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# INFLUENCE OF PRO ACTIVENESS ON PERFORMANCE OF STATE CORPORATIONS IN KENYA

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## ABSTRACT

**Purpose:** The purpose of this study was to establish the influence of pro activeness on performance of state corporations in Kenya.

**Methodology:** The study adopted an explanatory research design. The population of the research consists of the 187 state corporations in Kenya as at 2013. The unit of analysis was the state corporation. A purposive sample of 55 commercial state corporations was included in the study. The study used primary data gathered using questionnaires.

**Results:** Results indicated that pro-activeness is a key determinant of firm performance for commercial state corporations in Kenya.

**Policy recommendation:** The study recommended that state corporation steps up to promote pro-activeness among its employees.

**Keywords:** *pro-activeness, state corporations, performance*

## INTRODUCTION

Pro-activeness shows a firm's aggressive pursuit of market opportunities and a strong emphasis on wanting to be among the very first to implement innovation in its industry (Rauch et al., 2009). Pro-activeness is an opportunity-seeking, forward-looking perspective characterised by the introduction of new products and services ahead of the competitors and acting in anticipation of future demand (Lumpkin and Dess 1996; Rauch et al., 2009). Miller (1983) defines pro-activeness as an indication of a company's determination to pursue promising opportunities, rather than merely responding to competitors' moves. According to Lumpkin and Dess (1996), pro-activeness refers to how a firm relates to market opportunities in the process of new entry. They added that pro-activeness involves pursuing opportunities and the will to respond aggressively to competitors.

Wiklund (1999) stated that pro-activeness gives firms the ability to present new products or services to the market ahead of competitors, which also gives them a competitive advantage. Pro-active firms have a greater tendency to lead than to follow in the development of new procedures and technologies and the introduction of new products and services (Lumpkin and Dess, 1996). An entrepreneurial firm instills flexibility and grants individuals and teams the freedom to exercise their creativity to champion new ideas (Wang, 2008). These activities by the firm's team enable the firm to be more pro-active in introducing new products. Pro-activeness suggests an emphasis on initiating activities. It is closely related to innovativeness. For example, new product innovation is part of innovativeness but also forms part of pro-activeness by the firm (Lumpkin and Dess, 1996).

According to Lumpkin and Dess (1996), the importance of being a first-mover or pioneer has been frequently emphasised in the entrepreneurial process since Schumpeter. Proactive firms are likely to be first-movers when they face threats and/or opportunities in their environment (Agca et al., 2009). In the business world, proactive firms tend to be leaders, rather than followers of other corporations (Lumpkin and Dess, 1996).

According to Zahra and Garvis (2000), proactive corporate entrepreneurship, such as first entry, can improve a firm's performance. The first entrants tend to exploit opportunities before their rivals and enjoy significant strategic advantage in the markets (Zahra and Garvis, 2000). Consequently, pro-activeness can be conducive to a company's performance improvement.

**Statement of the Problem**

In the constantly changing business environment companies tend to seek for new opportunities on the market where they can develop and sustain their competitive advantage and outperform competitors. In some environments, proactiveness of a firm leads to higher firm performance, and, thus, firms tend to be more entrepreneurial in order to improve their position on the market (Rauch et al., 2009). State corporations in Kenya have performed poorly compared to their private counterparts. Evidence of this is in the poor performance contracting results by majority of parastatals. Specifically, only a few commercially oriented corporations have reported profit or surplus. This is an economic problem that policy makers are still grappling with. The problem of poor performance of commercial parastatals represents a drain on the exchequer and also results into non delivery on intended services. This has a negative implication on the welfare of Kenyan Citizens and may also imply that Vision 2030 is not met.

In Kenya, many studies (Lwamba, Bwisa and Sakwa, 2014; Mokaya, 2012; Mayaka, 2006; Ongore and K'Obonyo, 2011; Miring'u and Muoria, 2011; Mang'unyi, 2011) have been conducted on factors that influence performance of enterprises; however, they fail to address commercial state corporations. For example, Mayaka (2006) in their studies of leading Kenya companies concentrated on the factors that lead to the companies' success in order to develop a case study.

**Objectives**

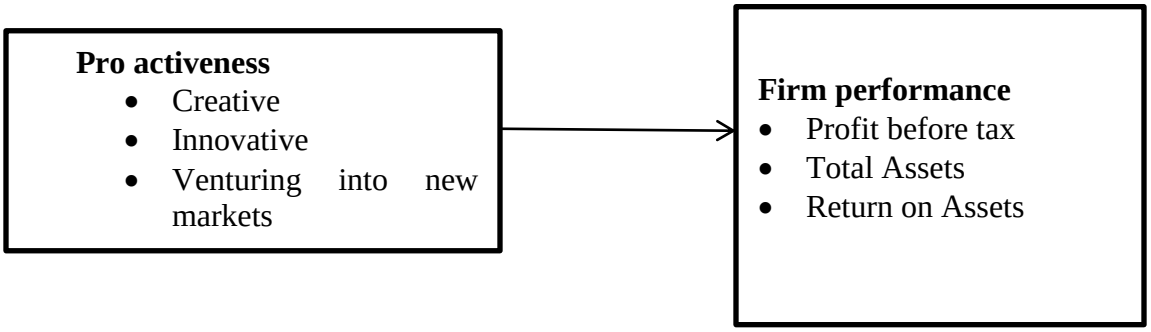
i. To find out the influence of pro activeness on performance of state corporations in Kenya

## LITERATURE REVIEW

### CE Model of Lumpkin and Dess

In comparison, Lumpkin and Dess (1996) present an alternative model for entrepreneurial orientation represented in figure 2.1. These authors describe entrepreneurial orientation in terms of the five dimensions (autonomy, innovativeness, risk taking proactiveness and competitive aggressiveness). Entrepreneurial Orientation, according to Lumpkin and Dess (1996) refers to the processes, practices, and decision-making activities that lead to a new entry. They state that a new entry is accomplished by entering new markets with new or existing goods and services. In this context a new entry is the idea that underlies the concept of CE. Key dimensions that characterize EO include a propensity to act autonomously, a willingness to innovate and take risks and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities.

The model differs from the (Covin & Slevin, 1991) model since it indicates that both environmental and organizational factors influence the relationship between entrepreneurial orientation and firm performance, yet there is no recognition that firm performance influences entrepreneurial orientation. This implies that the model presented by Lumpkin and Dess represents a static view of the firm with no feedback between performance, entrepreneurial orientation and the environment and organizational factors. The Covin and Slevin model incorporates feedback between the different relationships implying that entrepreneurial orientation itself is a dynamic concept. The model is useful in this study since it provides a source entrepreneurial constructs such as autonomy, innovativeness, risk taking proactiveness and competitive aggressiveness. These constructs have been incorporated in the proposed conceptual framework.




**Conceptual framework: Figure 1**

## RESEARCH METHODOLOGY

This study was quantitative in nature and employed an explanatory research design. This study comprised of 187 state corporations in Kenya which also form the target and accessible population. A purposive sampling methodology was employed since 55 commercial state corporations were selected from a total of 187 state corporations. Each firm was issued with one questionnaire which can either be filled by the chief executive officer, company secretary, finance director, division directors or business development manager.

The study used questionnaires to obtain qualitative data for analysis which was further validated from analysis of secondary data. To check the validity and reliability of the questionnaires in gathering the data required for purposes of the study, a pilot study was carried out. Descriptive statics was used to present results.

## RESULTS AND DISCUSSION

### Response Rate

The number of questionnaires, administered to all the respondents, was 55. A total of 45 questionnaires were properly filled and returned from the commercial state corporation employees. This represented an overall successful response rate of 82%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

**Table 1: Response Rate**

| Response Rate | Frequency | Percent |
|---|---|---|
| Returned | 45 | 82% |
| Unreturned | 10 | 18% |
| Total | 55 | 100% |

### Gender of the Respondents

The respondents were asked to indicate their gender. Figure 2 that majority (80%) of the respondents was male and 20% were female. The findings imply that state corporation sector is a male dominated field. According to Ellis et al. (2007), in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 0.74 : 0.26.

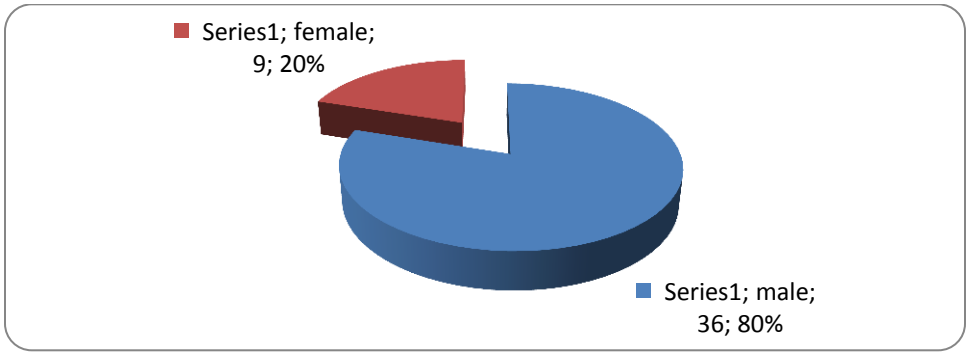



**Figure 2: Gender of the Respondents**

**Level of Education**

The respondents were asked to indicate their highest level of education. Figure 3 illustrates that 89% of the respondents had reached post graduate level and 11% had attained university level. The findings imply that most of the respondents had high level of education which could have contributed to accurate responses.

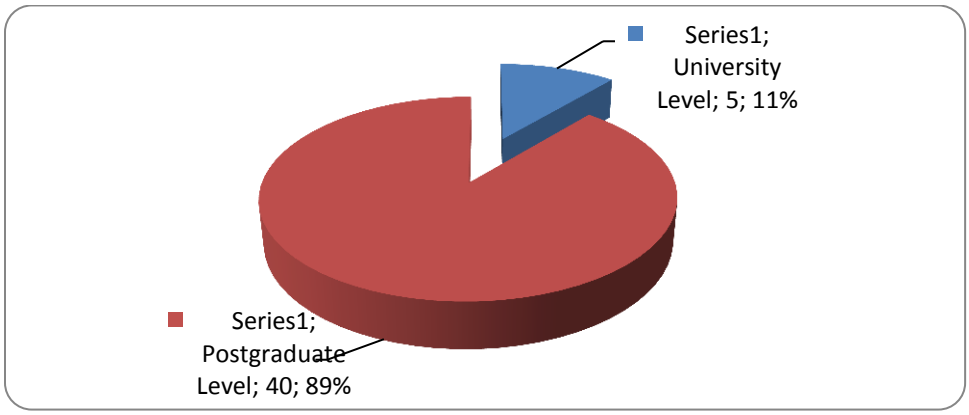



**Figure 3: Level of Education**

**Years Worked in the Organization**

The study sought to find out the years the respondents had worked in the organization. Table 2 shows that 51.1% of the respondents indicated they had worked for 6 years and above while 42.2% indicated between 3 to 5 years and 6.7% indicated less than 2 years. The findings imply that the respondents had worked long enough in the hotel industry and hence had knowledge about the issues that the researcher was looking for.

**Table 2: Years Worked in the Organization**

| Years worked | Frequency | Percent |
|---|---|---|
| Less than 2 years | 3 | 6.7 |
| 3-5 years | 19 | 42.2 |
| 6 years and above | 23 | 51.1 |
| Total | 45 | 100 |

### Size of Organization

The respondents were asked to indicate the size of the organization. Figure 4 indicates that 49% of the respondents indicated that their organizations were large (500 employees and above) while 44% indicated small (1-249 employees) and 7% indicated medium (250-499 employees).

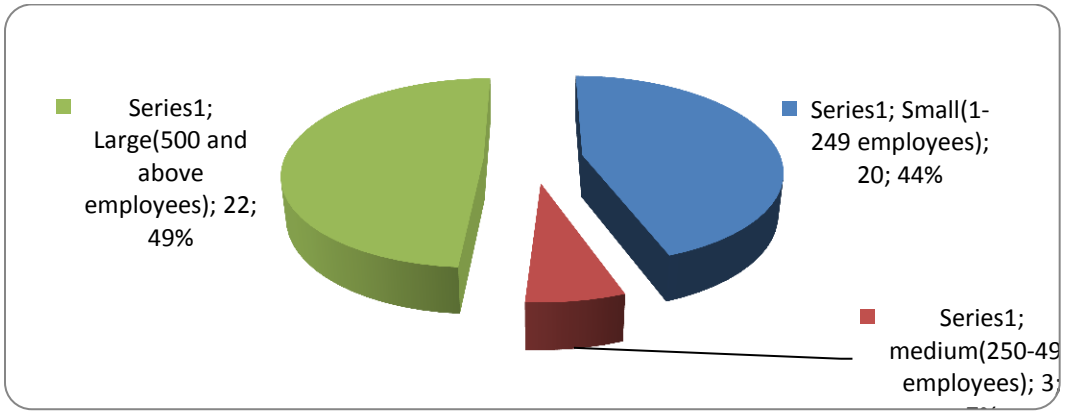



**Figure 4: Size of the Organization**

### Years of the Firm Existence

The respondents were asked to indicate the years of the firms' existence. Table 3 shows that 66.7% of the respondents indicated 16 years and above while 20% indicated between 11-15 years and 13.3% indicated between 1-5 years.

**Table 3: Years of the Firm Existence**

| Years of the firm`s existence | Frequency | Percent |
|---|---|---|
| 1-5 years | 6 | 13.3 |
| 11-15 years | 9 | 20 |
| 16 and above years | 30 | 66.7 |
| Total | 45 | 100 |

**Pro Activeness and Performance**

**Reliability Tests**

Using Cronbach's Coefficient Alpha test on pro activeness and firm performance, a coefficient of 0.913 was found as shown in Table 4. These results corroborates findings by Saunders Lewis and Thornhill (2009) and Christensen, Johnson and Turner (2011) who stated that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under the pro activeness variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

**Table 4: Reliability Test for Pro Activeness**

| Statement | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|
| Our company initiates actions to which competitors then respond | 0.655 | 0.91 |
| In dealing with its competitors, my firm has a tendency to be ahead of other competitors in introducing novel idea or products | 0.847 | 0.888 |
| My company strives in identifying new markets to sale products | 0.334 | 0.938 |
| Our firm shapes the environment by introducing new products, technologies, administrative techniques than merely react | 0.801 | 0.893 |
| Our company continuously improves the quality of the product and services to be competitive | 0.863 | 0.887 |
| Our company always foresees potential environmental changes ahead of the competitors | 0.882 | 0.888 |
| Our company always foresees future demands ahead of the competitors | 0.834 | 0.89 |
| Number of items | 7 | |
| Cronbach's Alpha | 0.913 | |

**Sampling Adequacy**

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.5 showed that the KMO statistic was 0.731 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 320.067 with 21 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 5. These results provide an excellent justification for further statistical analysis to be conducted.

**Table 5: Pro Activeness KMO Sampling Adequacy and Bartlett's Sphericity Tests**

| | |
|---|---|
| Kaiser-Meyer-Olkin Measure | 0.731 |
| Bartlett's Chi- Square | 320.067 |
| Bartlett's df | 21 |
| Bartlett's Sig. | 0 |

**Factor Analysis**

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 7 statements on pro activeness and firm performance can be factored into 1 factor. The total variance explained by the extracted factor is 68.59% as shown in Table 6.

**Table 6: Pro Activeness Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 4.801 | 68.59 | 68.59 | 4.801 | 68.59 | 68.59 |
| 2 | 1.033 | 14.762 | 83.351 | | | |
| 3 | 0.597 | 8.53 | 91.882 | | | |
| 4 | 0.264 | 3.766 | 95.648 | | | |
| 5 | 0.184 | 2.63 | 98.278 | | | |
| 6 | 0.09 | 1.288 | 99.565 | | | |
| 7 | 0.03 | 0.435 | 100 | | | |

Extraction Method: Principal Component Analysis.

Table 7 shows the factor loadings for sub-constructs of pro activeness. All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions.

**Table 7: Factor Loading for Pro activeness**

| Item | Factor loading |
|---|---|
| Our company continuously improves the quality of the product and services to be competitive | 0.923 |
| Our company always foresees future demands ahead of the competitors | 0.909 |
| My company strives in identifying new markets to sale products | 0.899 |
| Our firm shapes the environment by introducing new products, technologies, administrative techniques than merely react | 0.892 |
| In dealing with its competitors, my firm has a tendency to be ahead of other competitors in introducing novel idea or products | 0.884 |
| Our company always foresees potential environmental changes and future demands ahead of the competitors | 0.881 |
| Our company initiates actions to which competitors then respond | 0.861 |

**Descriptive Analysis**

The first objective of the study was to find out the influence of pro activeness on performance of state corporations in Kenya. Table 8 shows that 66.7% of the respondents agreed that their company initiates actions to which competitors then respond, 57.8% agreed that in dealing with its competitors, their firm had a tendency to be ahead of other competitors in introducing novel idea or products and 75.6% agreed that their company strives in identifying new markets to sale products. In addition 71.1% agreed that their firm shapes the environment by introducing new products, technologies, administrative techniques than merely react, 82.3% agreed that their company continuously improves the quality of the product and services to be competitive and 51.1% agreed that their company always foresees potential environmental changes ahead of the competitors. Finally 57.8% of the respondents agreed that their company always foresees future demands ahead of the competitors. The mean score for responses for this section was 3.65 which indicates that majority of the respondents agreed that pro activeness was a key driver of firm performance.

Means greater than 1 and less than 1.5 implied that the pro activeness influenced performance to no extent. Means greater than 1.5 and less than 2.5 implied that pro activeness influenced performance to a little extent. Means greater than 2.5 and less than 3.5 implied that pro activeness influenced performance to a moderate extent. Means greater than 3.5 and less than 4.5

implied that pro activeness influenced performance to a greater extent. Means greater than 4.5 implied that pro activeness influenced performance to a very great extent.

The standard deviation on the other hand describes the distribution of the response in relation to the mean. It provides an indication of how far the individual responses to each factor vary from the mean. A standard deviation of more than 1 indicates that the responses are moderately distributed, while less than 1 indicates that there is no consensus on the responses obtained. An average of 0.986 for all statements on pro activeness indicates that the responses are moderately distributed.

**Table 8: Pro Activeness and Performance Descriptive Analysis**

| Statement | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Likert Mean | Std. Deviation |
|---|---|---|---|---|---|---|---|
| Our company initiates actions to which competitors then respond | 4.4% | 24.4% | 4.4% | 60.0% | 6.7% | 3.4 | 1.074 |
| In dealing with its competitors, my firm has a tendency to be ahead of other competitors in introducing novel idea or products | 11.1% | 4.4% | 26.7% | 51.1% | 6.7% | 3.38 | 1.072 |
| My company strives in identifying new markets to sale products | 0.0% | 11.1% | 13.3% | 48.9% | 26.7% | 3.91 | 0.925 |
| Our firm shapes the environment by introducing new products, technologies, administrative techniques than merely react | 4.4% | 11.1% | 13.3% | 42.2% | 28.9% | 3.8 | 1.12 |
| Our company continuously improves the quality of the product and services to be competitive | 0.0% | 11.1% | 6.7% | 46.7% | 35.6% | 4.07 | 0.939 |
| Our company always foresees potential environmental changes and future demands ahead of the competitors | 4.4% | 11.1% | 33.3% | 51.1% | 0.0% | 3.31 | 0.848 |
| Average | 3.5% | 12.0% | 18.4% | 47.9% | 18.1% | 3.65 | 0.9896 |

### Relationship between Pro Activeness and Firm Performance

Table 9 shows the correlation results which indicate that there was a positive and significant relationship between pro activeness and firm performance. This was evidenced by the p value of 0.000 which is less that of critical value (0.05)

**Table 9: Relationship between Pro Activeness and Firm Performance**

| Variable | | Firm performance | Pro-activeness |
|---|---|---|---|
| Firm performance | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| Pro-activeness | Pearson Correlation | 0.509 | 1 |
| | Sig. (2-tailed) | 0.000 | |

Binary logistic regression was used to model relationship between pro activeness and firm performance**.** Table 10 shows that pro activeness was statistically associated with firm performance ($p<0.002$). An increase in pro activeness increases the probability of having high firm performance by 6.476 times. The findings imply that those firms with high pro activeness have higher chances of having higher firm performance as compared to those without or with low pro activeness.

**Table 10: Logistic Regression for Pro Activeness**

| **Variable** | **Beta** | **S.E.** | **Wald** | **df** | **Sig.** | **Exp(B)** | **95% C.I. for EXP(B)** | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | **Lower** | **Upper** |
| Pro-activeness | 1.868 | 0.607 | 9.478 | 1 | 0.002 | 6.476 | 1.971 | 21.27 |
| Constant | -6.414 | 2.273 | 7.962 | 1 | 0.005 | 0.002 | | |

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### Summary of the Findings

The objective of the study was to find out the influence of pro activeness on performance of state corporations in Kenya. Results showed that companies initiated actions to which competitors responded to, the firms had a tendency to be ahead of other competitors in introducing novel idea or products and the companies strived in identifying new markets to sale products. Additionally, the study findings indicated that the firms shaped the environment by introducing new products, technologies, administrative techniques than merely react, the company continuously improves

the quality of the product and services to be competitive and the company always foresaw potential environmental changes and demands ahead of the competitors.

Logistic regression results revealed that pro activeness was statistically associated with firm performance ($p<0.002$). An increase in pro activeness increases the probability of having high firm performance by 6.476 times. The findings imply that those firms with high pro activeness have higher chances of having higher firm performance as compared to those without or with low pro activeness.

## Conclusions

Based on the objectives and the findings of the study the following conclusion can be made. The intensive usage of corporate entrepreneurship in the enterprises generally increases the efficiency of doing business by creating new products and services, shortening the time to get to market, reducing the costs, decreasing the prices and more efficiently answering on the moves of the competitors and market changes. Therefore the strategic intention of managers of these enterprises should be a creation of new organizational climate based on the tighter cooperation between the individuals with the aim of achieving the synergic effects in internal entrepreneurial activities.

Pro activeness was found to have an effect on firm performance. It can therefore be concluded that firms that nurture organizational structures and values conducive environment to entrepreneurial activities such as pro activeness are likely to experience better performance results.

## Recommendations

Based on the results, findings and conclusions the following recommendations have been deciphered. The study recommends to the management of firms that corporate entrepreneurship should be pursued as a competitive and performance improvement strategy by all firms regardless of size. This is because corporate entrepreneurship influences firm performance positively. For corporate entrepreneurship to thrive, firms need to put in place an environment with support systems, structures and resources that encourage employees to behave entrepreneurially. The management should therefore ensure that they engage all the employees as they embrace corporate entrepreneurship to ensure that all staffs are working towards achieving the same objective and company goal.

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