

Role of Technology on Performance of state Corporations in Kenya

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Abstract

This paper looks at role of organization strategies on performance of commercial public organizations in Kenya. The paper objectives were to establish the role of technology on performance of state corporations in Kenya. The targeted was 202 state corporations; top one top management was targeted in each corporations head office out of which 196 valid questionnaires were obtained. The main study tools used were questionnaires and interviews. The study revealed, 7% can of the variations in performance of state corporations can be explained by the technology implementation. Also in general for every 1 unit change in performance of state corporations can be accounted $\beta=0.26$ units of technology. The study recommends that there is need for state corporations to; management should encourage organization innovation and creativity as well as encourage implementation of new ideas and not following the rigid rules. The corporation needs to invest more on technology, create room for experimentation and risk taking and also reward those who come up with novel ideas. This will encourage the employees to develop new products and services to enable the organization have a competitive edge in the market. The findings will inform the stakeholders on how to improve the entrepreneurship in state corporations.

Key Words: *Intrapreneur, Intrapreneurial behavior, Technology, Innovation, Entrepreneurship, Creativity, State Corporations*

Background of Study

Bowen (2009) argues that, today's consumers require on-demand and immediate access to information at their own convenience and are therefore turning to various types of social media to conduct their information searches that inform their purchasing decisions. European Countries, Asia and United States of America have been using social media as their major marketing tool for their businesses which accounts for 60% of advertising. Schubert & Leimstoll (2007) conducted a quantitative study regarding the co-relationship between social media usage and Small and medium enterprises objectives and the result was positive and thus technology is very crucial for every organization.

New technologies have great impact in an organization by contributing towards changing social environment, facilitating knowledge sharing and developing new ideas (Kling, Rosenbaum, and Sawyer, 2005). Social media is a good example of new technology making impact on today's organizations. Due to the changing world of information technology, studies show that consumers are turning away from the traditional sources of advertising such as radio, television, magazines, and newspapers and are opting to use social media platforms where they have considerable control over their media consumption (Neff, 2012).

Kenya as at end of 2011 had 10.49 million internet users and the figure had increased to 13.25 million users as at 31st of March 2012 (International World Statistics, 2012). The gradual

increase in internet users in the country is further collaborated by Communications Commission of Kenya (2012) which states that the figure rose by 95.6 per cent in the last quarter ending March 2012. This observation is attributed to reduced internet charges and increased mobile phone subscriptions in the country. Presently the Communications Commission of Kenya (CCK) in their 2013 Sector Quarterly Report for 2012/2013 estimated the total number of internet users in Kenya as at December 31st 2012 to be 16.2 million users. The figure rose to 19.1 million users with an internet penetration of 47.1 per cent as at end of the year 2013 (CCK, 2013). Communications Commission of Kenya (2013) puts internet users in Kenya at over 19 million.

Although discussed in a number of different settings, there are contexts in which the issue of intrapreneurship has not been addressed exhaustively. One of these contexts is in the state corporations in Kenya. State Corporations in Kenya have been experiencing a myriad of problems, including corruption, nepotism, and mismanagement (Njiru, 2008). In fact, from the Public Investment Committee reports, out of 130 reports examined by the Auditor General – Corporations, only 23 managed a clean bill of health (RoK, 2007). The general story is one of loss, fraud, theft and gross mismanagement. For example, a World Bank (2004) article stated that a key area for corruption-busting reform is the parastatal sector. When compared to similar economies, Kenya has had an over-abundance of state corporations many of which are a drain on public resources; more to the point, they have been the locus of corruption that thrives in public monopolies, especially when coupled with lax oversight, management and fiduciary control procedures. This is why this paper sought to find out if technology use is one of the reasons that corporations are not performing well.

Statement of Problem

Kenya's long-term development agenda spelt out in the vision 2030, targets an annual growth rate of 10% in the medium term with an investment rate of 30% (RoK, 2007), but in most cases the human capital is not fully utilized. Among the strategic thrusts proposed is to intensify human capital, equip human resources with necessary competencies and encourage entrepreneurial initiatives to make certain that the private sector is vanguard of the economic development. Despite the reforms and initiatives to reinvent the state corporations in Kenya, many of them still perform poorly (Mwaura, 2007; ROK, 2007). Though there is confidence in many quarters that state corporations can be agents for national development and many efforts are directed at revamping them, (PSCGT, 2002; Trivedi, 1992). Different reports have indicated that state corporations in Kenya suffer from unrelenting financial woes, wastefulness, retrenchment, insolvency and inefficiency (Irungu, 2005; Petiffor, 2001; PSCGT, 2002; ROK, 1986, 1994, 1996, 2001, 2003, 2004, 2007; WB, 2004). Njiru (2008) studied the role of state corporations in economic development in Kenya and found out that state corporations in Kenya have been experiencing a myriad of problems. Leadership has been known for politicization and poor corporate governance where the board appointments are political. Among the proposals made was the search of intrapreneurial intervention to help the state corporations to do better.

In Kenya, a few studies on intrapreneurship have been carried out; a study by Mucee (2002), which focused on corporate venturing practices in listed companies, found that overall, the supportive intrapreneurial culture, climate and support are lacking in many private firms in Kenya. Wambeti (2013) studied intrapreneurial prerequisites as determinants of organizational outcomes among Kenyan state corporations and found out that there is a significant relationship between the prerequisites of intrapreneurship and the outcomes. Each outcome is predicated by a

different set of prerequisites. In addition, Karimi (2005) studied negative and positive correlates of intrapreneurship in a case study of one public university and found that training and encouragement of the staff fostered intrapreneurship while lack of free flow of information discourages intrapreneurship. Among many studies carried out no research that has been done on the Influence of technology on the performance of state corporations despite various recommendations.

The Scope of Study

This study investigated the role of Intrapreneurship strategies on development of corporate entrepreneurship among state corporations. The study's scope was all 202 state corporations. The sample represents all the eight categories of state corporations, namely: financial; commercial/manufacturing; regulatory; public universities; training and research; service; regional development authorities and tertiary/training state corporations, (Wambeti, 2013) adopted same strategy for sample selection.

Methodology

This study will adopt the positivism research paradigm that is characterized by a belief in theory before research and from an empirically testable hypothesis a statistical justification of the conclusions is made which is the core foundation of the social science (Copper & Schindler, 2011). The positivist paradigm enabled the researcher to investigate the influence of technology on entrepreneurship in State Corporation with the hypothesis being tested empirically to discover the truth. The data collections instruments that were used were questionnaires and interviews, discussion groups and documents analysis. Out of 202 targeted state corporations 192 valid questionnaires were returned which were used for this paper discussion. The secondary data was obtained from various social entrepreneurship journals, internet, published entrepreneurship statements and text books (Cooper and Schindler, 2011). Secondary research involves the use of data gathered in a previous study to test new hypotheses or explore new relationships (Polit and Beck, 2003).

Descriptive statistics and inferential statistics such as multiple regressions and structural equation modeling were conducted. The data that will be obtained from the questionnaires will be both qualitative and quantitative. The responses will be first edited, coded, and cleaned for analysis. Qualitative data will be analysed using descriptive statistics. Descriptive statistic including the mean, mode and median, variance and standard deviation were used

Theoretical Framework

This paper was pegged on Resource-Based View. The Resource-based view (RBV) has as its main antecedent the seminal study by Penrose (1959), who pointed out a concept of firm growth based on the set of its resources and the capacity of firms to generate sustainable competitive advantages depends on their particular set of resources, this will be applicable in this paper because technology to influences entrepreneurship it needs to dedicate resources both human and structural, for example the computers or mobile phones to access the social network as well as have account for the company to communicate with someone to monitor and respond to issues.

According to Kraaijenbrink, Spender and Groen (2010), the Resource Based Theory is mainly concerned on efficient and innovative use of resources. The Resource Based Theory has become one of the most influential and cited theories in the history of management theorizing. The Resource Based Theory aspires to explain the internal sources of a firm's sustained competitive advantage (Kraaijenbrink, Spender and Groen, 2010). Barney and Clark (2007) claimed that the intellectual capital is the main source of sustainable competitive advantage to improve enterprise growth.

The units of analysis in this theory are the resources and capabilities possessed by companies, as well as their differences and the importance that it has for their results (Rialp, 2003 p. 191). Hence, the capacity of firms to generate sustainable competitive advantages depends on their particular set of resources. According to Barney (1991), the resources that generate competitive advantages must fulfill four conditions: they must be valuable, scarce, inimitable and non-substitutable. These resources and capabilities can be viewed as bundles of tangible and intangible assets, including a firm's skills, its organizational processes and routines and the information and knowledge it controls (Barney et al., 2001).

The tangible resources are considered as those which are fixed within the firm and usually they have a relative, fixed capacity through time (Wernerfelt, 1984). Regarding tangible resources, it may present some disadvantages such as relative transparency and being very easy to copy (Grant, 1991). On the other hand, intangible resources form a particular set of resources more difficult to copy; thus, they can generate important competitive advantages for the firm (Delgado-Gómez et al., 2004). The Resource-based view of the firm has made important contribution in different areas of management studies, such as: human resource management, economics and finance, marketing, international business and corporate entrepreneurship.

The approach adopted by Alvarez and Busenitz (2001) emphasizes that entrepreneurs are heterogeneous and integrates the role of the entrepreneurs with other important resources. The importance of the nature of cognitive factors for human capital is recognizing that not all managers possess the requisite combination or level of skills to generate profits. In summary "entrepreneurial opportunities emerge when certain individuals have insights into the value of resources that others do not" (Barney et al., 2001 p. 628). This theory was adequate since the paper sought to find out how technology influences the entrepreneurship in the state corporation in Kenya.

Technology and Entrepreneurship

Lewis et al. (2002) found that improvisation activity decreases as projects go from idea to commercialization. To some extent this is corroborated by the evidence cited by Glynn (1996) argue that going from the idea to the implementation stage of product development requires a change in emphasis from intrinsic to extrinsic motivation. This implies the likelihood of fewer engaging activities and more routine tasks as the project moves along. If indeed, venture managers are more likely to follow an administrative path (Block & MacMillan, 1993) and it is assumed that the later activities in product development are of a less engaging nature for the intrapreneur.

Kessler and Chakrabarti (1996) recognized the increasing rapidity of technological change and the need for firms to respond to global competitiveness. They claimed that a champions

commitment and persistence are needed to overcome organizational and technical obstacles, and offer the well-grounded proposition that the greater presence and influence of a product champion is associated with relatively faster product development, a conclusion also arrived at by Markham and Griffin (1998) and Cooper and Kleinschmidt (1994). The importance to performance of getting off to a fast start and achieving early forward momentum was also emphasized by Weiss (1981), whose focus was independent start-ups.

The implication here is that there is a significant demand on individuals and organizations to learn faster than ever before - to easily learn about various technologies and to quickly exploit them and that this is more likely to take place (and overall success achieved) if an individual champion is driving the entrepreneurial effort from beginning to end (Cooper & Kleinschmidt, 1996). Consistent with this notion is Busenitz and Barneys (1997) finding that entrepreneurs are more likely to be overconfident and take short cuts than managers. Thus, the arguments in this section give rise to the following proposition.

The impact of Technology on Corporations performance

Business Process Performance (BPP) is the efficiency with which companies transform the available inputs into outputs (Brocke and Rosemann 2010). Traditionally, business process performance is analyzed by establishing a set of Key Performance Indicators (KPIs) associated with each process of the company. The management board sets target values for each KPI and compares these targets to actual and historical values (Wetzstein et al, 2011). Several methods for measuring Business Process Performance exist, including the Balanced Scorecard (Kaplan & Norton, 1993), the self-assessment (Hakes 1996), the traditional controlling approach (Harrington 1991), process performance measurement systems (Brocke & Rosemann 2010), workflow based monitoring (Hakes 1996), and statistical process control (Juran & Gyra 1988). In this paper the researcher used the self-assessment method (Hakes, 1996) since it easily fits to survey based case approach.

Findings

Technology Influence on Intrapreneurship

This paper objective was to determine the technology influence on the state corporation performance and the descriptive statistics are presented under this section of the study. The study focused particularly on the following; Technology Compatibility, Time for Technology Learning, Technology usefulness to firm Intrapreneurship, The appropriateness of the current technology, Functional areas of technology in the firms, Technology acceptability level in the firms, Technology Priority for Intrapreneurship, Firm commitment towards acquisition of right technology and Management understanding of the need for technology in corporations

i. Technology Compatibility

The survey sought to establish how compatible the technology used by the firm was compatible with the firms activities and from (mean=5.38), it shows that in the majority of the corporations technologies are somewhat compatible to their needs as shown in table 1.

Table 1: Technology Compatibility

	14	7.3		
		24.0		
	46		5.3820	1.32721
	22	11.5		
	50	26.0		
	46	24.0		
	14	7.3		
	192	100.0		

The corporation's technology according to the employees is somewhat compatible to their needs which imply that they are not fully compatible.

ii. Time for Technology Learning

As supported by the survey findings most of the corporation's (mean=5.52) on average take somewhat short period of time for someone to learn how to use the technology being used by state corporations.

Table 2: Time for Technology Learning

	6	3.1		
	32	16.7		
	16	8.3		
	76	39.6		
	44	22.9		
	10	5.2		
	192	100.0		

Most of the state corporation employees take somewhat short period of time to learn how to use the technology adopted by the firms.

iii. Technology usefulness to firm Intrapreneurship

When asked how useful the technology is to their intrapreneurship activities, according to 128(66.7%) the technology is very useful to the corporations, however (mean=5.64) shows most of the corporation find technology to be moderately useful to their activities. Aktan and Bulut (2008) also examined the effects of four sub-dimensions of corporate entrepreneurship (pro-activeness, risk-taking, innovation, and competitive aggressiveness) against the financial performance of 312 firms. The study used return on investment (ROI), return on equity (ROE), growth of sales and market based measurement (economic value added, market value added) and concludes that all the correlation coefficients across the corporate entrepreneurship dimensions and the financial performance components are positive and significant. The findings support that technology influences entrepreneurship.

Table 3: Technology usefulness to firm Intrapreneurship

How useful is technology to your firm entrepreneurship?	Frequency	Percent	Mean	Std. Deviation
Slightly useful nor useless	12	6.3	5.6444	.60543
Moderately useful	40	20.8		
Very useful	128	66.7		
No response	12	6.3		
Total	192	100.0		

The corporations find technology to be moderately useful to them and they have adopted it, this shows that the technology supports intrapreneurship.

iv. The appropriateness of the current technology

According to the study the technology being used appropriate 72(37.5%) and 68(35.4%) slightly appropriate and (mean=5.72) slightly appropriate as shown in table 4.

Table 4: The appropriateness of the current technology

How appropriate is the technology currently used by your firm?	Frequency	Percent	Mean	Std. Deviation
Slightly inappropriate	4	2.1	5.7222	.86151
Neither appropriate nor inappropriate	2	1.0		
Slightly appropriate	68	35.4		
Appropriate	72	37.5		
Very appropriate	34	17.7		
System	12	6.3		
Total	192	100.0		

In general, it therefore shows that technology that is being used currently by the firms is appropriate.

v. Functional areas of technology in the firms

The state corporations according to the findings 98(51%) of the corporations use technology for financial issues. 88 (45.8%) for marketing purposes while 33(34.4%) use technology for firm production activities as shown in table 5. Entebang (2006) conducted a study on corporate entrepreneurial orientations in state owned enterprises in Malaysia. The study attempted to determine the level of entrepreneurial orientation in a sample of Government Linked Companies (GLCs) in Malaysia in relation to the dimensions of innovation, risk taking, proactiveness and aggressive competitiveness. According to the findings of the study, based on a questionnaire survey, the GLCs show positive entrepreneurial behavior in innovation, proactiveness and competitive aggressiveness, but are low in their rating for risk taking and thus support these study findings.

Table 5: Functional areas of technology in the firms

Which of the following functional areas of the firm do you use technology most?				
	Frequency	Percent	Frequency	Percent
Production	66	34.4	63	65.6
Marketing	88	45.8	52	54.2
Finance	98	51.0	47	49.0

vi. Technology acceptability level in the firms

The survey results revealed that 124(64.6%) and (mean=5.97) shows that in most of the corporation technology is accepted as shown in table 6.

Table 6: Technology acceptability level in the firms

Level of Acceptability. How acceptable is technology in your firm?	Frequency	Percent	Mean	Std. Deviation
Slightly unacceptable	6	3.1	5.9770	.82090
neither acceptable nor unacceptable	6	3.1		
Slightly acceptable	6	3.1		
Acceptable	124	64.6		
Perfectly Acceptable	32	16.7		
No response	18	9.4		
Total	192	100.0		

vii. Technology Priority for Intrapreneuship

The technology being used by corporations is neither acceptable nor unacceptable for value entrepreneurship purposes, this show that the technology is not as effective as it should be.

Table 7: Technology Priority for Intrapreneuship

Does the firm gives technology adoption priority for value addition?	Frequency	Percent	Mean	Std. Deviation
Not a priority	18	9.4	4.2759	2.04990
Low Priority	32	16.7		
Somewhat priority	18	9.4		
neither low nor high priority	16	8.3		
Moderate priority	24	12.5		
High priority	38	19.8		
Essential priority	28	14.6		
No response	18	9.4		
Total	192	100.0		

As shown in table 7, the study sought to establish the level of technology acceptability and, from the findings (mean=4.27) shows that the technology being used by the corporation is neither acceptable nor unacceptable as shown in table 4.14. This findings is supported by Nyanjom (2007) conducted a study on corporate entrepreneurship orientation and the pursuit of innovating opportunities in Botswana. The study sought to determine whether existing firms in Botswana represent the concept of an entrepreneurial company within the sphere of corporate entrepreneurship by pursuing innovating opportunities. The intention was to identify the knowledge, attitudes and beliefs of individuals as potential corporate entrepreneurs, their ability to be innovative and how such innovation is brought to fruition. To obtain quantifiable measures of the link between CE orientation and innovation, a quantitative approach was used and a formalized, cross-sectional research design. The sample consisted of 100 individuals at supervisory levels and above in large corporate companies, from eight different provinces in Botswana.

viii. Firm commitment towards acquisition of right technology

As shown in table 8, the firm management according to the study findings 60(31.3%) and (mean=2.97%) indicates that most of firm management were dedicated to acquiring the right technology for use. In support of this Ashivata (2010) conducted a study aimed at determining the effects if any of corporate entrepreneurship on mobile phone service providers in Kenya. The study sought to determine whether the mobile phone service providers practice corporate entrepreneurship and then determined the effects on the company performance. The study revealed that corporate entrepreneurship practice cannot be ignored by mobile phone service operators in Kenya. The mobile phone service operators have various elements that amount to corporate entrepreneurship and they include new product venturing, research and development efforts, market diversification and even business strategies, this findings stress the need for technology adoption.

Table 8: Firm commitment towards acquisition of right technology

How committed is the firm's management to acquiring right technology?	Frequency	Percent	Mean	Std. Deviation
Very dedicated	42	21.9	2.9778	1.82970
Dedicated	60	31.3		
Somewhat dedicated	12	6.3		
Neither dedicated nor not dedicated	28	14.6		
Somewhat undedicated	6	3.1		
Undedicated	28	14.6		
Very undedicated	4	2.1		
System	12	6.3		
Total	192	100.0		

The management of the corporations' are dedicated to acquiring the right technology to be used for the purposes of improving the entrepreneurship activities.

ix. Management understanding of the need for technology in corporations

The study showed that most of the employees 98(51%) agree that the corporations management understand why the firms should adopt technology but in general (mean=4.9) also means that majority of them feel that they slight agree that management understand why the firms need technology.

Table 9: Management understanding of the need for technology in corporations

The management clearly understands why firms should adopt technology	Frequency	Percent	Mean	Std. Deviation
Strongly disagree	14	7.3	4.9667	1.55390
Disagree	6	3.1		
Slightly disagree	12	6.3		
Neither agree nor disagree	6	3.1		
Slightly agree	44	22.9		
Agree	98	51.0		
No response	12	6.3		
Total	192	100.0		

The study shows that most of the corporations understand why they need technology but not all of they understand why they need it since on average the employees were neither agreeing nor disagreeing if the management understand the need for technology adoption.

Hypothesis Test

H₀₁: There is no significant relationship between Technology and performance of state corporations in Kenya

Path coefficients were used to determine the direction and strength of the factor. The figure shows a path coefficient beta value of .26 ($\beta = .26$). This implies that for every 1 unit increase in technology, performance of state corporations is predicted to increase by .26 units. R^2 was used to show the proportion of variation in dependent variable explained by the SEM model. The figure shows that technology had a coefficient R^2 mean of .07. The value of R^2 of .07 indicates that 7% of the variations in State Corporation’s performance can be accounted for by the technology implementation and use.

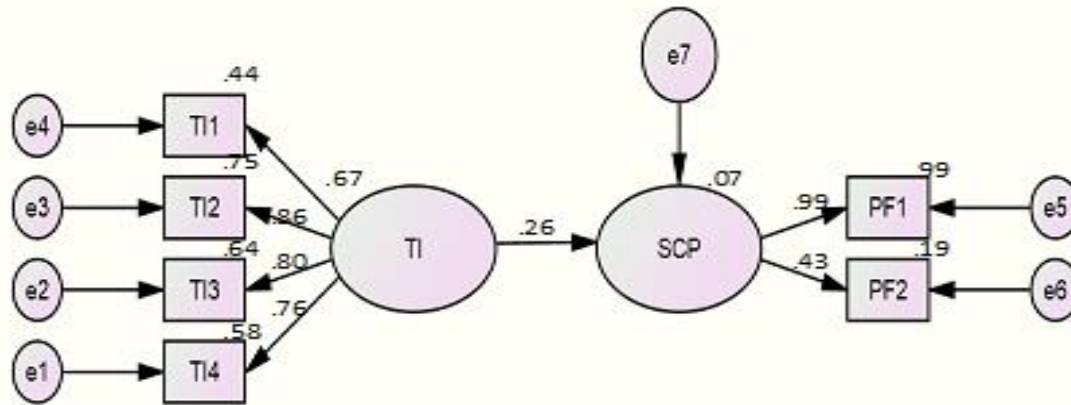


Figure 1: Structural Equation Modeling (SEM) for Role of Technology

T-statistics provided information on the significance of the relationship. T-statistics value (C.R) was used to test whether relationship between technology and performance of state corporations was significant. Critical value should be greater than 1.96 at 0.05 significance level, Model 1 in Table 10 shows that access to capital Estimate = .228, CR = 2.151, p-value = .031). CR of 2.151 and a p-value = .000 show that there was a significant positive relationship between technology and performance of state corporations since the CR of 2.151 is greater than the conventional critical value of 1.96 at 0.05 significance level ($p < 0.05$). Thus null hypothesis was rejected at 95% significance level and therefore conclude that there is a relationship between technology and performance of state corporations in Kenya.

Table 10: Moderated Regression Weights for Role of Technology

			Estimate	S.E.	C.R.	P-value
SCP	<---	TI	.228	.106	2.151	.031
TI1	<---	TI	1.300	.161	8.087	***
TI2	<---	TI	1.158	.150	7.729	***
TI3	<---	TI	1.208	.162	7.451	***
TI4	<---	TI	1.130	.236	4.793	***

Conclusion

The corporation’s technology according to the employees is somewhat compatible to their needs which imply that they are not fully compatible. Most of the state corporation employees take somewhat short period of time to learn how to use the technology adopted by the firms. The corporations find technology to be moderately useful to them and they have adopted it, this shows that the technology supports intrapreneurship. In general, it therefore shows that technology that is being used currently by the firms is appropriate. The most common use of technology by the firms is finance, followed by marketing and production. It was thus concluded that most of the employees in the state corporations accept technology use. This shows that technology is useful and has been accepted.

The technology being used by corporations is neither acceptable nor unacceptable for value entrepreneurship purposes, this show that the technology is not as effective as it should be. Also the management of the corporations' are dedicated to acquiring the right technology to be used for the purposes of improving the entrepreneurship activities. The study shows that most of the corporations understand why they need technology but not all of they understand why they need it since on average the employees were neither agreeing nor disagreeing if the management understand the need for technology adoption.

Recommendations

Based on the study results following were the recommendations made

- i. The state corporation should adopt the latest technology that is relevant to their workplace and ensure that the employees are trained and using it for maximum output production.
- ii. The state corporation should create a room for employees to make mistakes that will lead to innovation, creativity and learning. This will ensure that novel ideas are put into implementation and production is maximized to create a competitive edge

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