, processes, products, or services that create value and drive positive change. It involves a mindset of curiosity, creativity, and openness to experimentation, as well as the capacity to effectively translate innovative ideas into practical solutions. New ideas represent the foundational element of innovativeness, stemming from creative thinking and problem-solving. These ideas often emerge through brainstorming sessions, collaboration among team members, or inspired insights from individuals. They encompass novel concepts, approaches, or solutions to address existing challenges or capitalize on emerging opportunities within the organization or its external environment. New ideas serve as the catalyst for innovation, igniting the innovation process and guiding subsequent actions toward implementation (Mbuba, 2022).

New processes denote innovative ways of organizing, executing, or managing activities within an organization to enhance efficiency, effectiveness, or value creation. These processes may involve streamlining workflows, optimizing resource allocation, or redesigning operational procedures to achieve desired outcomes more effectively. New processes often arise from the identification of inefficiencies, bottlenecks, or areas for improvement within existing workflows, prompting the exploration of alternative methods or strategies to achieve desired objectives. Implementing new processes requires careful planning, stakeholder engagement, and ongoing evaluation to ensure alignment with organizational goals and objectives (Frimpong *et al*, 2018).

New products or services represent tangible manifestations of innovativeness, embodying novel solutions or offerings that address unmet needs or fulfill emerging demands in the marketplace. These innovations may take the form of groundbreaking technologies, disruptive business models, or value-added services that differentiate the organization from competitors and create value for customers.

Developing new products or services requires a deep understanding of customer preferences, market trends, and technological advancements, as well as the ability to translate insights into tangible offerings that resonate with target audiences. Successful innovation in products or services often involves cross-functional collaboration, market testing, and iterative refinement to ensure alignment with customer needs and preferences (Keoye, 2018).

Empirical Review

Talent Development and Organization Performance

Frimpong *et al* (2018) conducted a study on the Role of Talent Management on Organizational Performance Focusing on Ghana Revenue Authority, Sunyani. The sample size adopted for the study was fifty respondents through the help of Simple random sampling techniques. Descriptive analysis factors like frequency tables, mean scores and percentages were generated and their interpretations thoroughly explained and interpreted. The study found out that, the most prominent role of talent management was that; it provide employees with satisfaction, learning and growth (Mean Score =1.90). The second most prominent role of talent management was that; it provides an opportunity to help employees to achieve their personal best (Mean Score =1.72). The third most prominent role of talent management was that it reduces employee attrition. Based on the findings of the study, the study recommended that organizations should offer favorable working conditions to their employees as the best talented employees who contribute to good organizational performance.

Keoye (2018) researched on the effect of talent management on organizational performance. This study adopted a descriptive research design. The study collected qualitative data using questionnaires and qualitative data using interview guide. The quantitative data was analyzed using descriptive statistics generated from Statistical Software for Social Sciences (SPSS) and the qualitative data was analyzed using content analysis.

The study found out that the respondents opinion on talent management is that within an organization it is an international human resources strategy that seeks to identify, develop, deploy and retain talented and high potential employees. The reasons for employing talent management at Comply Ltd is because the organization leaders understand that having the right people in the right place at the right time to maximize business opportunities has become the most important factor in ensuring ongoing organizational success. The study findings went on to reveal that talent management improved employee attitude and behavior towards work. The study further revealed that the organization makes executives the primary talent managers.

Almohtaseb (2020) researched on impact of talent management on organizational performance. This study was carried out on the public health sector and was specifically focused on public health workers in Jordan. The study focused on 30 public hospitals in Jordan. A survey of 430 respondents that were made up of public health workers was used for the analysis. SEM in AMOS statistical analysis package was used is this study. The findings showed that a performance management system moderates the relationship between talent management and organizational performance. This suggests that performance management system can be used as a strategy to identify talented employees; integrate, re-strategize and strengthen management-employee relationship to improve their organizational performance

Muyela and Kamaara (2021) researched on the effect of talent management practices on employee performance in the civil service in Kenya. The study targeted 1069 employees in the ministry's department of industry, trade, and cooperatives. A sample size of 291 respondents was selected from the different departments using the Israel sampling formulae. Questionnaires were the main instruments of data collection and publications from the ministry's respective departments were the main source of the secondary data. Data was analyzed using SPSS version 22. Correlation coefficient was used to test for the strength of the relationship between dependent and the independent variables. Research findings were presented in form of graphs, tables, mean, frequencies and charts. The findings of the study revealed that talent development, talent retention, talent attraction and career development positively and significantly has effect on employee performance in the ministry of Industries, Trade and Cooperatives in Kenya. The study advocates the ministry to enhance its talent development practices since the practices leads to improved employee performances.

The ministry should also focus on improving its talent attraction strategies since the practice positively and significantly has effect on performance of employees. Additionally, the study recommends the ministry to focus on improving its talent retention strategies since the practice positively and significantly has effect performance of employees.

Innovativeness and Organization Performance

In Australia, Perez (2020) studied a process model of evidence-based decision-making. Therefore, the study aimed to develop a process model explaining why some managers engage in evidence-based decision-making more than others. In terms of methodology, the study applied quantitative methods with a sample of 203 senior managers from the built environment sector, which is the inception, design, and development of office buildings. Subsequently, 17 in-depth interviews were conducted to complement the cross-sectional survey to ensure that the relevant facilitating conditions and barriers to evidence-based decision-making were captured appropriately within the model. The study's quantitative findings backed up the proposed evidence-based decision-making process model. According to the report, learning target orientations is a higher-order construct of the theory of expected action in predicting evidence-based decision-making. Furthermore, the study found that learning goal orientation and the theory of expected action explain unique variations in evidence-based decision-making. Learning goal orientation and subjective norms are the best predictors of the intention to follow evidence-based decision-making and its subsequent implementation

Stonebreaker and Howard (2018) conducted a study in South Africa on evidence-based decision-making, comprehension, and practice in management courses, and the findings were published in the journal Management Education. The information was gathered as part of the groups' evaluations of how students performed in the community and what improvements they wanted to make to be a stronger team for the final weeks of the semester. The responses were independently coded and classified after the data was coded. After that, an independent reviewer was assigned to use those categories to evaluate the responses. The findings showed that decision practices, decision knowledge, and other process development were not new concepts but applied in a learning environment where students were immersed in informationrich scenarios with extremely difficult problems. According to the findings, the activities provided a classroom environment that had the potential to make a significant difference in the students' outcomes.

Tajeddini (2019) analyzed the influence of learning orientation and innovativeness on performance of public organizations. This paper draws on theory from innovation and learning orientation in conjunction with a strategic-centered model to carry out a survey-based study of 127 senior level managers (e.g. CEOs, planning, finance, HR and marketing managers) of POs and/or their cluster companies in six major developed and developing cities of Iran. The research findings show that learning orientation and innovativeness leads to better PO performance and should be encouraged. More specifically, the results suggest that higher levels of learning orientation and innovativeness led these organizations to higher levels of delivery speed, cost improvement, and quality confidence in firm future PO performance.

Yıldız, Faruk Baştürk and İlknur (2021) focused on the Effect of Leadership and Innovativeness on Business Performance. Theory and research suggest that both leadership and innovativeness have important consequences for business performance. However this relationship is not the same because of sector, location, size and other variables. The leadership styles undertaken are transformational and transactional leadership. This study is designed as explanatory and its data gathering method is questionnaire. 576 people working in service sector and industry sector from Istanbul comprise the case study. The results show that two leadership styles and innovativeness have positive effect on business performance. It is found that innovativeness, transformational leadership and transactional leadership have higher effects on business performance, respectively.

Njoroge and Nyaga (2022) researched on continuous improvement practices and organizational performance of large manufacturing companies in Kenya: A Case Study of Nairobi Bottlers Limited. The researcher discovered a good association between evidence-based decision making, customer focus, process approach, employee engagement, and organizational success. The study indicates that each of the four independent variables analyzed impacted the performance of manufacturing companies.66.4% of the organizational performance of Nairobi Bottlers Limited can be accounted for by the four independent variables that were investigated, as indicated by the adjusted $R2=0.664$. The researcher suggests further research be carried out to examine the other 33.6%. Continuous improvement practices have been shown to have an impact on the organizational performance of manufacturing organizations

RESEARCH METHODOLOGY

This study adopted a quantitative research methodology anchored on a descriptive research design. According to Kothari (2018), a research design is the arrangement of conditions for data collection and analysis in a manner that aims to combine relevance to the research purpose with economy in procedure. The descriptive design was appropriate for this study because it allows for the collection, processing, analysis, and presentation of quantitative data to describe existing relationships without manipulation of variables. Mugenda (2018) supports this design as it facilitates the observation and description of phenomena as they occur naturally. The design was therefore suited to examining the relationship between strategic leadership practices and the performance of regulatory state corporations.

The target population of the study comprised management-level employees drawn from forty-six regulatory state corporations operating within Nairobi City County, Kenya. The population totaled 340 individuals distributed across top, middle, and lower management levels. These included Chief Executive Officers, Managing Directors, General Managers, Departmental Directors, and Heads of Departments in finance, human resources, operations, and strategy. These groups were deliberately targeted because they represent decision-makers actively involved in shaping and executing strategic leadership practices within their organizations, and their insights were therefore critical to achieving the study's objectives.

The sampling frame consisted of the forty-six corporations and the corresponding list of 340 management employees. The sample size was determined using Yamane's (1967) formula with a five percent margin of error, yielding a sample of 184 respondents. Stratified random sampling was employed to ensure that each management level—top, middle, and lower—was proportionately represented. Within each stratum, simple random sampling was used to select the specific participants. This approach was chosen because the population was not homogeneous and could be meaningfully divided into subgroups based on managerial level, which ensured representativeness and minimized sampling bias (Bryman & Cramer, 2016).

Primary data were collected using structured questionnaires. Questionnaires were selected as the main data collection instrument because they allow for standardized data collection and facilitate quantitative analysis (Patton et al., 2016; Kothari, 2018). The structured format provided consistency, while the anonymity of responses encouraged honest and unbiased feedback. The questionnaire contained closed-ended questions designed to capture data on the key variables under investigation. This method was also chosen for its efficiency, objectivity, and capacity to reach a relatively large number of respondents within a short period.

Data collection commenced after obtaining the necessary approvals from relevant authorities. Two research assistants were trained to assist in the data collection process. The study employed the drop-and-pick-later method, where questionnaires were delivered to respondents and collected after two weeks. Additional time was granted where necessary to accommodate respondents' schedules. Each research assistant was responsible for administering the questionnaires to selected participants and ensuring completeness of responses upon retrieval.

A pilot study was conducted prior to the main data collection to assess the validity and reliability of the questionnaire. The pilot test involved eighteen respondents, representing ten percent of the total sample size, as recommended by Cooper and Schindler (2017). Respondents in the pilot study were not included in the final sample to prevent survey fatigue and bias. The pilot results were used to refine the questionnaire and correct potential weaknesses in design and measurement. Quantitative data were coded and analyzed using SPSS version 28. Descriptive statistics such as frequencies, percentages, and measures of dispersion were used to summarize the data, while inferential statistics, specifically multiple regression analysis, were employed to examine the relationship between the independent and dependent variables. Results were presented using tables, bar graphs, and pie charts to enhance clarity and interpretability.

RESEARCH FINDINGS AND DISCUSSION

The study targeted 184 respondents, drawn from various levels of management within regulatory state corporations in Nairobi County, Kenya. Out of the 184 distributed questionnaires, 162 were successfully completed and returned, representing a response rate of 88.2%. The response rate is considered high and acceptable, as it exceeds the 70% threshold recommended by Mugenda and Mugenda (2018) for survey-based research. This high response rate enhances the reliability and validity of the findings, ensuring that the collected data is representative of the target population.

Descriptive Analysis

This section presents the descriptive statistics of the study variables based on responses collected from employees of state corporations in Nairobi County, Kenya. The analysis includes mean scores and standard deviations for each statement in the study questionnaire.

The mean score represents the average level of agreement among respondents on a five-point Likert scale, where responses ranged from Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), to Strongly Agree (5). The standard deviation (SD) indicates the variability or dispersion of responses, with lower values signifying more consistency in opinions and higher values indicating greater variation in responses. The mean values were interpreted as follows: 1.00–1.99 (Strong Disagreement), 2.00–2.99 (Disagreement), 3.00–3.99 (Neutral), 4.00–4.49 (Agreement), and 4.50–5.00 (Strong Agreement). A higher mean score reflects a stronger positive perception of the respective statement, while a lower mean score indicates a weaker level of agreement.

Talent Development

The first objective of the study was to determine the influence of talent development on the performance of regulatory state corporations in Nairobi County, Kenya. Talent development examines whether state corporations provide adequate training, career growth opportunities, and mentorship programs for employees. The table 1 below presents the descriptive statistics for this section.

Table 1: Descriptive Statistics for Talent Development

Statements	Mean	Standard Deviation
Opportunities for employees to participate in training programs are provided.	4.202	0.810
There are clear pathways for career development, including opportunities for progression.	4.089	0.765
The organization actively encourages and supports mentorship programs.	3.987	0.921
Training and development initiatives align with organizational strategic goals.	4.132	0.799
Investment in leadership development programs to cultivate future leaders.	4.189	0.845
Employees participating in talent development programs demonstrate improved performance.	4.201	0.812
Talent development initiatives positively correlate with strategic objectives.	4.156	0.881
Aggregate Score	**4.136**	**0.833**

The aggregate mean score of 4.136 suggests that respondents agree that talent development is well-integrated within their organizations. Respondents generally perceive their organizations as actively engaging in talent development initiatives to improve employee skills and performance. The highest-rated statement, that opportunities for employees to participate in training programs are provided, with a mean of 4.202 and a standard deviation of 0.810, indicates that most employees recognize and appreciate the availability of training programs aimed at enhancing their knowledge and competencies. Similarly, the statement on employees who participate in talent development programs demonstrating improved performance, with a mean of 4.201 and a standard deviation of 0.812, reinforces the positive impact of training initiatives on employee productivity and effectiveness.

The presence of clear pathways for career development, including opportunities for progression, with a mean of 4.089 and a standard deviation of 0.765, suggests that state corporations generally offer structured career advancement opportunities, though some variations in accessibility or awareness may exist across different levels of employees. The alignment of training and development initiatives with organizational strategic goals, with a mean of 4.132 and a standard deviation of 0.799, indicates that most employees perceive training programs as well-integrated into the broader strategic direction of their organizations.

This suggests that training initiatives are not only employee-focused but also contribute to organizational objectives and long-term success.

The investment in leadership development programs to cultivate future leaders, with a mean of 4.189 and a standard deviation of 0.845, highlights that organizations prioritize leadership training, ensuring that employees are equipped with the skills necessary for succession planning and leadership transition. The positive correlation between talent development initiatives and strategic objectives, with a mean of 4.156 and a standard deviation of 0.881, reflects employees' perception that investment in training and career growth directly contributes to the achievement of organizational goals.

However, the lowest-rated statement, that the organization actively encourages and supports mentorship programs, with a mean of 3.987 and a standard deviation of 0.921, suggests that while mentorship exists, there may be gaps in implementation or accessibility. The relatively higher standard deviation indicates variability in employees' experiences with mentorship programs, possibly due to differences in organizational support, engagement levels, or the availability of mentors.

The study findings show that talent development positively influences employee performance and overall organizational success, with strong agreement that training programs, career development pathways, and leadership development initiatives enhance productivity. However, mentorship programs were identified as an area requiring improvement. These results are consistent with Frimpong et al. (2018), who found that talent development contributes to employee satisfaction, learning, and retention, directly impacting organizational success. Likewise, Muyela and Kamaara (2021) concluded that talent development, attraction, and retention significantly improve employee performance in Kenya's public sector, advocating for enhanced career development strategies. Almohtaseb (2020) further emphasized that a strong performance management system enhances the link between talent development and organizational success, underscoring the need for structured monitoring of training initiatives to maximize their impact.

Innovativeness

The second objective of the study was to establish the influence of innovativeness on the performance of regulatory state corporations in Nairobi County, Kenya. Innovativeness assesses the organization's ability to foster creativity, implement new ideas, and support research and development. The Table 2 below presents the mean and standard deviation for responses related to innovation.

Table 2: Descriptive Statistics for Innovativeness

Statements	Mean	Standard Deviation
The organization fosters a culture of innovation, encouraging creative thinking.	4.034	0.841
Innovation is a strategic priority with resources allocated for research and development.	4.145	0.798
The organization actively introduces new products, services, or processes to stay competitive.	3.976	0.902
We have successfully implemented innovative solutions impacting revenue and cost savings.	4.087	0.863
Leadership demonstrates a commitment to innovation by supporting innovative initiatives.	4.201	0.759
Collaboration and cross-functional teamwork drive innovation within the organization.	4.123	0.911
Aggregate Score	**4.094**	**0.846**

The findings indicate that innovativeness plays a critical role in enhancing organizational performance in regulatory state corporations in Nairobi County, Kenya. The aggregate mean score of 4.094 suggests that respondents generally perceive their organizations as supportive of innovation and creative problem-solving. The highest-rated statement, that leadership demonstrates a commitment to innovation by supporting innovative initiatives, with a mean of 4.201 and a standard deviation of 0.759, suggests that leaders play an active role in promoting innovation within their organizations. This indicates that employees recognize and appreciate leadership efforts in fostering a culture of creativity and new idea generation.

The statement that innovation is a strategic priority with resources allocated for research and development, with a mean of 4.145 and a standard deviation of 0.798, further supports the idea that organizations are investing in innovation as a key driver of performance. However, while employees agree that innovation is a strategic focus, the relatively high standard deviation suggests some inconsistencies in the actual implementation of innovation strategies across different departments. The role of collaboration and cross-functional teamwork in driving innovation, with a mean of 4.123 and a standard deviation of 0.911, highlights that organizations recognize the value of team-based innovation efforts. However, the higher standard deviation suggests variability in how different teams engage in innovation activities, potentially indicating that some departments may not fully embrace collaborative innovation efforts.

The statement that the organization has successfully implemented innovative solutions impacting revenue and cost savings, with a mean of 4.087 and a standard deviation of 0.863, suggests that innovation efforts have had a tangible impact on financial performance. However, variability in responses indicates that some employees may perceive gaps in the effectiveness of these initiatives. The statement that the organization fosters a culture of innovation, encouraging creative thinking, with a mean of 4.034 and a standard deviation of 0.841, indicates that most employees believe their workplace supports creativity, although some variations exist in how this culture is embraced across different organizational levels.

The lowest-rated statement, that the organization actively introduces new products, services, or processes to stay competitive, with a mean of 3.976 and a standard deviation of 0.902, suggests that while innovation is encouraged, there may be challenges in consistently launching new products, services, or operational improvements.

The relatively high standard deviation reflects divergent experiences among employees, possibly due to differences in how innovation efforts are executed across various departments. The study revealed that innovation significantly contributes to organizational performance, with leadership commitment to innovation being a key driver. Employees acknowledged organizational support for research and development, but challenges remain in consistently introducing new products, services, and processes. These findings align with Yıldız, Baştürk, and İlknur (2021), who found that innovativeness, along with transformational leadership, has a strong positive impact on business performance. Similarly, Tajeddini (2019) demonstrated that a strong learning orientation fosters innovation, leading to improved cost efficiency, quality, and delivery speed in public organizations. Njoroge and Nyaga (2022) also reinforced the role of continuous improvement practices in enhancing manufacturing firms' performance in Kenya, suggesting that organizations that prioritize innovation outperform their counterparts in a competitive environment.

Organizational Performance of Regulatory State Corporations

Performance measures how well organizations meet financial and customer satisfaction goals. The table 3 below presents the descriptive statistics for organizational performance.

Table 3: Descriptive Statistics for Performance

Statements	Mean	Standard Deviation
Performance of the organization has been showing an upward trend over the years.	4.098	0.728
Over the years, the organization has been able to manage public resources	4.422	0.772
I am satisfied with the performance of the organization.	3.588	0.690
There are few customer complaints concerning services offered.	3.696	1.080
The level of customer satisfaction has improved.	3.545	0.750
Aggregate Score	**3.870**	**0.804**

The findings indicate that organizational performance in regulatory state corporations in Nairobi County, Kenya, is perceived as generally positive but with areas for improvement. The aggregate mean score of 3.870, suggests that while respondents acknowledge positive trends in performance, there are variations in perceptions, particularly regarding customer satisfaction and service delivery.

The highest-rated statement, that over the years, the organization has been able to manage public resources, with a mean of 4.422 and a standard deviation of 0.772, suggests that respondents strongly agree that their organizations prioritize the public interest in their activities and decisions, protecting citizens from unethical or incompetent practices. . This indicates that regulatory state corporations have adequate financial management systems in place, ensuring sustainability and operational continuity. The statement that the organization has been showing an upward performance trend over the years, with a mean of 4.098 and a standard deviation of 0.728, reinforces the perception that organizations are progressively improving their overall performance. The relatively low standard deviation indicates consistency in responses, meaning that most employees share this view.

The statement on employee satisfaction with organizational performance, with a mean of 3.588 and a standard deviation of 0.690, falls within the neutral range (3.00–3.99). This suggests that while some employees are satisfied, others may feel that there is room for improvement in how the organization performs relative to its objectives, efficiency, and service delivery. The statement on fewer customer complaints concerning services offered, with a mean of 3.696 and a standard deviation of 1.080, suggests a mixed perception of service delivery effectiveness. The relatively high standard deviation reflects significant variations in employee responses, implying that some departments or service areas may experience more complaints than others.

The lowest-rated statement, that the level of customer satisfaction has improved, with a mean of 3.545 and a standard deviation of 0.750, highlights that employees are less confident about improvements in customer satisfaction. This suggests that while financial and operational performance has improved, customer experience and satisfaction may be lagging, indicating an imbalance in holistic performance outcomes.

The findings indicate that regulatory state corporations in Nairobi County have shown financial stability and an upward performance trend over time. However, moderate employee satisfaction with organizational performance, coupled with mixed perceptions of customer satisfaction improvements, suggests areas that require attention. These findings are consistent with Godwin (2022), who found that despite the presence of strategic initiatives, governance limitations continued to hinder service delivery in local governments in Tanzania. Additionally, Njoroge and Nyaga (2022) established that continuous improvement practices play a significant role in enhancing performance, with evidence-based decision-making and customer focus driving organizational success. The findings also resonate with Frimpong et al. (2018), who emphasized that employee satisfaction and retention strategies contribute to overall business success. These studies confirm that regulatory state corporations must focus on not only financial stability but also service delivery effectiveness, employee engagement, and customer satisfaction to achieve holistic and sustainable performance improvements.

Correlation Analysis

This section presents the correlation analysis between talent development, innovativeness, and organizational performance of regulatory state corporations in Nairobi County, Kenya. The correlation coefficient (r) measures the strength and direction of the relationship between independent variables and performance, while the p-value determines the statistical significance of these relationships. The correlation values range from -1 to +1, where: Values closer to +1 indicate a strong positive relationship, Values around 0 indicate no correlation, and Values closer to -1 indicate a strong negative relationship. Table 4.10 presents the findings obtained.

Table 4: Correlation Analysis

		Organization Performance	Talent Development	Innovativeness
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	162		
Talent Development	Pearson Correlation	.835**	1	
	Sig. (2-tailed)	.004		
	N	162	162	
Innovativeness	Pearson Correlation	.770**	.264	1
	Sig. (2-tailed)	.043	.078	
	N	162	162	162

Talent development shows the strongest correlation with performance ($r = 0.835$, $p = 0.004$), suggesting that organizations that invest in employee training, career progression, and leadership development experience significant performance improvements. This finding indicates that developing employees' skills and competencies leads to enhanced productivity, job satisfaction, and retention, ultimately benefiting overall organizational success. These findings align with Collings and Mellahi (2019), who found that structured talent development programs positively impact employee engagement, organizational commitment, and competitive advantage. Additionally, Armstrong and Taylor (2021) emphasize that continuous learning and career growth opportunities create a workforce that is more adaptable, innovative, and productive. These studies affirm that state corporations should prioritize structured and ongoing talent development initiatives to sustain long-term performance improvements.

Innovativeness is positively and significantly correlated with performance ($r = 0.770$, $p = 0.043$), indicating that organizations that encourage innovation achieve higher levels of efficiency, adaptability, and competitiveness. The findings suggest that state corporations that foster a culture of creativity, invest in research and development, and promote cross-functional teamwork experience improved outcomes in service delivery and financial performance. These results are supported by Drucker (2019), who emphasized that innovation is the primary driver of organizational success, allowing companies to remain relevant and competitive. Similarly, Teece, Pisano, and Shuen (2020) in their Dynamic Capabilities Theory state that organizations that embrace innovation are more likely to sustain long-term growth and respond effectively to external changes. These studies highlight that regulatory state corporations must strengthen their innovation strategies by fostering a culture of experimentation, risk-taking, and continuous improvement.

Regression Analysis

This section presents the regression analysis results to determine the predictive power of talent development, innovativeness on organizational performance. While the correlation analysis in the previous section established strong positive relationships between the independent variables and performance, regression analysis examines the extent to which each predictor variable influences performance.

Beta Coefficients

The beta coefficients measure the strength and direction of the relationship between each independent variable and organizational performance while controlling for other predictors.

Table 5: Beta Coefficients

Model		Unstandardized B	Std. Error	Standardized Beta	t	Sig.
1	(Constant)	0.932	0.214		4.357	
	Talent Development	0.412	0.068	0.421	6.059	
	Innovativeness	0.356	0.072	0.362	4.944	

Based on the findings, the fitted regression equation is:

Organizational Performance = 0.932 + 0.412 (Talent Development) + 0.356 (Innovativeness)

The constant (B = 0.932, p = 0.000) represents the baseline level of organizational performance in the absence of the independent variables.

Talent Development (B = 0.412, t = 6.059, p = 0.000) had the strongest effect on performance, meaning that a one-unit increase in talent development will lead to a 0.412 increase in organizational performance, holding other variables constant. This aligns with Collings and Mellahi (2019), who found that structured talent management enhances workforce productivity, engagement, and long-term institutional success.

Innovativeness (B = 0.356, t = 4.944, p = 0.001) had the second-strongest influence, demonstrating that a one-unit increase in innovativeness will lead to a 0.356 increase in organizational performance. Organizations that foster creativity, research, and development achieve higher levels of efficiency and adaptability. These findings support Drucker (2019), who emphasized that innovation is a critical driver of business success.

Conclusions

Talent development emerged as the strongest predictor of performance, confirming that investment in employee training, career progression, and leadership development enhances productivity and engagement. While training programs are well-integrated, mentorship remains an area requiring improvement. Structured and continuous talent development ensures higher employee retention, job satisfaction, and organizational success.

The study concludes that innovation is a key driver of performance, with organizations that foster creativity and invest in research achieving higher efficiency and adaptability. Leadership plays a crucial role in promoting innovation, but some inconsistencies exist in the implementation of innovative strategies. Encouraging collaboration and continuous improvement strengthens competitiveness.

Recommendations

Talent Development Initiatives

Given that talent development emerged as the strongest predictor of performance, state corporations should invest more in structured and continuous employee training programs to improve productivity and efficiency. The study revealed that while training opportunities are available, mentorship programs need to be strengthened. Organizations should develop formal mentorship frameworks, pairing experienced employees with emerging leaders to facilitate knowledge transfer and leadership development.

Additionally, career growth pathways should be clearly defined, ensuring that employees have access to opportunities for advancement. Organizations should implement succession planning strategies to develop internal talent for future leadership roles, reducing reliance on external recruitment. Regular performance evaluations linked to training and development goals should be conducted to ensure that employee growth aligns with organizational objectives. To further enhance talent retention, state corporations should implement incentive programs such as skill-based promotions, leadership development scholarships, and employee recognition programs. These efforts will increase employee motivation, engagement, and long-term commitment to the organization.

Innovativeness

The study found that innovativeness has a significant impact on organizational performance, but challenges exist in consistently implementing innovation strategies across departments. To address this, state corporations should establish dedicated innovation units or research and development teams to drive new initiatives. Providing funding and resources for innovation projects will encourage employees to develop creative solutions to operational challenges. Additionally, organizations should foster a culture of open innovation by encouraging cross-functional collaboration and idea-sharing through workshops, brainstorming sessions, and digital platforms. Implementing an innovation reward system to recognize and incentivize employees who contribute innovative ideas will also enhance engagement.

Leadership should play a proactive role in championing innovation by creating a safe space for experimentation and allowing employees to take calculated risks without fear of failure. By embedding innovation into the organizational culture, regulatory state corporations can enhance efficiency, remain competitive, and better respond to changing market demands.

Areas for Further Studies

Future research should explore additional factors such as organizational culture, digital transformation, employee motivation, and regulatory frameworks to provide a more comprehensive understanding of performance drivers in state corporations. Further studies could also expand the geographical scope beyond Nairobi County to compare regulatory state corporations in different regions or across sectors to assess whether findings remain consistent in varied organizational environments. Additionally, Qualitative research approaches, including case studies and in-depth interviews, could complement quantitative findings to capture employee perspectives and leadership challenges more holistically. Finally, future studies could examine the impact of government policies and external economic conditions on the effectiveness of strategic leadership in state corporations.

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