CORPORATE RESTRUCTURING INITIATIVES ON THE FINANCIAL PERFORMANCE OF STATE CORPORATIONS IN KENYA

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MASTER OF SCIENCE IN COMMERCE

IN FINANCE AND INVESTMENT

KCA UNIVERSITY

2025

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A DISSERTATION SUBMITTED IN PARTIAL FULLFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE IN COMMERCE IN FINANCE AND INVESTMENT IN THE SCHOOL OF BUSINESS AT KCA UNIVERSITY

NOVEMBER, 2025

DECLARATION

I declare that the work in this dissertation has not been previously published or submitted elsewhere for award of a degree. I also declare that this my own original work and contains no material written of published by other people except where due reference is made and author duly acknowledged.

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I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

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Dr. Caroline Ntara

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ABSTRACT

This empirical study investigated the effects of corporate restructuring initiatives on financial performance in Kenyan state corporations, systematically testing four key hypotheses through comprehensive statistical analysis. The research adopted an explanatory design to evaluate how organizational, financial, operational, and strategic restructuring dimensions influenced various financial performance metrics, including return on assets, return on equity, profitability ratios, and revenue growth indicators. The study employed a mixed-methods research approach, collecting quantitative data from 132 state corporations across six economic sectors. Data collection utilized structured questionnaires that were administered to senior executives within these organizations. The regression analysis yielded substantial results with an R-squared value of 0.923 and statistical significance at $p < 0.001$, indicating that the model explained 92.3 percent of the variance in financial performance outcomes. The hypothesis testing revealed distinct patterns across the four restructuring dimensions that were examined. The first hypothesis regarding organizational restructuring was rejected, with a standardized beta coefficient of -0.666 that achieved statistical significance at $p < 0.05$, revealing a significant adverse short-term effect on financial performance that appeared attributable to transitional disruptions, including workforce reductions and leadership instability during implementation periods. The second hypothesis concerning financial restructuring was also rejected, demonstrating a standardized beta coefficient of 0.610 with statistical significance at $p < 0.01$, confirming financial restructuring's substantial positive impact on organizational performance, particularly through effective debt restructuring initiatives and equity capital optimization strategies. The third hypothesis regarding operational restructuring was accepted, showing a beta coefficient of 0.132 that failed to achieve statistical significance at $p > 0.05$, indicating no significant standalone effect and suggesting that process improvements required complementary strategic reforms to generate measurable financial benefits. The fourth hypothesis addressing strategic restructuring was rejected, exhibiting the significant positive influence with a standardized beta coefficient of 0.908 that achieved high statistical significance at $p < 0.001$. The findings demonstrated that strategic initiatives, including mergers, acquisitions, and market repositioning activities, exerted the most substantial impact on financial performance outcomes. The theoretical analysis drew upon established frameworks, including Resource-Based Theory, Transaction Cost Theory, and Contingency Theory, to explain these empirical outcomes, emphasizing how Kenya's unique institutional environment shaped restructuring effectiveness and influenced the relative success of different restructuring approaches. These comprehensive findings provided robust evidence-based foundations for policy recommendations, advocating for prioritizing strategic and financial restructuring initiatives while implementing careful risk management approaches for organizational restructuring activities. The research advanced public sector reform literature by contextualizing restructuring dynamics within a developing economy framework, offering actionable insights that enhanced understanding of state corporation performance optimization in Kenya and similar institutional settings. The study's contributions extended beyond the immediate Kenyan context, providing valuable frameworks and methodological approaches that could inform restructuring efforts in comparable emerging market environments.

Key words: Corporate Restructuring, Financial Performance, State Corporations, Strategic Initiatives, Restructuring Dimensions.

ACKNOWLEDGEMENT

First and foremost, I would like to express my deepest gratitude to the Almighty God for granting me the strength, wisdom, and perseverance to complete this research.

I am sincerely grateful to my supervisor, Dr. Caroline Ntara, for their invaluable guidance, encouragement, and insightful feedback throughout the research process. Your mentorship has been instrumental in shaping this dissertation, and I am truly appreciative of your unwavering support.

I extend my appreciation to the faculty and staff of the School of Business at KCA University for providing a conducive academic environment and the necessary resources that supported my academic journey.

Special thanks go to the senior executives and personnel of the Kenyan State Corporations who participated in this study. Your willingness to provide honest and detailed responses made this research possible, and I am indebted to you for your time and openness.

I would also like to acknowledge my colleagues and classmates for their constructive discussions and encouragement during the course of this work.

Finally, to my late Mom, wife, two daughters and two sons thank you for your unconditional love, patience, and support. Your belief in me has been a constant source of motivation and I am grateful for your emotional support during the many long days and nights dedicated to this dissertation. Thank you.

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DEFINITION OF TERMS

Corporate restructuring refers to the comprehensive reorganization of a company's structure, operations, or financial systems with the objective of enhancing operational efficiency, profitability, and market competitiveness (Bowman & Singh, 2019). This multidimensional process encompasses organizational, financial, operational, and strategic components.

Organizational restructuring involves modifications to an entity's structural configuration, including but not limited to workforce reduction (downsizing), redistribution of decision-making authority (decentralization), and reconfiguration of role specifications, with the primary goal of improving operational efficiency and decision-making processes (Johnson et al., 2022).

Financial restructuring constitutes strategic modifications to an organization's capital architecture, incorporating debt reorganization, equity-based capitalization, and divestiture of assets, all directed toward enhancing liquidity positions and ensuring fiscal stability (Damodaran, 2020).

Operational restructuring denotes the systematic transformation of core business processes through methodologies such as workflow optimization, technological automation, and expenditure rationalization, with the dual objectives of efficiency enhancement and cost containment (Hammer & Champy, 2021).

Strategic restructuring represents fundamental alterations to an organization's long-term directional trajectory, manifested through activities including corporate mergers, acquisitions, and diversification initiatives, designed to achieve alignment with evolving market dynamics and sustainable objectives (Johnson et al., 2022).

Financial performance constitutes a quantitative assessment of an organization's fiscal health, operationalized through key metrics including return on assets (ROA), return on equity (ROE), profitability ratios, and revenue growth patterns (Ross et al., 2021).

State corporations are defined as legal entities wholly or majority-owned by the Kenyan government, established through legislative mandate to deliver essential public services, facilitate economic advancement, and implement national development policies (Republic of Kenya, 2013).

ABBREVIATIONS AND ACRONYMS

ROA:	Return on Assets
ROE:	Return on Equity
EBITDA:	Earnings Before Interest, Taxes, Depreciation, and Amortization
KCAUSERC:	KCA University Scientific and Ethics Review Committee
OECD:	Organization for Economic Co-operation and Development
KIPPRA:	Kenya Institute for Public Policy Research and Analysis
VIF:	Variance Inflation Factor
EFA:	Exploratory Factor Analysis
TCT:	Transaction Cost Theory
RBT:	Resource-Based Theory
M&A:	Mergers and Acquisitions
VRIN:	Valuable, Rare, Inimitable, and Non-substitutable (criteria for resources in Resource-Based Theory)
KNBS:	Kenya National Bureau of Statistics
PI:	Principal Investigator
ISERC:	Institutional Scientific and Ethics Review Committee

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate restructuring has emerged as a critical strategy for organizations globally, enabling them to adapt to dynamic business environments, enhance operational efficiency, and improve financial performance (Bowman & Singh, 2019). In developed economies, restructuring initiatives such as mergers, acquisitions, and downsizing have been widely adopted to address inefficiencies and drive profitability. Restructuring of corporations in state-owned enterprises (SOEs) has had mixed but enlightening performance results around the globe (Johnson et al., 2022). In Europe, the case of the reformation of the national company of the train, Deutsche Bahn, to the corporatization and introduction of performance-based contracts resulted in a decrease of the operating costs of the company by 25 percent and an improvement of the quality of the reliability of the service between 2010 and 2018 (European Commission, 2019). Similarly, a state-linked investment group in Singapore, Temasek Holdings, altered its portfolio during the early 2000s and generated an annualized return of 15 percent over 20 years (Temasek Review, 2020). Specifically, despite numerous efforts to reorganize governmental agencies such as Amtrak in the United States, the work of these organizations has been severely constrained by a long-term tendency to underfund them and their political limitations, which adds importance to the factors of both operational and financial autonomy (GAO, 2021). The examples shown indicate that the restructuring will probably unlock the efficiency potential. However, its effectiveness is characteristically dependent on the actual quality of governance, performance monitoring, and political desire to ensure the continuation of reforms (World Bank, 2020).

In Africa, corporate restructuring has gained prominence as governments seek to revitalize underperforming state-owned enterprises. State corporations have played an important role in the field of infrastructure, energy, and service delivery in Africa. Nevertheless, they have not played an appreciable role in most instances due to poor governance and a lack of stability among policymakers (OECD, 2021). Ethio Telecom, the biggest telco in Ethiopia, has been opened at least partly, and its infrastructure enhanced so that it can record a 30-percent growth in mobile penetration and a double-fold growth in the annual revenues of 2016 and 2021 (ITU, 2022). Conversely, corruption and procurement inefficiencies hindered restructuring in the Power Holding Company within Nigeria, leading to little change in the electricity generation levels after the privatization (USAID, 2020). Telkom in South Africa restructured majorly by downsizing the staff and investing in technology, which made it more profitable and improved its share value between 2014 and 2018 (Telkom Integrated Report, 2019). However, the financial turnaround of Eskom is at a standstill, operational restructuring procedures are hampered by political influences and legacy debts, which indicate subtle results of regional change. Overall, although certain African SOEs have increased revenues and service delivery, most of them are still faced with debt sustainability, service coverage gaps, and a lack of financial independence (Venter & Botha, 2022).

In Kenya, state corporations play a pivotal role in the country's socio-economic development, providing essential services and implementing government policies. However, many of these entities face significant challenges, including bureaucratic inefficiencies, political interference, and financial losses (Auditor General, 2021). Over the years, the Kenyan government has initiated various restructuring programs, such as privatization, mergers, and performance contracts, to enhance the financial performance of state corporations (Republic of Kenya, 2013). Unlike in the past, Kenya Airways was privatized in 1996 with the expectation of

enhancing its operational efficiency. Moreover, ever since the year 2015, the Airline has registered a net loss of over KES 10 billion annually, in addition to having been bailed out by the government several times over (Auditor General, 2021). This indicates the difficulty of strategic planning, route optimization, and cost control. The consolidation of various public sugar companies into the Kenya Sugar Development Corporation was aimed at gaining better economies of scale, but failed to receive acceptance among the local stakeholders, besides actually delaying the standardization of operations, hence resulting in a slight improvement in productivity (Ministry of Agriculture, 2020). On a brighter note, the transition of the Kenya Revenue Authority into a semi-autonomous body led to a significant boost in the efficiency of revenue collection, as revenue increased by more than 20 percent year-on-year since 2016, and costs of operation reduced (KRA Annual Report, 2022). Through such mixed scores, the issue of performance monitoring is dysfunctional in most SOEs because it limits transparency as well as continuous improvement. There is a need to make sure that hardcore performance audits, involvement of stakeholders, and changes in governance accompany restructuring.

1.1.1 Corporate restructuring initiatives

Corporate restructuring initiates deliberate changes in structure, operations, or finances designed to produce measurable gains in efficiency, profitability, and competitiveness. It involves significant changes in the organization's strategy, processes, and resources to adapt to internal and external challenges (Bowman & Singh, 2019). To achieve this goal, it can take various forms, including organizational restructuring, financial restructuring, operational restructuring, and strategic restructuring (Johnson, Scholes, & Whittington, 2022). Corporate restructuring encompasses several key dimensions, beginning with organizational restructuring, which involves changes in the organizational structure, such as downsizing, decentralization, or redefining roles and responsibilities. Bowman and Singh (2019) explain

that organizational restructuring aims to streamline operations, reduce bureaucracy, and improve decision-making processes. In the context of state corporations, this may involve merging departments, reducing staff, or introducing performance-based management systems. The second significant aspect is financial restructuring, which refers to changes in the capital structure of an organization, such as debt restructuring, equity financing, or asset sales. Financial restructuring is often undertaken to improve liquidity, reduce debt burdens, and enhance financial stability. Damodaran (2020) emphasizes that financial restructuring is critical for organizations facing financial distress or seeking to optimize their capital structure.

Operational restructuring constitutes another crucial element, involving changes in the operational processes and systems of an organization to improve efficiency and reduce costs. It may include process reengineering, automation, or outsourcing non-core activities. Hammer and Champy (2021) assert that operational restructuring is essential for organizations seeking to achieve operational excellence and competitive advantage. Strategic restructuring refers to changes in the organization's strategic direction, such as mergers, acquisitions, divestitures, or diversification. This type of restructuring is often undertaken to align the organization's strategy with market conditions and long-term goals. Johnson et al. (2022) highlight that strategic restructuring enables organizations to adapt to changing environments and seize new opportunities.

Corporate restructuring has various ways of affecting financial performance. With organizational restructuring, there is a possibility that the speed of decision-making will be faster and the overhead costs will be minimized (Johnson et al., 2022). Restructuring of finance improves liquidity and debt sustainability, boosting investor confidence. Restructuring of operations helps in efficiency and cost effectiveness of processes, hence bettering the margins

and utilization of assets. New markets can also be opened through strategic restructuring, through mergers or diversification, which has the effect of minimizing competition and increasing revenue growth and market share. The two channels are synergistic, where the quality of governance and alignment of the stakeholders dictate the sustainability of the performance improvements.

This study operationalizes corporate restructuring in four important dimensions, namely the organizational, financial, operational, and strategic. Each of the dimensions is a channel through which the restructuring would affect financial performance. Decentralization or staff realignment may enhance efficiency in decision making and cost management in the organization (Venter & Botha, 2022). Liquidity and solvency are influenced by financial restructuring, such as debt rebalancing or asset sales. Restructuring the operation facilitates the enhancement of productivity by automating or redesigning the process. Mergers or diversification should be used as a form of strategic restructuring, which can boost revenue growth and competitive positioning (Bowman & Singh, 2019). The targeted indicators were used to assess these aspects with an aim of investigating the role of restructuring in influencing the financial performances of state corporations in Kenya.

1.1.2 Corporate restructuring dimensions and financial performance

Corporate restructuring is a complex strategic program that is meant to enhance the financial stability and the long-term competitiveness of an organization (Johnson et al., 2022). It defines restructuring in four dimensions: organizational, financial, operational, and strategic dimensions. Organizational restructuring involves realignment of internal structure, such as decentralization, realignment of the hierarchy, and staff rationalization, and this is meant to promote agility and efficiency in decision making. Financial restructuring aims at the capital

structure of the organization by rebalancing the debt, injecting equity, and disposing of assets, the aim of which is to increase the liquidity, solvency, and shareholders' value (Venter & Botha, 2022). Operational restructuring is a form of restructuring that involves process optimization and automation in order to enhance productivity and cost effectiveness, and strategic restructuring represents a wider positioning action, like mergers, acquisitions, and diversification in order to reach a new market or concentrate industry power.

The foundational framework assertion of corporate restructuring is a significant precursor of the financial performance of state corporations in Kenya. A directional route connects each dimension with financial outcomes, which include profitability, returns on assets, and cost effectiveness. The directional route is a combination of theoretical logic and operational processes. These relations are influenced by the contextual variables such as policy stability, managerial ability, and industry dynamics (Johnson et al., 2022). With the explicit modeling of such interconnections, the framework points to the potential of specific restructuring initiatives to create synergies at organizational levels, which eventually affect financial well-being. The combination of these restructuring components not only facilitates the empirical assessment but also strengthens the strategic rationale of the restructuring decisions in the entities of the public sector (Bowman & Singh, 2019).

1.1.3 State corporations in Kenya

State corporations in Kenya are government-owned entities established under Cap 446 to provide essential services, promote economic development, and implement government policies. These entities operate across various sectors, including energy, transport, agriculture, healthcare, and education, and play a critical role in the country's socio-economic development. Despite their importance, many state corporations in Kenya face significant challenges,

including inefficiency, financial mismanagement, and political interference, which have hindered their ability to deliver on their mandates effectively (Kariuki, 2020). Over the years, state corporations have been instrumental in implementing government policies, such as the Vision 2030 development blueprint, which aims to transform Kenya into a middle-income economy. However, despite their strategic importance, many state corporations have struggled with poor financial performance, operational inefficiencies, and governance challenges (Auditor General, 2021; Mwangi et al., 2022; Omondi, 2021). These inefficiencies have resulted in significant financial losses and undermined the corporations' ability to fulfill their mandates. According to a study by the Kenya Institute for Public Policy Research and Analysis (KIPPRA, 2020), many state corporations lack effective boards of directors and internal controls, making them vulnerable to mismanagement and corruption.

Some state corporations have been privatized or commercialized to improve efficiency and reduce government reliance on subsidies. For example, the privatization of Kenya Airways in the 1990s was intended to enhance its competitiveness and financial performance (Ndung'u, 2021). For instance, the consolidation of state-owned sugar companies was aimed at improving their financial viability and competitiveness (Mwangi & Ochieng, 2022). While some restructuring initiatives have yielded positive results, others have faced significant challenges. For example, the privatization of Kenya Airways initially improved its financial performance, but the airline later faced operational and financial difficulties due to mismanagement and external shocks (Ndung'u, 2021). Similarly, the consolidation of state-owned sugar companies has been hampered by political interference and resistance from stakeholders (Omondi, 2021). These outcomes highlight the complexity of restructuring state corporations and the need for comprehensive reforms that address governance, financial management, and operational inefficiencies. This study sought to examine the impact of corporate restructuring on the

financial performance of state corporations in Kenya, with a focus on organizational, financial, operational, and strategic restructuring. The findings provide valuable insights for policymakers and managers seeking to improve the performance of state corporations in Kenya.

1.1.4 Financial performance of state corporations in Kenya

Financial performance represents a fundamental measure of an organization's overall financial health and its ability to utilize assets, generate revenues, and create value. According to Ross et al. (2021), financial performance encompasses the degree to which a firm achieves its financial objectives through the effective management of financial resources. Johnson and Kaplan (2020) define financial performance as a composite assessment of an organization's profitability, liquidity, solvency, and market value metrics. In the context of state corporations, World Bank (2023) characterizes financial performance as the ability to generate sufficient returns while fulfilling public service obligations and maintaining financial sustainability. Previous scholars have identified several key antecedents influencing financial performance. Kaplan and Norton (2019) emphasize revenue growth and cost management as primary drivers of financial performance, particularly in public sector organizations. Martinez and Chen (2022) highlight the significance of working capital management, asset utilization, and debt management in determining financial outcomes. In studies specific to state corporations, Ahmed and Patel (2021) identify governance structures, operational efficiency, and market positioning as crucial antecedents of financial performance. Additionally, Thompson et al. (2020) underscore the importance of strategic resource allocation, risk management practices, and stakeholder management in shaping financial results.

The current study adopted a comprehensive framework to examine financial performance, incorporating both traditional financial metrics and public sector-specific considerations. The study evaluated profitability through indicators such as return on assets, return on equity, and operating margins. Liquidity assessment includes current ratio, quick ratio, and working capital management efficiency. The research also examined operational efficiency through asset turnover ratios and cost management effectiveness. Market performance indicators encompass market share, revenue growth, and customer satisfaction metrics. Furthermore, the study considered public service delivery effectiveness and social impact measures, recognizing the dual mandate of state corporations in Kenya to achieve financial sustainability while serving public interests. These antecedents were selected based on their relevance to the unique context of state corporations in Kenya and their demonstrated significance in previous empirical studies.

1.2 Statement of the Problem

Corporate restructuring has emerged as a critical strategy for enhancing organizational efficiency and financial performance worldwide, yet its effectiveness in Kenya's state corporations remains questionable. Despite multiple restructuring initiatives, including mergers, privatization, and operational reforms, many state-owned enterprises continue to underperform financially, relying heavily on government subsidies to remain operational. The Auditor General's 2023 report revealed that 47% of state corporations recorded losses, with abysmal performance in key sectors such as agriculture and energy. This persistent financial distress occurs alongside mounting public debt, with state corporations collectively owing Ksh 1.2 trillion as of 2023, of which Kenya Airways and Kenya Power accounted for nearly a third.

The Kenyan government has implemented various restructuring measures to address these challenges. The 2025 merger program, which consolidated 42 state corporations into 20 entities, achieved some administrative cost reductions but has faced implementation hurdles, particularly in sectors like sugar manufacturing, where political interference and mismanagement have undermined potential gains. Similarly, partial privatization efforts, such as Kenya Airways', initially showed promise with an 8% improvement in Return on Assets (ROA) between 2018 and 2020, but subsequent governance failures reversed these gains. Operational restructuring, including automation and process optimization, has been unevenly adopted, with only 40% of corporations implementing such reforms effectively.

Despite these efforts, existing research on corporate restructuring in Kenya remains fragmented (Kariuki & Oketch, 2020). Most studies focus narrowly on financial restructuring or privatization (Mwangi & Ochieng, 2022), neglecting the interplay between organizational, operational, and strategic dimensions (Bowman & Singh, 2019). Furthermore, the predominance of private-sector studies in restructuring literature (Johnson et al., 2022) offers limited insights into the unique challenges facing state-owned enterprises, where political influences (Republic of Kenya, 2013) and bureaucratic inefficiencies (Auditor General, 2021) significantly impact outcomes. There is also a lack of sector-specific analyses (KIPPRA, 2020), despite evident performance disparities between industries such as energy, transport, and healthcare (KNBS, 2023).

This study sought to bridge these gaps by examining how comprehensive restructuring initiatives, encompassing organizational, financial, operational, and strategic changes, collectively influence the financial performance of state corporations in Kenya. Additionally, it investigated how contextual factors, including governance structures and sectoral dynamics,

moderate these relationships. By providing empirical evidence on these underexplored linkages, the research aimed to inform more effective restructuring policies that balance financial objectives with public service mandates in Kenya's state-owned enterprises.

1.3 Research Objectives

The following is an overview of the overarching and specific objectives that guided the study to accept or reject the research hypotheses.

1.3.1 General objective

To examine the effect of corporate restructuring initiatives on the financial performance of state corporations in Kenya.

1.3.2 Specific objectives

2. To assess the effect of organizational restructuring on the financial performance of state corporations in Kenya.
3. To determine the impact of financial restructuring on the financial performance of state corporations in Kenya.
4. To evaluate the effect of operational restructuring on the financial performance of state corporations in Kenya.
5. To analyze the role of strategic restructuring on the financial performance of state corporations in Kenya.

1.4 Research Hypotheses

***H_{01}**: Organizational restructuring has no significant effect on the financial performance of state corporations in Kenya.*

***H_{02}**: Financial restructuring has no significant effect on the financial performance of state corporations in Kenya.*

***H_{03}**: Operational restructuring has no significant effect on the financial performance of state corporations in Kenya.*

***H_{04}**: Strategic restructuring has no significant effect on the financial performance of state corporations in Kenya.*

1.5 Scope of the Study

The study focused on state corporations in Kenya, which are government-owned entities operating across various sectors, including energy, transport, agriculture, healthcare, and education. These corporations play a critical role in Kenya's socio-economic development, making them an ideal context for examining the impact of corporate restructuring initiatives. The geographical scope was limited to Kenya to allow for an in-depth analysis of the unique challenges and opportunities faced by state corporations in this context. The study covered 12 weeks, during which data were collected and analyzed. This time frame was adopted to ensure that the study captured the most recent developments and trends in corporate restructuring initiatives and their impact on financial performance. The study focused on corporate restructuring initiatives, specifically organizational, financial, operational, and strategic restructuring, and their impact on the financial performance of state corporations in Kenya. These dimensions of restructuring were selected because they represent the most common and impactful strategies employed by organizations to improve efficiency, profitability, and competitiveness. The study examined how each of these restructuring initiatives influences financial performance, as measured by key indicators such as return on assets (ROA), return on equity (ROE), profitability ratios, and revenue growth.

1.6 Significance of the Study

The study provides critical insights into the effectiveness of corporate restructuring initiatives in improving the financial performance of state corporations. The findings will help

policymakers evaluate the success of past restructuring efforts and identify areas for improvement. For instance, if the study reveals that organizational restructuring has a significant positive impact on financial performance, policymakers may prioritize similar initiatives in future reforms. Additionally, the study has highlighted the challenges and limitations of restructuring efforts, such as political interference and governance issues, enabling policymakers to design more effective and sustainable strategies. Ultimately, the study aimed to inform evidence-based policy decisions that enhance the efficiency, accountability, and financial sustainability of state corporations in Kenya. The study offers practical recommendations for improving financial performance through targeted restructuring initiatives.

Furthermore, the study has highlighted best practices and lessons learned from successful restructuring efforts, providing a roadmap for managers to navigate the complexities of organizational change. This will enable state corporations to achieve their mandates more effectively and contribute to Kenya's socio-economic development. The study also contributes to the growing body of knowledge on corporate restructuring and financial performance, particularly in the context of the public sector. The findings provide a foundation for future research on corporate restructuring in developing countries, where state corporations play a pivotal role in national development. Additionally, the study has introduced new perspectives and methodologies for analyzing the impact of restructuring initiatives, encouraging further exploration of this important topic. By shedding light on the relationship between restructuring and financial performance, the study findings will stimulate academic discourse and inform theoretical frameworks in the fields of public administration, corporate governance, and strategic management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter aims to comprehensively understand the theoretical foundations, empirical evidence, and conceptual frameworks related to corporate restructuring and financial performance. The chapter begins with a theoretical review, which explores the key theories underpinning corporate reorganization, such as Agency Theory, Resource-Based Theory, Transaction Cost Theory, and Contingency Theory. Next, the chapter presents an empirical review, which examines existing studies on the impact of corporate restructuring on financial performance, both globally and in the Kenyan context. Following the empirical review, the chapter introduces a conceptual framework that illustrates the relationship between corporate restructuring initiatives (independent variables) and financial performance (dependent variable). Finally, the chapter concludes with a summary of the literature review, which synthesizes the key findings and identifies the research gaps that this study seeks to address.

2.2 Theoretical Review

The theoretical review provides the foundational frameworks that underpin the study of corporate restructuring and its impact on financial performance. The key theories relevant to this study are the agency theory, resource-based theory, transaction cost theory, and contingency theory.

2.2.1 Agency theory

The agency theory, developed by Jensen and Meckling (1976), focuses on the conflicts of interest that arise when the goals of principals (shareholders) and agents (managers) diverge. In the context of state corporations, the principals can be viewed as the government or

taxpayers, while the agents are the managers and executives responsible for running these entities. The theory posits that agents may prioritize their interests, such as job security, personal benefits, or power, over the interests of the principals, leading to inefficiencies, mismanagement, and poor financial performance.

Corporate restructuring is often implemented as a mechanism to address these agency problems and align the interests of management with those of shareholders or stakeholders. For example, organizational restructuring can reduce bureaucratic inefficiencies and ensure that managers are accountable for their actions. This aligns their goals with those of the principals, as managers are incentivized to improve performance and achieve organizational objectives (Bowman & Singh, 2019). Initiatives such as debt restructuring or equity financing can improve financial transparency and accountability, reducing the risk of mismanagement or misuse of resources. This ensures that managers act in the best interests of the organization and its stakeholders (Damodaran, 2020). Notably, operational restructuring can eliminate wasteful practices and improve efficiency. This aligns the interests of managers with those of shareholders, as both parties benefit from improved financial performance (Hammer & Champy, 2021). Mergers, acquisitions, or diversification strategies can refocus the organization's goals and ensure that managers are working toward long-term sustainability and profitability. This reduces the risk of short-term decision-making that may benefit managers at the expense of shareholders (Johnson et al., 2022).

In the context of state corporations in Kenya, Agency theory is particularly relevant due to the prevalence of governance challenges, such as political interference and weak oversight mechanisms. These challenges often exacerbate agency problems, as managers may prioritize political or personal interests over the financial sustainability of the organization. Corporate

restructuring initiatives, such as performance contracts or privatization, can help mitigate these issues by introducing accountability measures and aligning managerial actions with the goals of the principals (Kariuki, 2020; Mwangi & Ochieng, 2022). The effectiveness of restructuring in addressing agency problems depends on the design and implementation of these initiatives. For instance, if strong governance mechanisms do not accompany restructuring, it may fail to achieve its intended objectives. This highlights the importance of considering the broader institutional and regulatory context when designing restructuring strategies for state corporations.

2.2.2 Resource-based theory

The resource-based theory (RBT) provides critical insights into how organizations leverage their unique resources for competitive advantage. While Edith Penrose's 1959 work on firm growth laid important groundwork, it was Jay Barney (1991) who systematically developed RBT as a distinct theoretical framework. Barney's formulation introduced the VRIN criteria (valuable, rare, inimitable, and non-substitutable) as key characteristics of resources that can sustain competitive advantage. This theoretical perspective helps explain why some state corporations in Kenya continue to underperform despite restructuring efforts - they may lack these essential resource characteristics or fail to deploy them properly (Kariuki, 2020). For instance, the persistent struggles of Kenya's sugar sector following restructuring initiatives suggest inadequate attention to building truly strategic resources (Ndung'u, 2021). Corporate restructuring is often undertaken to realign an organization's resources and capabilities with its strategic goals, thereby enhancing efficiency and competitiveness. In the case of state corporations, which often face resource constraints and inefficiencies, restructuring can play a critical role in optimizing resource utilization.

Organizational restructuring involves redefining roles, responsibilities, and reporting structures to improve efficiency and resource allocation. It streamlines operations and eliminates redundancies, so state corporations can better utilize their human and financial resources. For example, decentralizing decision-making can empower employees and improve responsiveness, while downsizing can reduce unnecessary costs and reallocate resources to more productive areas (Bowman & Singh, 2019). Financial restructuring focuses on optimizing the organization's capital structure to ensure sustainable financial performance. This may involve debt restructuring, equity financing, or asset sales to improve liquidity and reduce financial strain. In aligning financial resources with strategic priorities, state corporations can enhance their ability to invest in critical areas such as infrastructure, technology, and human capital (Damodaran, 2020).

Operational restructuring aims to improve efficiency by reengineering processes, adopting new technologies, and eliminating waste. For state corporations, this could involve automating manual processes, outsourcing non-core activities, or implementing lean management practices. These initiatives enable organizations to maximize the value of their existing resources and improve service delivery (Hammer & Champy, 2021). Strategic restructuring involves redefining the organization's long-term goals and competitive positioning. This may include mergers, acquisitions, or diversification strategies to leverage core competencies and enter new markets. For state corporations, strategic restructuring can help align resources with national development goals, such as the Vision 2030 agenda, and enhance their contribution to socio-economic development (Johnson et al., 2022).

In Kenya, many state corporations operate in resource-constrained environments, where inefficiencies and mismanagement often lead to underutilization of resources. Resource-based

theory provides a valuable lens for understanding how restructuring initiatives can address these challenges. For instance, by restructuring organizational hierarchies and introducing performance-based management systems, state corporations can better utilize their human resources, improving productivity and service delivery (Kariuki, 2020). Financial restructuring, on the other hand, can help state corporations reduce debt burdens and reallocate resources to priority areas, such as infrastructure development and technology adoption (Mwangi & Ochieng, 2022). Moreover, operational restructuring that incorporates digital transformation can enhance the efficiency of state corporations, enabling them to deliver services more effectively and at lower costs (Omondi, 2021). While resource-based theory emphasizes the importance of leveraging unique resources, the success of restructuring initiatives depends on practical implementation. In the context of state corporations in Kenya, challenges such as political interference, weak governance, and resistance to change can hinder resource optimization. Therefore, restructuring efforts must be accompanied by strong leadership, stakeholder engagement, and institutional reforms to ensure their effectiveness.

2.2.3 Transaction cost theory

Transaction cost theory (TCT) offers another valuable perspective on corporate restructuring. While Ronald Coase (1937) first introduced the concept of transaction costs in his seminal work "The Nature of the Firm," it was Oliver Williamson (1975, 1985) who developed TCT into a comprehensive analytical framework. Williamson's contributions included detailed examinations of governance structures, asset specificity, and opportunism, concepts that are particularly relevant to understanding the challenges facing state corporations in Kenya. The frequent procurement scandals and bureaucratic inefficiencies plaguing these organizations can be understood as manifestations of high transaction costs and inadequate governance mechanisms (World Bank, 2022). When Kenya Airways underwent restructuring, for example,

the failure to adequately address these transaction cost issues contributed to its continued struggles (Omondi, 2021). In the context of corporate restructuring, this theory provides a framework for understanding how restructuring initiatives can reduce transaction costs and improve organizational performance.

Corporate restructuring often involves reorganizing an organization's governance structures, processes, and relationships to minimize inefficiencies and reduce transaction costs. For state corporations, which frequently face bureaucratic inefficiencies and high operational costs, restructuring can play a critical role in optimizing resource utilization. Organizational restructuring can reduce internal transaction costs by streamlining decision-making processes and improving communication within the organization. For example, decentralizing authority and empowering lower-level managers can reduce the time and resources spent on obtaining approvals and resolving conflicts. This leads to faster decision-making and improved operational efficiency (Bowman & Singh, 2019).

Financial restructuring can minimize transaction costs associated with external financing and debt management. By renegotiating debt terms, consolidating loans, or issuing equity, state corporations can reduce the costs of borrowing and improve their financial stability. This enables them to allocate more resources to core activities and strategic investments (Damodaran, 2020). Operational restructuring focuses on improving efficiency by reengineering processes and adopting new technologies. For state corporations, this could involve automating manual processes, outsourcing non-core activities, or implementing lean management practices. These initiatives reduce transaction costs by eliminating waste, improving coordination, and enhancing productivity (Hammer & Champy, 2021). Strategic restructuring, such as mergers, acquisitions, or partnerships, can reduce transaction costs by

internalizing certain activities or forming alliances with other organizations. For example, a state corporation may merge with another entity to eliminate duplication of roles and reduce the costs of coordinating activities. Alternatively, it may form strategic partnerships to share resources and expertise, thereby reducing the need for costly market transactions (Johnson et al., 2022).

In Kenya, state corporations often face high transaction costs due to bureaucratic inefficiencies, weak governance, and fragmented operations. Transaction Cost Theory provides a valuable lens for understanding how restructuring initiatives can address these challenges. For instance, by restructuring organizational hierarchies and streamlining decision-making processes, state corporations can reduce the time and resources spent on internal coordination and approvals (Kariuki, 2020). Financial and operational restructuring can enhance the management of contracts with suppliers, contractors, and other stakeholders, reducing the costs of negotiation, monitoring, and enforcement (Mwangi & Ochieng, 2022). Strategic restructuring, such as mergers or partnerships, can improve coordination between state corporations and other entities, reducing the costs of information sharing and collaboration (Omondi, 2021). While Transaction Cost Theory emphasizes the importance of minimizing transaction costs, the success of restructuring initiatives depends on practical implementation. In the context of state corporations in Kenya, challenges such as political interference, resistance to change, and weak institutional frameworks can hinder efforts to reduce transaction costs. Therefore, restructuring efforts must be accompanied by strong leadership, stakeholder engagement, and institutional reforms to ensure their effectiveness.

2.2.4 Contingency theory

While some scholars attribute the development of contingency theory to Burns and Stalker (1961) or Lawrence and Lorsch (1967), it was Lex Donaldson (2001) who synthesized these and other works into a coherent contingency theory of organizations. This theory's fundamental insight, that organizational effectiveness depends on proper alignment between structure and situational factors, has crucial implications for restructuring state corporations in Kenya. The mixed results of restructuring efforts across different sectors (e.g., energy versus agriculture) demonstrate the importance of this contingent approach (Mwangi & Ochieng, 2022). A one-size-fits-all restructuring model has repeatedly proven ineffective in Kenya's diverse public sector landscape.

In the context of corporate restructuring, contingency theory highlights the importance of tailoring restructuring initiatives to the unique challenges and opportunities faced by an organization. Organizational restructuring, for instance, should consider factors such as organizational size, complexity, external market conditions, and internal cultural dynamics. Financial restructuring should align with the organization's financial health, debt structure, and market demands. Similarly, operational and strategic restructuring must be designed to address specific inefficiencies or to capitalize on emerging opportunities. Contingency theory also underscores the importance of flexibility and adaptability in restructuring efforts. Organizations must continually monitor their environments and adjust their structures and strategies in response to changing circumstances. For example, during periods of economic instability, state corporations may need to prioritize financial restructuring to improve liquidity and reduce debt. In contrast, during periods of growth, strategic restructuring initiatives, such as mergers or expansions, may be more appropriate to capitalize on emerging opportunities.

Empirical studies have demonstrated the relevance of contingency theory in explaining the effectiveness of restructuring initiatives. For instance, research has shown that organizations that align their restructuring efforts with environmental and organizational contingencies tend to achieve better financial and operational outcomes (Burns & Stalker, 1961; Lawrence & Lorsch, 1967). These findings highlight the importance of adopting a contingency-based approach to restructuring, particularly in the context of state corporations that operate in complex and dynamic environments. In essence, contingency theory provides a valuable framework for understanding how corporate restructuring can enable organizations to adapt to changing environments and achieve sustainable performance. By tailoring restructuring initiatives to the unique contingencies faced by state corporations in Kenya, policymakers and managers can enhance the effectiveness of these initiatives and improve financial performance in the public sector. This theory will therefore serve as a critical lens for analyzing the impact of restructuring initiatives on the financial performance of state corporations in Kenya in this study.

2.3 Determinants of Financial Performance

Factors that determine financial performance are both internal and external, and hence, the complex interaction between these factors determines the efficiency and profitability of the organization (Ddaiddo, 2024). Within the Kenyan state corporations, the diagnosis of fiscal imbalances and the development of effective reforms is incomplete without a knowledge of these determinants. Operational efficiency, financial structure, strategic decisions, and the quality of governance are some of the most critical factors that are not only the measure of performance but also the key to unlock sustainable growth and accountability.

2.3.1 Organizational restructuring

The restructuring of the operations of state corporations in Kenya ought to increase ROA by minimizing the redundancy of assets and increasing utilization. Nevertheless, numerous organizations are afflicted by age-old systems and inefficiencies in their infrastructures that hinder the productivity of their assets (Ddaiddo, 2024). As an example, utilities such as Kenya Power have been grappling with the old grid infrastructure that causes inefficiencies, even though they have large asset bases. By digitizing, automating, and reforming procurement, it is possible to minimize downtime and maintenance expenses and maximize returns per unit asset (National Treasury & Economic Planning, 2022). The shift to performance-based operations instead of activity-based budgets might ensure that the assets are retained only in case they are value-creating. However, performance benchmarking is an aspect that is generally missed during restructuring; thus, it is difficult to track whether the optimization of assets is taking place after the intervention. In order to achieve meaningful returns on assets, the corporations have to ensure that the changes in the operations are linked to the strategic asset audit and capacity reallocation (Linyiru & Ketyenya, 2017). There should also be asset performance indicators in the leadership scorecards to strengthen governance oversight.

In Kenya, ROE is low or negative in several state corporations because of the growth in equity bases and the flatness in the development of income. This imbalance should be addressed by the operational restructuring that will minimize the operational leakage, such as unwarranted allowances, laxity on overtime controls, and ineffective models of service delivery (Nyongesa, 2023). An increase in ROE needs to be attained by increasing the net income due to the increase in productivity, and not by government injections that will increase the equity. As an example, Kenya Airways experienced significant changes in the way it operated. Nevertheless, it made minimal gains in ROE because of the remaining governance bottlenecks and uneven recovery

of income. Leaner operations, integrated service delivery, and transparent billing systems could boost the revenue margins. Equity infusions by the government should be limited based on performance levels, and this will strengthen the incentives to generate more income than dependency. Meanwhile, the implementation of cost-recovery tools, including tiered tariffs and usage billing, would also assist ROE without threatening access (National Treasury & Economic Planning, 2022). Most importantly, corporations should implement long-term operating strategies that would couple restructuring milestones with financial results.

According to Nyongesa (2023), high overheads, overstaffing, and poor procurement systems tend to reduce profit margins in Kenyan SOEs. Restructuring operations, which aim at the realignment of the value chain, such as centralizing procurement, automating inventory, or outsourcing non-core services, can have an immediate effect in cutting down the operating expenses. Organisations such as the Kenya Meat Commission have demonstrated that unless cost discipline is exercised, restructuring does not have much financial impact (National Treasury & Economic Planning, 2022). Liquidity ratios, too, are affected because of slow collections and cash conversion cycles, particularly in service-intensive organizations such as postal and transport services. The management of liquidity concerns the focus on billing efficiency, negotiation with the vendors, and real-time financial reporting. ERP systems have been promising in increasing current ratios through eliminating delays in invoices and approvals that otherwise use paperwork. Also, the reforms of service pricing may increase the margins through the harmonization of tariffs and real cost structures (Linyiru & Ketyenya, 2017). Change management, cash flow forecasting, and performance-linked budgeting are the best means of operational restructuring.

2.3.2 Financial restructuring

Financial restructuring, which can be realized via debt renegotiation, asset revaluation, or capital injection, should be able to improve ROA when it is coupled with operational efficiency. Asset-rich SOEs such as the Kenya Railways Corporation in the Kenyan context have high fixed costs and past debts that do not allow the generation of returns (Nyongesa, 2023). Debt forgiveness or reclassification will only enhance ROA slightly, but without reforming the productivity, the gains will not be sustainable. The financial plan should involve the identification of assets that are lying idle and transforming them into income-generating projects, such as leasing idle land or equipment. However, not all companies have current asset registers, and hence, it is hard to measure performance after the restructuring exercise (Linyiru & Ketyenya, 2017). Another thing that plagues ROA is the politically motivated financial reforms that are not strategically planned, leading to ineffective asset growth. Capital restructuring has to be focused on ROA estimates and implementation models related to service-level goals (National Treasury & Economic Planning, 2022). Financial adjustments would not be able to produce significant asset performance without precise monitoring.

ROE is based on the fact that financial restructuring increases income in comparison to equity. Unluckily, regular injection of equity into the Kenyan SOEs skews the expectation of returns since the income does not increase in proportion (Linyiru & Ketyenya, 2017). The more viable solution is to reorganize the liabilities in such a way that it will maximize the efficiency of capital, like exchanging short-term debt with long-term debt or refinancing at reduced interest. As an illustration, Kenya Power's balance sheet has recorded an increase in equity with noticeable changes in ROE owing to a significant increase in profitability, with profit before tax surging to Ksh 14.065 billion for the six months ending December 31, 2024 (African Financials, 2025). The ROE returns dictate that the financial restructuring must positively

impact the operations' profitability, whether it is by financing the working capital, investing in technology that generates revenue, or expanding the service. The problem could also be reduced by issuing preference shares rather than ordinary equity to sustain the ROE levels and attract strategic investors (National Treasury & Economic Planning, 2022). ROE improvement could be pegged on the accountability of the public by transparent reporting of restructuring results through annual performance contracts. Finally, restructuring must be financially viable and not politically acceptable.

The financial restructuring impacts the margins by decreasing the interest expense and increasing the revenue retention. Nevertheless, a large number of SOEs use the restructuring funds for administrative expenses instead of investments that yield margins (Ddaiddo, 2024). As an example, Kenya Broadcasting Corporation was allocated huge funds, yet it incurred repeated deficits because of the ineffective management of costs and collection of revenue. With restructuring, financing costs decline, and the funds are redirected into productive departments, thus increasing margins. Longer debt maturities, staggered payment plans, and tighter cash flow forecasting are sources of liquidity improvements. However, liquidity crises will continue to exist when the subsidies are not paid in time or when the revenue streams are not in accordance with the expenditure schedules (Nyamita, 2014). Any restructuring should be followed by a clear financial recovery strategy, which the predictability of Treasury disbursement and internal financial discipline should be buttressed. When it is connected with outcome-based budgeting, restructuring can make the organization solvent and stable.

2.3.3 Operational restructuring

A corporation can improve its ROA through appropriate strategic restructuring, such as merging, shedding, or portfolio rebalancing, that helps to eliminate the non-performing parts.

This has been investigated in areas such as transport and agriculture in Kenya, whereby there is an overlap of mandates leading to the bloating of assets (National Treasury & Economic Planning, 2022). By divesting low-yielding assets and returning to the core service delivery, better productivity of assets is achieved. Nonetheless, strategic restructuring is usually not in line with the development objectives of the sector, and this becomes a source of diluted ROA. There should be asset productivity that should be compared to regional and global standards, so that corporations do not grow just because they want to grow (Nyamita, 2014). A case in point is Kenya Ports Authority, which enhanced its throughput by streamlining its port infrastructure and not just by buying new ones (Linyiru & Ketyenya, 2017). Consolidation synergies, which are well-planned, can minimize duplication and enhance the ROA of mergers. The economic impact and feasibility studies should inform strategic restructuring in order to be of long-term value.

The strategic decisions affect ROE because they determine how resources are used and income generated (Ddaiddo, 2024). Companies like those that enter into an unrelated business without a market strategy, such as entering into the hospitality industry or retail business, are at risk of equity dilution and low earnings. ROE is enhanced by restructuring, which is done in line with the long-term demand projections, stakeholder requirements, and competitive positioning (Linyiru & Ketyenya, 2017). Mergers are capable of scaling the operations, simplifying management, and creating cost synergies; however, integration failures can dampen the earnings. In the case of SOEs, clarity of strategy is essential- every action must be related to the enhancement of performance, whether in terms of quality of services, coverage, or cost recovery. The ROE is also enhanced through strategic planning that involves the attraction of investments and the commercialization of services. ROE in Kenya is usually derailed by the absence of post-merger integration frameworks (National Treasury & Economic Planning,

2022). To prevent this, the restructuring should identify the values of equity and watch them against income performance regularly.

Tactical restructuring can put short-term pressure on margins because of short-term integration or disinvestment expenses. The diversification of the SOEs in Kenya into non-core businesses has aggravated the cost structure and eliminated liquidity (Nyamita, 2014). Strategic focus can enhance profit margins when it involves reducing the scope of services provided or outsourcing of non-core activities. Liquidity is advantageous due to the sale of idle assets, centralization of financial management, and consolidation of operational budgets among subsidiaries. There is, however, political interference and a lack of clarity in mandates that usually hinders strategic transitions; hence, margin gains are erratic. The liquidity planning should be able to consider transitional risks and have contingency buffers to facilitate the operations (Linyiru & Ketyenya, 2017). During restructuring, good governance is required in order to avoid cash leakages, especially when there is asset disposal or attraction of investment. Liquidity improvement can be monitored using quarterly performance dashboards, which can make financial discipline and transparency stronger.

2.3.4 Strategic restructuring

The change of leadership and governance reform can raise ROA when connected to performance contracts and data-based management. Asset misallocation is very common in Kenya because most of the SOEs have an old organizational structure and poor leadership accountability. Strategic asset planning can be enforced by new models of governance, such as independent audit committees and technocratic boards (National Treasury & Economic Planning, 2022). ROA benefits can be attained when departments are reorganized on the foundation of value creation as opposed to bureaucratic silos. Organizations such as Kenya

Airports Authority have enjoyed the leadership that is more focused on commercial viability as well as service to the people. Nonetheless, political appointments corrupt effectiveness and continuity, and thus ROA gains are transient. The ROA-linked KPIs should be used to determine leadership to encourage the productive use of capital and infrastructure (Nyamita, 2014). Asset vetting committees to check performance and suggest disposals should also be part of governance reform.

ROE rises in the case of organizational restructuring that develops an atmosphere of liability and revenue responsibility (Nyamita, 2014). Kenyan SOEs are mostly run in a non-profit-oriented manner, and as such, they have inflated equity and poor returns. Fiscal discipline can be encouraged by strong internal audit functions, powerful CFOs, and responsible project management offices (Linyiru & Ketyenya, 2017). The reforms in leadership should ensure the presence of annual financial plans based on specific performance expectations. In case ROE is not improving, corporations ought to explore leadership decision-making and reporting systems. Financial literacy and strategic foresight should be provided to boards to help bring equity value and operational decisions into alignment. Stakeholders can learn to be more confident and open, as ROE trends are reported publicly after the reform (Nyamita, 2014). Finally, the increase or decrease in ROE shows the attitude of the leadership towards results or obedience.

Margins can also be enhanced through the restructuring of the organization to eliminate administrative wastage and rationalize the use of staff (Nyamita, 2014). Most of the SOEs in Kenya have outdated payroll systems and complex budgeting systems that lead to high overhead expenses and an inability to be flexible in their operations. This inefficiency not only reduces the profit margins but also slows down accessibility to working capital, which puts

pressure on the liquidity (Linyiru & Ketyenya, 2017). As restructuring initiatives focus on eliminating duplicative jobs, disjointed chains of command, and duplicative expenditures, they create space in which cost-cutting and better control of expenses can be exerted. Procurement lags can also be reduced and cash flow more predictable as a result of enhanced budget discipline made possible by restructuring finance departments and the adoption of integrated financial systems. Some of the Kenyan parastatals, such as the Postal Corporation and National Cereals and Produce Board, have been facing liquidity bottlenecks because of poor expenditure tracking and sluggish processing of subsidies. SOEs can normalize their current and quick ratios by incorporating cash management procedures into the redesigned departments and tying departmental expenditure to performance objectives (Ddaiddo, 2024). Moreover, the misuse of funds can be minimized through restructuring the governance system in such a way that it empowers the internal audit functions and financial oversight boards that can enhance long-term solvency. Finally, the enhanced margins and liquidity cannot be based merely on structural changes but also on the financial culture, which restructuring is going to institutionalize.

2.4 Empirical Review

This empirical review analyzes existing research on corporate restructuring and its effects on financial performance. In particular, the section provides an in-depth assessment of literature on the study subject, highlighting key findings and potential gaps from a global, regional, and local evidence-based perspective.

2.4.1 Global empirical evidence

Healy et al. (1992) concluded that the strategic restructuring resulted in significant growth in the return on assets (ROA) and operating cash flows. They used a large sample of public corporations that had easily identifiable pre- and post-merger financials in order to make strong

before-and-after comparisons. The methodology of the study depended on the event study analysis, isolating the abnormal returns during the times of announcements to deduce the value creation. Although valuable in providing insight in the shareholder-driven environment, the study is not that applicable in the case of state corporations, where many of the public service organizations can be characterized by non-profit mandates and stakeholder-driven performance indicators. The homogeneity of the sample, mostly consisting of capital-intensive firms, prompts doubts on the applicability of this study to other sectors like transport or healthcare, where state firms prevail. In addition, the research presupposes managerial independence and market rationality, which are incompatible with bureaucratically entrenched SOEs of developing economies. Even though the results indicate the existence of operational synergy and cost savings, these effects are conditional on the competitive pressure and availability of financial markets, which are rarely met in the Kenyan public sector. Another significant variable that is ignored in the study is the role of post-restructuring governance reform in the context of SOE. Thus, the fiscal gains are interesting, but the absence of correction of the results based on the contextual variables would make the mathematical approach inaccurate. Comparative research studies in the future need to isolate the sectoral and institutional disparities to make strategic restructuring of state-owned entities significantly correlate with performance results.

Business process reengineering was developed by Hammer and Champy (2021), who asserted that businesses could become profitable by radicalizing their workflows. Their framework is based on case studies of American and Japanese manufacturing industries that focus on the importance of customer-centric process mapping, the importance of digitization, and lean process management. Although it is appropriate to organizations that have flexible operations and innovation cultures, the methodology is not so appropriate to rigid bureaucracies that are

characteristic of state-run institutions. The authors have significantly depended on anecdotal evidence and testimonials by practitioners instead of longitudinal performance data, which undermines the empirical strength of their arguments. Besides, the concentration on value-adding activities and the removal of unnecessary processes presupposes that cost centers are discretionary. However, in many state corporations in developing countries, the government has a legal requirement to keep overstaffed or legacy processes. The unspoken conditions of competent change agents, well-developed IT systems, and agreement among the stakeholders also make it less applicable to the African public enterprises. Even though the study provides significant contributions to the efficiency-based restructuring, the fact that it under-examines institutional resistance and regulatory constraint creates an empirical gap. In developing countries, optimization of the process has to consider mandates of service delivery and political bargaining, particularly in monopolistic or welfare-oriented SOEs. The model of Hammer and Champy thus needs contextual revalidation using governance-adjusted performance indicators. In the case of state corporations in Kenya, process reengineering requires a more intense institutional alignment, capacity building, and co-creation of stakeholders.

Johnson et al. (2022) discussed the case of restructuring European multinationals in light of decentralization and flattening hierarchy as a means of improving strategic responsiveness and financial performance. Their study combined financial information of more than 100 companies in different areas, such as telecom, finance, and logistics. They proved that less management and giving authority to make decisions were more cost-effective, faster in responding to the market, and made employees more productive. Nevertheless, the research presupposes meritocracy culture and managerial responsibility, which the political influence in state corporations can easily corrupt. The cross-sector strategy is also blurring contextual precision because every industry has its operating limitations and restructuring triggers. They

based their findings primarily on the dynamics of the private sector, where performance is gauged in terms of profitability and shareholder value, but not in terms of the common good and service equity. Moreover, the paper does not take into account the dynamics of labor unions, which play an important role in the process of reforming state corporations in Africa. Although the research makes a robust case in correlation between structural agility and financial performance, it does not make a sufficient case in terms of long-term sustainability and the risk of governance following restructuring. This reduces its application as a yardstick in state transformation in the developing economies. In the case of Kenyan corporations, the lack of proper accountability channels in decentralization can increase the rate of resource leakage instead of efficiency. Therefore, governance structures that can accommodate autonomy, fiscal, and operational discipline will be needed to adapt these principles.

2.4.2 Regional (Africa) empirical evidence

An Ethio Telecom case study in Ethiopia by ITU (2022) offers a good regional example of financial restructuring as a performance-enhancing driver. The paper outlines the restructuring paths of partial liberalization, infrastructure upgrade, and digital investment as some of the means contributing to a 30 percent increase in mobile penetration and a doubling of revenues between 2016 and 2021. The approach is based on the multi-year financial models and the benchmarks of the telecom industry, which provide credible predictors of performance results. However, the study focuses mainly on structural change without isolating exogenous factors like government subsidies, regulatory shelter, and macroeconomic stability. Although liberalization did contribute, the monopoly structure and centralization of telecom services in Ethiopia are very unique and challenging to compare to multi-sectoral state corporations. In addition, performance was measured mainly by increasing revenues, and little was done in terms of cost efficiency, return on investment, or long-term financial sustainability. Governance

dynamics, such as board independence or performance monitoring systems, are also important in maintaining SOE reform, and this aspect is glossed over in the study. Benefits of restructuring may be cancelled out by competitive pressure and political interference in less monopolized sectors in Kenya. Thus, the Ethiopian case has robust fiscal results, but due to its methodological narrowness and sectoral specificity, it does not allow generalization. The regional studies need to extend the performance indicators and incorporate the variables of governance to inform the restructuring of the various sectors in the states.

The performance review of Power Holding Company in Nigeria was carried out by the USAID (2020) after the company was privatized and restructured in terms of its operations between 2013 and 2018. The report has determined that even after the unbundling of assets and the outsourcing of management of electricity generation and service delivery, improvement has been marginal. The quantitative performance measures guided the study, including grid output, reduction in distribution losses, and tariff collection efficiency. The study was also a strength in that it was a combination of operational KPIs and financial KPIs, such as cost recovery and capital expenditure returns. The analysis was, however, not longitudinal- it did not consider legacy liabilities and consumer affordability issues in evaluating performance against a five-year horizon. Moreover, the research did not put much emphasis on the issue of political rent-seeking and procurement opacity as the factors that undermine the benefits of restructuring. Privatization was characterized by inadequately selected transfers of assets and poor performance contracts, which restrained strategic accountability. The report also did not consider the adaptations of governance after the restructuring, including the restructuring of the board or the process of consultation with stakeholders. Despite the fact that privatization was meant to improve efficiency, the lack of regulatory control and transparency in terms of finances limited its effects. In the case of Kenya, they may find no improvement in performance

because of following the same privatization models without strengthening the governance safeguards. This highlights the importance of coordinated financial, operational, and governance restructuring of SOEs.

The case of Telkom restructuring in South Africa, which was presented in its Integrated Report (2019), illustrates operational and financial restructuring through staff reduction and modernization of technologies. In 2014-2018, the company recorded an increase in profitability and stabilization of the share price due to lean operations and better customer service. The strong point of the report is that it reveals such performance indicators as operating margins, EBITDA, and service reliability parameters. The self-reporting nature of corporate documentation, however, restricts the external verification and could underreport restructuring risks like employee dissatisfaction or off-book liabilities. Telkom had the relative freedom of action and stock-market discipline that produced some performance pressure that was not necessarily found in Kenyan corporations that were entirely state-owned. Besides, the institutional setting in South Africa, which was characterized by a strong regulatory framework and judicial independence, facilitated the more straightforward implementation of restructuring. Such facilitators are opposed to the divided supervision and politicized reforms in Kenya. Although the reforms in Telkom led to financial success, it was accompanied by the stabilization of governance and transparent management of stakeholders. Without these prerequisites, restructuring of operations in Kenya might not have the same performance results. This requires empirical research, which will control for the quality of institutions in evaluating the effectiveness of the restructuring.

2.4.3 Local (Kenya) empirical evidence

The study by Mutie and Muli (2024) concerned the restructuring of Kenya Airways because of its process of privatization and operational reconstitution situation, which occurred after 1996. The data that was used in the study to analyze the performance outcome were annual financial reports, liquidity ratios, and government subsidies. Even though the first privatization stimulated the efficiency of the operations and the reach of the services, from 2015 to 2020, the air company registered a stable net loss of more than KES 10 billion annually. Omega oil has been characterized by declining performance, which can be attributed to cost overruns, unsustainability in route optimization, as well as political manipulation in hiring of executives, according to Omondi. The study provides a good example of the inefficiency of restructuring without the reforms of accountability and strategic planning. Nevertheless, its approach did not include stakeholder interviews or institutional diagnostics, which might have contributed to the comprehension of governance and managerial issues. Moreover, the performance was also closely measured based on financial measures, and it did not include the measures of the quality of service provided and measures of social equity, which are indispensable in the assessment of a national carrier. The twofold mission of Kenya Airways, mainly as both a commercial and a utility operation, needs multi-dimensional performance standards. The study by Omondi reveals the necessity of more holistic empirical models that evaluate restructuring on financial, operational, and governance levels. It brings out the fact that partial reforms, particularly in politicized sectors, might not yield any sustainable improvement in performance.

Mwangi and Ochieng (2022) assessed the results of restructuring in the Kenyan state-owned sugar sector, paying attention to the measures of consolidation and performance-based management. Their results indicated that there was a slight improvement in terms of productivity and provision of services, which was limited mainly by the political opposition

and the buy-in of stakeholders. They figured out the operational effects of restructuring using production output, unit cost trends, and policy review matrices. However, they did not reach the point of linking these changes with financial sustainability. The main weakness of the study is the use of cross-sectional data that reduces causal inference because performance was measured at one point in time. The researchers observed lapses in governance, including the absence of performance contracts and board accountability, as impediments to the reform impact. Such governance variables were, however, treated qualitatively and not incorporated into the analytical framework. The research also failed to touch on the aspect of equity and community participation that plays a significant role in publicly entrenched sectors such as sugar. Although the government has tried to boost the industry with policy tools like the sugar development levy and mill leasing initiatives, the study failed to assess the economic sustainability of the measures. In addition, the use of standard mill performance indicators cannot be found across the mills, and, hence, it is difficult to compare. This kind of gap also accentuates the need for a longitudinal, multi-dimensional analysis where the effectiveness of restructuring the Kenyan sugar industry can be measured based on financial, operational, and governance aspects.

The focus of Anamanjia and Maina (2022) on strategic alignment and performance at the Kenya Revenue Authority (KRA) is a critical step in addressing the key variables aligned with the present study. The study reflects the impact of organizational restructuring on financial performance in a public sector organization. They used descriptive design and multiple regression analysis in their study to determine how structural, cultural, resource, and environmental alignment affect the performance of KRA. The results indicated that structural alignment, mainly departmental reorganization and role clarity, was the most effective positive influence on performance, followed by resource and cultural alignment. The strength of the

study is the fact that it was multi-variable, which enabled a more delicate picture of the effects of internal restructuring mechanisms on external pressures. The study, however, concentrated more on internal perceptions and failed to include external stakeholder opinions and service delivery measures, which are important in measuring the performance of the public sector. Also, although the study recognized the importance of strategic planning, it was not able to measure the sustainability of the performance gains with time and the flexibility of the restructuring activities to changes in policy conditions. Findings cannot be generalized to other state corporations due to the absence of sectoral benchmarking as well. However, the research offers a good model in determining the outcomes of restructuring the public institutions in Kenya and the relevance of organizational design concerning strategic goals, and how this can be done for improvement in an organization's financial performance.

2.5 Conceptual Framework

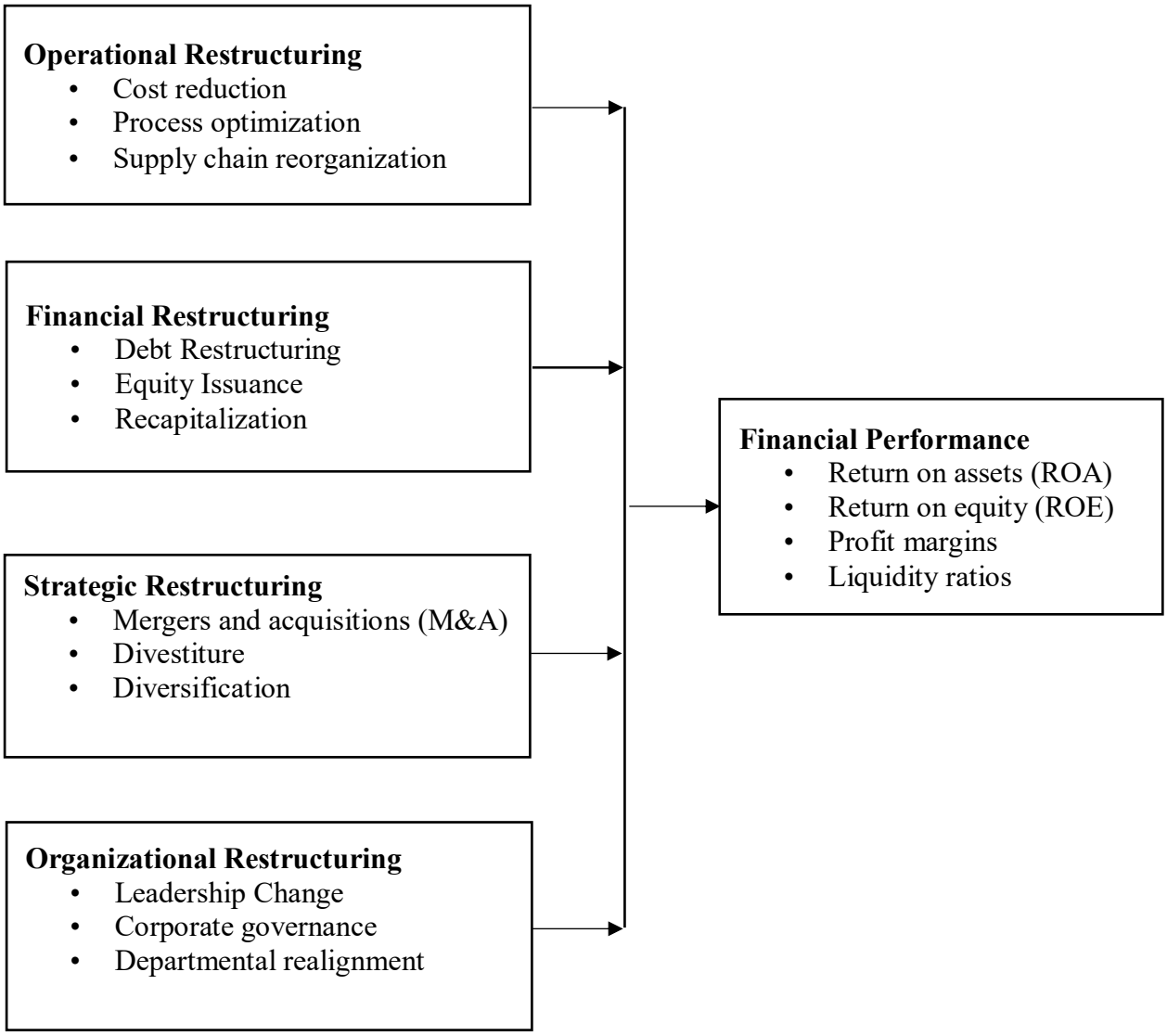

FIGURE 1

Conceptual Framework

The conceptual framework establishes a theoretical foundation for examining how corporate restructuring initiatives influence financial performance in state corporations. At its core, this framework posits financial performance as the dependent variable that is shaped by four distinct but interrelated dimensions of corporate restructuring as independent variables. It shows how corporate restructuring, through its four dimensions, namely, operational, financial, strategic, and organizational, can influence a corporation's financial performance. Every dimension is further divided into particular activities: operational restructuring implies paying attention to cost cutting, process improvement, and supply chain transformations; financial restructuring implies debt restructuring, share issues, and recapitalization; strategic restructuring implies mergers, acquisitions, and diversification; and the organizational restructuring implies the focus on the changes in governance, leadership, and departmental alignment. These restructuring initiatives are hypothesized to influence the important financial performance measures, including the return on assets (ROA), the return on equity (ROE), the profit margins, and the liquidity ratios, which constitute a complete picture of how structural reforms can affect financial performance. The dimensions of restructuring are interrelated, which implies that the changes in one domain may require or support changes in another. The framework also views governance and stakeholder involvement as the mediating variables to either reinforce or weaken the effects of restructuring on financial outcomes. Finally, it focuses on systemic restructuring, in which restructuring is not only a short-term intervention but also a strategy of performance improvement.

2.6 Operationalization of Variables

This section defines and operationalizes the key variables used in the study. Table 1 below presents the variables, their types, operational indicators, measurement scales, and analysis tools.

TABLE 1

Operationalization of Variables

Variables	Variable Type	Operational Indicators	Measurement Scale	Analysis Tools
Organizational Restructuring	Independent	Changes in structure, staff reductions, decentralization	Likert Scale	Descriptive Statistics, Regression Analysis
Financial Restructuring	Independent	Debt restructuring, equity financing, asset sales	Financial Ratios	Regression Analysis, Correlation Analysis
Operational Restructuring	Independent	Process reengineering, automation, cost-cutting initiatives	Likert Scale	Factor Analysis, Regression Analysis
Strategic Restructuring	Independent	Mergers, acquisitions, diversification strategies	Likert Scale	Descriptive Statistics, Regression Analysis
Financial Performance	Dependent	ROA, ROE, profit margins, liquidity ratios	Financial Ratios	Descriptive Statistics, Correlation Analysis

2.7 Research Gap

While existing studies provide valuable insights into the impact of corporate restructuring on financial performance, several gaps remain, particularly in the context of state corporations in Kenya. These gaps highlight the need for further research to understand better the dynamics of restructuring in this unique context. Most studies on corporate restructuring have focused on private-sector organizations or state-owned enterprises in developed countries. There is a scarcity of empirical research specifically addressing the impact of restructuring initiatives on state corporations in Kenya. This gap limits the ability of policymakers and managers to design

and implement effective restructuring strategies tailored to the challenges and opportunities in Kenya (Kariuki, 2020; Mwangi & Ochieng, 2022). Existing studies often examine specific dimensions of restructuring, such as organizational or financial restructuring, in isolation. There is a need for comprehensive frameworks that integrate multiple dimensions of restructuring, such as organizational, financial, operational, and strategic aspects, to provide a holistic understanding of their collective impact on financial performance. Such frameworks would enable a more nuanced analysis of how different restructuring initiatives interact and influence outcomes (Bowman & Singh, 2019; Johnson et al., 2022). State corporations in Kenya operate in diverse sectors, each with unique challenges and opportunities. However, existing studies often treat state corporations as a homogeneous group, overlooking sector-specific dynamics. Research is needed to examine how restructuring initiatives impact financial performance in different sectors, such as energy, transport, and healthcare, and to identify sector-specific best practices (Kariuki, 2020; Omondi, 2021). This study sought to contribute to filling these gaps by examining the impact of organizational, financial, operational, and strategic restructuring on the financial performance of state corporations in Kenya while considering the unique challenges and opportunities in this context.

2.8 Summary of Literature Review

The literature review has provided a comprehensive overview of the theoretical and empirical foundations of corporate restructuring and its impact on financial performance, with a particular focus on state corporations in Kenya. The review explored key theories, including agency theory, resource-based theory, and transaction cost theory, which offer valuable insights into the motivations, processes, and outcomes of restructuring initiatives. Empirical studies from both global and African contexts were examined to understand how organizational, financial, operational, and strategic restructuring influences financial performance. The

literature, based on the agency theory, highlights the importance of aligning management and shareholder interests through restructuring initiatives such as decentralization and performance-based management systems. Resource-based theory emphasizes the optimization of unique resources and capabilities through restructuring to achieve competitive advantage and improve financial performance. Notably, the transaction cost theory focuses on reducing transaction costs through restructuring, such as streamlining processes and improving governance structures. Studies have shown that downsizing, decentralization, and redefining roles can improve efficiency and financial performance, but success depends on practical implementation and stakeholder engagement. Debt restructuring, equity financing, and asset sales have been effective in improving financial stability and profitability, particularly in resource-constrained environments. Process optimization, automation, and cost-cutting measures have been shown to reduce waste and improve profitability, but challenges such as resistance to change and mismanagement can hinder outcomes. Mergers, acquisitions, and diversification strategies have the potential to enhance financial performance, but their success depends on alignment with market conditions and long-term goals.

However, weak governance structures and political interference are significant barriers to effective restructuring in state corporations in Kenya. Resistance to change, lack of stakeholder engagement, and inadequate resources can limit the effectiveness of restructuring initiatives. Economic conditions, regulatory changes, and technological advancements can influence the outcomes of restructuring efforts. Despite the valuable insights provided by existing studies, several gaps remain, particularly in the context of state corporations in Kenya. Most studies have focused on private sector organizations or state-owned enterprises in developed countries, leaving a gap in understanding the unique challenges and opportunities in Kenya. Existing studies often examine specific dimensions of restructuring in isolation, rather than integrating

organizational, financial, operational, and strategic restructuring into a holistic framework. Few studies have systematically examined how governance challenges and political interference impact the design, implementation, and outcomes of restructuring initiatives. Studies often treat state corporations as a homogeneous group, overlooking sector-specific dynamics and their impact on restructuring outcomes. This study aimed to fill these gaps by examining the impact of organizational, financial, operational, and strategic restructuring on the financial performance of state corporations in Kenya. It sought to achieve this goal while considering the moderating effects of organizational culture, regulatory environment, and leadership. In providing empirical evidence and practical recommendations, the study sought to contribute to the body of knowledge on corporate restructuring and inform policy and practice in the public sector.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to present the research design, methods, and procedures used in this study to examine the effect of corporate restructuring initiatives on the financial performance of state corporations in Kenya. The chapter provides a detailed explanation of the research approach, including the research design, target population, sampling techniques, data collection methods, and data analysis procedures.

3.2 Research Design

This study adopts an explanatory research design to investigate the causal relationship between corporate restructuring initiatives and financial performance. Explanatory research design is instrumental in studies that seek to determine cause-and-effect relationships between variables (Saunders, Lewis, & Thornhill, 2019). Through this design, the study aims to analyze how various restructuring initiatives, such as organizational, financial, operational, and strategic restructuring, impact the financial performance of state corporations in Kenya. An explanatory research design is appropriate for this study because it allows for the systematic examination of restructuring initiatives and their effects on key financial performance indicators such as return on assets (ROA), return on equity (ROE), and profitability ratios. The design enables the identification of patterns, trends, and correlations that can help in drawing meaningful conclusions regarding the effectiveness of corporate restructuring in enhancing financial performance (Creswell & Creswell, 2018). This study employed quantitative methods to collect and analyze data, ensuring objectivity and reliability in measuring the impact of restructuring initiatives. The explanatory design facilitates the use of statistical techniques such as regression

analysis and correlation analysis to establish the nature and strength of the relationship between restructuring and financial outcomes (Bryman, 2016).

3.3 Target Population

The target population for this study comprises state corporations in Kenya as of January 2025, following the government's restructuring initiative that merged 42 state corporations into 20 entities (Inspectorate of State Corporations, 2025). According to the most recent data from the Kenya National Bureau of Statistics (KNBS, 2025) and the Inspectorate of State Corporations portal, there are currently 218 active state corporations in Kenya, down from the previous 260 reported in 2023. These corporations operate across key sectors that drive Kenya's socio-economic development: Energy (32 corporations); transport (28 corporations); agriculture (35 corporations); healthcare (25 corporations); finance (38 corporations); and other services (60 corporations). The selection of state corporations as the target population is justified by their critical role in implementing government policies and their recent exposure to restructuring initiatives. The January 2025 mergers particularly affected corporations in the agriculture and energy sectors, where the government sought to eliminate duplication of functions and improve operational efficiency (Ministry of Public Service, 2025).

3.4 Sample Size and Sampling Technique

To ensure a representative analysis of state corporations in Kenya, this study employs stratified random sampling as the sampling technique. This method is chosen to ensure adequate representation across various sectors, including energy, transport, agriculture, healthcare, and finance. Stratification is necessary due to the heterogeneity of state corporations in terms of size, financial performance, and operational scope. The sample size is determined using Yamane’s (1967) formula, which is commonly used for finite populations:

$$n = \frac{N}{1+N(e^2)}$$

Where:

- n = Sample size
- N = Population size (218 state corporations)
- e = Margin of error (5% or 0.05)

Substituting the values:

$n = 218 / [1 + 218 (0.05)^2] = 140$ corporations

Thus, the study used a sample of 140 state corporations. To ensure proportionate representation across different sectors, the sample was distributed among key sectors based on their proportion in the total population. Stratified random sampling ensures that all key sectors are adequately represented, thereby reducing selection bias and improving the generalizability of the findings. The chosen sample size of 140 is statistically significant, as it balances precision and feasibility within the given research constraints. This approach aligns with best practices in research methodology for studies involving diverse populations (Saunders, Lewis, & Thornhill, 2019).

TABLE 2

State Corporations by Sector (2025) and Sample Allocation

Sector	Total State Corporations	Proportion (%)	Sample Allocation
Energy	32	14.7%	21
Transport	28	12.8%	18
Agriculture	35	16.1%	22
Healthcare	25	11.5%	16
Finance	38	17.4%	24
Other services	60	27.5%	39
Total	218	100%	140

3.5 Instrumentation and Data Collection

This section delineates the instruments and methodologies employed for data collection, emphasizing the integration of both primary and secondary data sources. The process encompassed the design of data collection tools, pilot testing, and adherence to ethical standards. To gather primary data, structured questionnaires were administered to key stakeholders within the sampled state corporations in Kenya. The key stakeholders ranged from executives to staff members. The questionnaire was designed to capture insights into the types and nature of restructuring initiatives undertaken, the perceived impact of these initiatives on operational efficiency and financial performance, and challenges encountered during the restructuring process. The questionnaire comprised both closed-ended questions, facilitating quantitative analysis, and open-ended questions, allowing for qualitative insights. This approach aligned with the recommendations of Abawi (2013), who emphasizes the importance of accurate and systematic data collection through well-designed instruments. Secondary data were sourced from audited financial statements, annual reports, and relevant publications of the selected state corporations. These documents provided objective metrics on financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), profit margins, and liquidity ratios. Utilizing existing records ensured the collection of reliable data pertinent to the study's objectives (Research Method, 2022).

3.6 Pilot Study

Prior to the main phase of data collection, a pilot test of the questionnaire was conducted with a small subset of respondents drawn from state corporations not included in the final sample. The refined questionnaires were distributed to these selected participants via email, accompanied by a cover letter outlining the purpose of the study and assuring confidentiality. In line with the guidance of Kieser and Wassmer (1996), a minimum of 30 participants was

deemed appropriate to support feasibility and variability estimation. Accordingly, 30 organizations not involved in the main study were randomly selected for the pilot phase. Follow-up communications were employed to improve response rates. Financial documents were sourced from publicly accessible databases, official corporate websites, and regulatory bodies overseeing state corporations. All participants received detailed information regarding the study's objectives, their roles, and their rights—including the right to withdraw from participation at any stage without penalty. To protect the identities of individuals and organizations, all collected data were anonymized. Upholding confidentiality was essential not only to safeguard privacy but also to build trust among participants (Harvard Business School Online, 2019).

3.7 Reliability and Validity of the Research Instrument

Reliability refers to the consistency and dependability of a measurement instrument. To evaluate the internal consistency of the structured questionnaire employed in this study, Cronbach's alpha coefficient was calculated. Cronbach's alpha is a widely accepted statistic for assessing internal consistency, indicating the extent to which items within a scale measure the same underlying construct. A threshold of 0.70 was applied, consistent with Bonett et al. (2015), to determine acceptable reliability among the questionnaire items. To establish construct validity, exploratory factor analysis (EFA) was conducted on the pilot test data in accordance with the recommendations of Taber (2018) and Heale & Twycross (2015). These rigorous procedures ensured that the research instrument was both reliable and valid, thereby strengthening the credibility of the study’s findings and their implications for understanding the impact of corporate restructuring initiatives on the financial performance of state corporations in Kenya.

3.8 Diagnostic Tests

One of the primary assumptions in regression analysis is normality, which posits that the residuals of the regression model are normally distributed. To assess this assumption, the Kolmogorov-Smirnov (K-S) test was utilized. This nonparametric test evaluates whether the sample data significantly deviates from a specified theoretical distribution, in this case, the normal distribution. A non-significant result (p-value > 0.05) indicates that the residuals are normally distributed, satisfying the normality assumption (Turner, 2023). Another critical aspect to consider is multicollinearity, which occurs when independent variables in a regression model are highly correlated. This can distort the estimated coefficients and their statistical significance.

To detect multicollinearity, the Variance Inflation Factor (VIF) was calculated for each predictor variable. The VIF quantifies how much the variance of a regression coefficient is inflated due to multicollinearity. A VIF value exceeding 10 suggests significant multicollinearity, which may necessitate corrective measures such as removing or combining variables (Turner, 2023). Heteroskedasticity, the condition where the variance of the residuals is not constant across all levels of the independent variables, can lead to inefficient estimates and affect hypothesis testing. To detect heteroskedasticity, the Breusch-Pagan test was employed. This test examines whether the variance of the residuals is dependent on the values of the independent variables. A significant test result (p-value < 0.05) indicates heteroskedasticity, suggesting the need for remedial actions, such as transforming variables or using robust standard errors (Turner, 2023).

Finally, autocorrelation, which occurs when residuals are correlated across observations, violates the independence assumption of regression analysis and can lead to biased estimates.

The Durbin-Watson test was conducted to detect the presence of autocorrelation, particularly first-order autocorrelation. The test statistic ranges from 0 to 4, with a value around 2 indicating no autocorrelation. Values significantly less than 2 suggest positive autocorrelation, while values greater than 2 indicate negative autocorrelation (Turner, 2023).

3.9 Data Analysis and Presentation

The data analysis for this study employed a comprehensive analytical approach to examine the complex relationships between corporate restructuring initiatives and financial performance in Kenyan state corporations. Initial analysis began with descriptive statistics to summarize the central tendencies and variability of key variables, including the four restructuring dimensions (organizational, financial, operational, and strategic) and financial performance indicators (ROA, ROE, profitability ratios, and revenue growth). These preliminary analyses provided important insights into the distributional characteristics of the data and revealed sector-specific patterns that required consideration in subsequent modeling.

Building upon these foundational analyses, the study utilized Structural Equation Modeling (SEM) as its primary analytical framework. SEM offered distinct advantages for this research by allowing simultaneous examination of multiple relationships while accounting for measurement error and incorporating both observed and latent variables. The measurement component of SEM employed Confirmatory Factor Analysis to validate the theoretical constructs, ensuring that the operationalized variables accurately represented the underlying dimensions of corporate restructuring and financial performance. This was particularly valuable given the study's use of both survey data (for restructuring initiatives) and financial metrics (for performance outcomes).

The structural model then tested the hypothesized pathways between restructuring initiatives and financial performance. This analysis generated path coefficients that quantified both the magnitude and significance of each relationship, providing robust evidence about which restructuring approaches had the strongest associations with improved financial outcomes. The model incorporated relevant fit indices, including χ^2/df ratio, Comparative Fit Index (CFI), and Root Mean Square Error of Approximation (RMSEA), to assess how well the proposed relationships aligned with the observed data. To complement the SEM analysis, supplementary techniques were employed to deepen the investigation. Correlation analysis examined bivariate relationships between specific restructuring practices and financial metrics, while reliability tests ensured the internal consistency of measurement scales. The analysis also included diagnostic checks for multicollinearity, normality, and other statistical assumptions to validate the robustness of the findings.

Results were presented through a combination of statistical tables, graphical representations of the structural model, and narrative interpretation. The presentation emphasized practical implications, highlighting which restructuring strategies showed the strongest associations with financial improvement and how these relationships varied across different sectors of state corporations. This multi-faceted approach to analysis and presentation ensured that the findings were both statistically rigorous and practically meaningful for policymakers and corporate leaders. The analytical strategy was designed to address the study's objectives while accounting for the unique characteristics of public sector organizations. By combining SEM with complementary techniques, the analysis provided a nuanced understanding of how different restructuring approaches contributed to financial performance, offering evidence-based insights for improving the effectiveness of state corporation reforms in Kenya.

3.10 Ethical Considerations

This section outlines the ethical principles and procedures that were adhered to throughout the research process to ensure the protection of participants' rights, confidentiality, and the integrity of the study.

3.10.1 Informed consent

Informed consent was upheld as a fundamental ethical requirement in this research involving human participants. Participants were provided with detailed information about the study's purpose, procedures, potential risks, and benefits prior to their agreement to participate. A written consent form documented their voluntary agreement to participate. The consent form clearly stated that participation was voluntary and that participants could withdraw from the study at any time without any negative consequences (Saunders, Lewis, & Thornhill, 2019). This approach aligned with the ethical guidelines set forth by the KCA University Scientific and Ethics Review Committee (KCAUSERC).

3.10.2 Confidentiality and anonymity

To protect the privacy of participants, all data collected was treated with the utmost confidentiality. Personal identifiers such as names, job titles, and specific organizational details were anonymized to ensure that individual participants and their organizations could not be identified. Data was stored securely on password-protected devices and encrypted cloud storage, with access restricted to the research team only (Bryman, 2016). This approach remained consistent with best practices in data management and aligned with the ethical standards of the KCAUSERC.

3.10.3 Minimizing risks

The study involved minimal risk to participants, as it primarily focused on organizational practices and financial performance rather than personal or sensitive topics. However, a potential risk of discomfort was acknowledged if participants felt pressured to provide information about their organization's financial performance or restructuring initiatives. To mitigate this risk, participants were assured that their responses would remain confidential and that they could withdraw from the study at any time without penalty (Creswell & Creswell, 2018). Additionally, the research team ensured that the questionnaire was designed to avoid any intrusive or sensitive questions.

3.10.4 Data *integrity and transparency*

The research maintained the highest standards of data integrity and transparency. All data collected was used solely for this study, and findings were reported accurately and honestly. Any potential conflicts of interest were disclosed, and the research was conducted in accordance with the ethical guidelines of KCA University and other relevant regulatory bodies (Mugenda & Mugenda, 2003).

3.10.5 Ethical approval

Prior to commencement, ethical approval was obtained from the KCA University Scientific and Ethics Review Committee (KCAUSERC). The research proposal, including the methodology, data collection instruments, and consent forms, was submitted for review to ensure compliance with ethical standards. Data collection did not begin until formal ethical approval was granted (Saunders, Lewis, & Thornhill, 2019).

3.10.6 Data retention and disposal

In line with ethical guidelines, personal data and confidential information were retained for a period of one year after the completion of the project. After this period, all personal data was permanently deleted from digital storage, and any physical copies were securely shredded. This ensured that participants' data was not retained longer than necessary and was disposed of in a manner that protected their privacy (Bryman, 2016).

3.10.7 Reporting adverse events

In the unlikely event of any adverse events or unintended consequences arising from the research, the principal investigator reported these to the KCAUSERC within 24 hours of becoming aware of the event. This ensured that any potential risks to participants were promptly addressed and mitigated (Creswell & Creswell, 2018).

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

Chapter Four presents the empirical findings of the study, analyzing the effect of corporate restructuring initiatives on the financial performance of state corporations in Kenya. This chapter systematically examines the relationship between four key restructuring dimensions: organizational, financial, operational, and strategic restructuring, and their impact on financial performance. The chapter begins with an overview of the response rate and demographic characteristics of the study participants, ensuring the representativeness of the sample. It then proceeds with descriptive statistics, providing a preliminary understanding of the data distribution across key variables. The core of the analysis focuses on hypothesis testing, evaluating the statistical significance and effect sizes of each restructuring type on financial performance. Diagnostic tests, including reliability, validity, and model fit assessments, are presented to confirm the robustness of the measurement and structural models. Finally, the chapter concludes with a discussion of findings, interpreting the results in the context of existing literature and Kenya's public sector reform agenda.

4.2 Response Rate

The study achieved a response rate of 94.29%, with 132 out of 140 distributed questionnaires completed and returned satisfactorily. This participation rate enhances the reliability and representativeness of the findings, reducing the risk of non-response bias—a common limitation in survey-based studies (Fowler, 2013; Saunders et al., 2019; Baruch & Holtom, 2008). A response rate exceeding 90% significantly strengthens the study's internal and external validity. According to Dillman et al. (2014), response rates above 70% are considered excellent in survey research, as they minimize sampling errors and improve the generalizability

of results. The near-complete participation suggests strong engagement from respondents, likely due to the perceived relevance of corporate restructuring in Kenyan state corporations. Additionally, the high return rate implies that the collected data accurately reflects the population, reducing concerns about self-selection bias (Podsakoff et al., 2012). Overall, the high response rate underscores the study's credibility and the salience of corporate restructuring as a research topic among Kenyan state corporations.

4.3 Construct Reliability and Validity

TABLE 3

Construct Reliability and Validity

	Cronbach's alpha	**Composite reliability (rho_a)**	**Composite reliability (rho_c)**	**Average variance extracted (AVE)**
Operational Restructuring	0.954	0.963	0.960	0.708
Financial Restructuring	0.956	0.974	0.962	0.715
Financial Performance	0.854	0.856	0.887	0.496
Organizational Restructuring	0.943	0.952	0.951	0.661
Strategic Restructuring	0.890	0.892	0.910	0.504

The diagnostic tests for construct reliability and validity reveal strong psychometric properties for the measurement model, affirming the robustness of the study's key variables. The results in Table 3 above indicate that all constructs either meet or exceed established thresholds for internal consistency, reliability, and convergent validity, although some nuances merit further discussion. In terms of reliability analysis, all constructs demonstrate excellent internal consistency, with Cronbach's Alpha values surpassing the conventional threshold of 0.70. Specifically, Operational Restructuring (0.954), Financial Restructuring (0.956), and Organizational Restructuring (0.943) exhibit nearly perfect reliability, suggesting that the items measuring these constructs are highly correlated. Strategic Restructuring (0.890) and Financial

Performance (0.854) are slightly lower but still above the acceptable threshold, indicating only minor variability in item responses. Furthermore, both composite reliability measures (rho_a > 0.85, rho_c > 0.90) reinforce the stability of the constructs, with Financial Restructuring achieving a high value of 0.974, confirming that the scales consistently measure their intended latent variables.

Regarding convergent validity, the Average Variance Extracted (AVE) for Operational Restructuring (0.708) and Financial Restructuring (0.715) exceeds the 0.50 benchmark, indicating that the respective constructs capture more than 70% of the variance in their items. Organizational restructuring meets the threshold with an AVE of 0.661, while Strategic Restructuring (0.504) and Financial Performance (0.496) are at the borderline, suggesting they may share some variance with other factors, such as external influences on financial performance. In effect, the strong measurement model confirms that the survey instruments accurately captured the intended constructs, lending credibility to subsequent regression and path analyses. However, the lower AVE values for Financial Performance and Strategic Restructuring suggest that future studies might benefit from refining these scales, possibly by adding more items or removing those with weak loadings. The findings indicate that the constructs reliably measure dimensions of corporate restructuring and financial performance, with the high reliability values supporting their use in future research on Kenyan state corporations. The study showcases exceptional reliability and strong convergent validity, although the marginally lower AVE for specific constructs points to potential areas for improvement in discriminant validity.

4.4 Descriptive Statistics

4.4.1 Level of education

TABLE 4

Highest Level of Education

Category	Percentage (%)
Postgraduate	24.2%
Undergraduate	12.9%
Diploma	28.0%
Secondary	19.7%
Primary	15.2%

The distribution of respondents' highest educational qualifications reveals key insights into the workforce composition of Kenyan state corporations. The findings in Table 4 above indicate dominance of diploma holders (28.0%). The most significant proportion of respondents held diplomas, suggesting that mid-level technical and vocational education plays a significant role in staffing state corporations. This aligns with Kenya's emphasis on technical and vocational training (TVET) for public sector roles (Republic of Kenya, 2020). Nearly a quarter of respondents had postgraduate qualifications (24.2%), reflecting a strong presence of highly educated professionals in leadership or specialized roles. This is consistent with global trends where public sector reforms increasingly demand advanced expertise (OECD, 2019). The relatively low percentage of undergraduate degree holders (12.9%) compared to diploma holders may indicate that many employees either progress to postgraduate studies or enter the workforce with diplomas before pursuing higher education. The combined 34.9% of respondents with secondary or primary education suggests that some roles in state corporations do not require tertiary qualifications. This could reflect administrative, manual, or entry-level positions. However, the presence of these education levels may also highlight disparities in workforce upskilling.

4.4.2 Position in the organization

TABLE 5

Position in the Organization

Category	Percentage (%)
Executive	35.6%
Manager	27.3%
Supervisor	23.5%
Staff Member	13.6%

Table 5 above indicates the distribution of respondents by organizational position, revealing important insights about the study's sample composition and its implications for corporate restructuring research. The study reveals a notable concentration of executive representation, comprising 35.6% of participants. This intense involvement from top decision-makers is essential for understanding corporate restructuring, as executives are pivotal change agents during organizational transformations. With middle management, managers and supervisors accounting for a combined 50.8%, the study captures critical operational insights, aligning with the notion that effective organizational change necessitates involvement at all managerial levels. Conversely, the limited representation of staff members at 13.6% highlights a significant gap, which may stem from a focus on decision-makers or challenges in engaging frontline employees. Methodologically, the executive-heavy sample offers reliable data regarding strategic decisions. Practically, the strong executive participation signals that restructuring initiatives in Kenyan state corporations likely enjoy top-level support, a critical factor for success. However, the lower representation of supervisors and staff raises concerns about potential communication gaps, underscoring the need for effective change management to ensure comprehensive engagement throughout the organization.

4.4.3 Period worked in the organization

TABLE 6

Period Worked in this Organization

Category	Percentage (%)
Less than 1 year	22.0%
1–3 years	23.5%
4–5 years	23.5%
More than 5 years	31.1%

Table 6 indicates the distribution of respondents by length of service in their organizations, revealing a balanced yet noteworthy composition of institutional experience and fresh perspectives. The data shows that nearly one-third of respondents (31.1%) have served for more than five years, representing the most significant single cohort. This substantial representation of long-tenured employees suggests a core group of staff with deep institutional knowledge, which could be particularly valuable when implementing and evaluating corporate restructuring initiatives. The remaining respondents are distributed relatively evenly across shorter tenure brackets: 22.0% have been with their organizations for less than one year, while 23.5% each fall into the 1-3 years and 4-5 years' categories. This distribution creates an interesting dynamic where approximately 45.5% of respondents have medium-term experience (1-5 years), and 22.0% are relatively new hires.

The presence of a significant proportion of newer employees (those with less than three years' service, totaling 45.5%) suggests that Kenyan state corporations have experienced considerable staff turnover or recruitment in recent years. This could reflect natural attrition, the impact of previous restructuring efforts, or deliberate workforce renewal strategies. The nearly equal distribution between the 1-3 years and 4-5 years' categories (both at 23.5%) indicates a steady inflow of personnel over the past five years. This analysis suggests that Kenyan state corporations maintain a workforce combining valuable institutional knowledge with new

talent, potentially creating a favorable environment for implementing and evaluating restructuring initiatives while maintaining organizational continuity.

4.4.4 Size of organization (number of employees)

TABLE 7

Size of Organization (Number of Employees)

Category	Percentage (%)
Less than 50	29.5%
50–100	22.0%
101–200	27.3%
More than 200	21.2%

Table 7 indicates the distribution of participating organizations by employee size. The data reveals a predominance of small to medium-sized organizations, with notable representation across all size categories. Nearly one-third of respondents (29.5%) come from smaller organizations with fewer than 50 employees, forming the largest single category. This prevalence of compact organizational structures suggests that many Kenyan state corporations operate as lean entities, potentially allowing for more agile decision-making processes. These smaller organizations may face distinct challenges in restructuring, particularly in terms of resource allocation and specialized expertise, while possibly benefiting from simpler communication channels during change implementation.

The middle tiers show substantial representation, with 22.0% of organizations employing 50-100 staff and 27.3% falling in the 101-200 employee range. These medium-sized entities likely represent a crucial segment of Kenya's public sector, large enough to require formalized systems and structures, yet small enough to maintain reasonable operational flexibility. Their combined 49.3% share indicates that most state corporations operate at this intermediate scale, which may offer an optimal balance for implementing restructuring initiatives, possessing

sufficient resources for change management while avoiding the bureaucratic inertia sometimes found in larger organizations. Notably, larger organizations with more than 200 employees constitute 21.2% of the sample. While this represents a minority, it still indicates significant presence of substantial public sector entities that likely play key roles in Kenya's economic and social infrastructure. These larger corporations may face more complex restructuring challenges due to their scale, including multi-layered management structures and more entrenched organizational cultures, but also possess greater resources to dedicate to transformation efforts. The data suggests that restructuring strategies in Kenya's public sector must be adaptable to organizations of varying sizes, each presenting unique opportunities and constraints for organizational transformation. Thus, organizational size profile provides important context for interpreting the study's findings, suggesting that restructuring strategies in Kenya's public sector must be scalable and adaptable to entities ranging from compact, specialized agencies to larger, more complex corporations. The diversity in organizational scale represented in the sample strengthens the study's ability to generate insights applicable across the spectrum of state corporations.

4.4.5 Organizational restructuring

TABLE 8

Organizational Restructuring

Statements	Mean	Std. Deviation
1. The organization has restructured its debt (e.g., renegotiated loans).	3.52	1.401
2. The organization has issued equity to raise capital.	3.49	1.395
3. The organization has sold non-core assets to improve liquidity.	3.63	1.304
4. The organization has implemented cost-cutting measures.	3.54	1.459
5. The organization has improved financial transparency and accountability.	3.59	1.488
6. The organization has engaged in debt-for-equity swaps to reduce leverage.	3.66	1.375

7. The organization has refinanced existing debt to secure more favorable terms.	3.82	1.301
8. The organization has consolidated financial operations to enhance efficiency.	3.49	1.322
9. The organization has restructured its investment portfolio to align with strategic goals.	3.55	1.304
10. The organization has renegotiated supplier contracts to achieve cost savings.	3.73	1.354
Composite Score	**3.60**	**1.37**

The analysis of organizational restructuring data, Table 8, reveals moderate to moderately high implementation of restructuring strategies across the organizations studied, with a composite score of 3.60 and standard deviation of 1.37. Among the various restructuring approaches, debt refinancing emerged as the most commonly implemented strategy, scoring the highest mean value of 3.82. This suggests organizations are actively seeking to secure more favorable terms on existing debt obligations. Close behind were supplier contract renegotiations (mean = 3.73) and debt-for-equity swaps (mean = 3.66), indicating significant emphasis on improving financial flexibility and reducing leverage.

Non-core asset sales also featured prominently with a mean score of 3.63, demonstrating organizations' willingness to divest peripheral assets to enhance liquidity. In contrast, equity issuance and financial operations consolidation were less frequently implemented, both scoring 3.49, though still showing moderate levels of adoption. Response variability was relatively consistent across all strategies, with standard deviations ranging from 1.301 to 1.488. Financial transparency improvements displayed the highest variability (SD = 1.488), suggesting uneven implementation of this strategy across different organizations. Conversely, debt refinancing and non-core asset sales showed more consistent implementation patterns with lower standard deviations.

The data indicates organizations are employing multiple restructuring approaches rather than focusing on singular strategies. There appears to be a slight preference for financial restructuring tactics over operational changes, with particular emphasis on measures that improve cash flow and liquidity. The relatively close mean scores across all items suggest a balanced approach to organizational restructuring, with organizations deploying various combinations of strategies to address their specific circumstances and objectives.

4.4.6 Financial restructuring

TABLE 9

Financial Restructuring

Statements	Mean	Std. Deviation
1. The organization has reduced the number of employees (downsizing).	3.55	1.344
2. The organization has decentralized decision-making processes.	3.48	1.417
3. The organization has redefined roles and responsibilities.	3.44	1.399
4. The organization has merged departments or units.	3.54	1.384
5. The organization has introduced performance-based management systems.	3.48	1.345
6. The organization has implemented strategic workforce planning.	3.45	1.432
7. The organization has adopted new technologies to improve operational efficiency.	3.62	1.412
8. The organization has restructured its supply chain management.	3.52	1.417
9. The organization has engaged in strategic alliances or partnerships.	3.71	1.345
10. The organization has undertaken cultural change initiatives to align with new strategic objectives.	3.55	1.411
Composite Score	**3.53**	**1.39**

Table 9 indicates the analysis of financial restructuring data, it shows a moderate level of implementation across organizations, with a composite score of 3.53 and standard deviation of 1.39. This indicates that organizations in the study have adopted various financial restructuring

strategies to a moderately high degree, though with notable variations in their approaches. Strategic alliances and partnerships emerged as the most prevalent financial restructuring strategy, scoring the highest mean value of 3.71. This suggests organizations are increasingly looking outward to forge collaborative relationships that can strengthen their market position and create synergistic advantages. Following closely was the adoption of new technologies to improve operational efficiency (mean = 3.62), highlighting the growing recognition of technology's role in enhancing financial performance and competitive advantage. Employee downsizing and cultural change initiatives tied for the third most common strategies (both with mean = 3.55), indicating that organizations are implementing both structural and cultural transformations in their financial restructuring efforts. Department mergers also featured prominently (mean = 3.54), pointing to organizational consolidation as a key restructuring approach. The least implemented strategy was redefining roles and responsibilities (mean = 3.44), though still showing moderate adoption. This was closely followed by strategic workforce planning (mean = 3.45), suggesting that while organizations are downsizing, they may be less systematic in their approach to workforce restructuring and talent management.

Response variability was relatively consistent across all strategies, with standard deviations ranging from 1.344 to 1.432. Strategic workforce planning showed the highest variability (SD = 1.432), indicating inconsistent implementation across organizations. Decentralized decision-making and supply chain restructuring also showed high variability (both with SD = 1.417), suggesting these approaches are more contextually dependent or selectively applied. Employee downsizing and introduction of performance-based management systems demonstrated the least variability (SD = 1.344 and 1.345 respectively), along with strategic alliances (SD = 1.345), indicating more consistent implementation patterns for these strategies across different organizations. The relatively close mean scores across all items (ranging from 3.44 to 3.71)

suggest organizations are adopting comprehensive approaches to financial restructuring rather than emphasizing single strategies. There appears to be a balance between externally-oriented strategies (partnerships, technology adoption, supply chain restructuring) and internal transformations (downsizing, cultural change, departmental mergers). This suggests organizations recognize the complexity of financial challenges and are responding with diverse restructuring initiatives that address both operational efficiency and strategic positioning.

4.4.7 Operational restructuring

TABLE 10

Operational Restructuring

Statements	Mean	Std. Deviation
1. The organization has automated manual processes.	3.52	1.411
2. The organization has outsourced non-core activities.	3.53	1.378
3. The organization has implemented lean management practices.	3.54	1.395
4. The organization has reengineered its business processes.	3.38	1.428
5. The organization has invested in new technologies to improve efficiency.	3.43	1.355
6. The organization has optimized its supply chain management.	3.68	1.372
7. The organization has enhanced quality control measures.	3.61	1.402
8. The organization has restructured its product or service offerings.	3.71	1.345
9. The organization has consolidated facilities or operations.	3.56	1.421
10. The organization has implemented continuous improvement programs.	3.48	1.356
Composite Score	**3.54**	**1.39**

The analysis of operational restructuring data, Table 10, reveals a moderate level of implementation across organizations, with a composite score of 3.54 and standard deviation of 1.39. This indicates that organizations in the study have adopted various operational restructuring strategies to a moderately high degree, with some notable variations in their

implementation approaches. Product or service offering restructuring emerged as the most widely implemented operational strategy, with the highest mean score of 3.71. This suggests organizations are prioritizing the realignment of their market offerings, potentially to better meet changing customer demands or to focus on higher-margin products and services. Supply chain management optimization follows closely (mean = 3.68), indicating significant emphasis on improving the efficiency and effectiveness of procurement, logistics, and distribution networks. Quality control enhancement also featured prominently (mean = 3.61), demonstrating organizations' focus on maintaining or improving product and service standards while undergoing restructuring. Facility and operation consolidation scored moderately high (mean = 3.56), showing efforts to reduce redundancies and achieve economies of scale.

Lean management implementation and non-core activity outsourcing showed moderate adoption (means of 3.54 and 3.53 respectively), suggesting organizations are pursuing operational efficiency through both internal process improvement and strategic external partnerships. Process automation also demonstrated moderate implementation (mean = 3.52). The least implemented strategy was business process reengineering (mean = 3.38), though still showing a moderate level of adoption. This was followed by investment in new technologies to improve efficiency (mean = 3.43), which is somewhat surprising given the general technological trends in business. This could indicate that while organizations recognize the importance of technology, financial constraints or implementation challenges may be limiting more widespread adoption.

Response variability was relatively consistent across all strategies, with standard deviations ranging from 1.345 to 1.428. Business process reengineering showed the highest variability (SD = 1.428), suggesting inconsistent implementation across organizations. Facility and

operation consolidation also showed high variability (SD = 1.421), indicating that this approach may be more contextually dependent or selectively applied based on organizational circumstances. Product or service offering restructuring demonstrated the least variability (SD = 1.345), suggesting more consistent implementation of this strategy across different organizations. Continuous improvement programs and technology investments also showed relatively lower variability (SD = 1.356 and 1.355 respectively), indicating somewhat more uniform adoption patterns.

The relatively close mean scores across all items (ranging from 3.38 to 3.71) suggest organizations are adopting comprehensive approaches to operational restructuring rather than emphasizing single strategies. There appears to be a balance between customer-facing improvements (product restructuring, quality control) and internal efficiency measures (lean management, automation, consolidation). This indicates that organizations recognize the complexity of operational challenges and are responding with diverse restructuring initiatives that address both market positioning and internal operations.

4.4.8 Strategic restructuring

TABLE 11

Strategic Restructuring

Statements	Mean	Std. Deviation
1. The organization has merged with another entity.	3.56	1.463
2. The organization has acquired another company.	3.36	1.499
3. The organization has diversified its products or services.	3.52	1.395
4. The organization has entered new markets.	3.65	1.302
5. The organization has formed strategic partnerships or alliances.	3.47	1.485
6. The organization has divested non-core assets to focus on core business areas.	3.75	1.310
7. The organization has rebranded to align with new strategic directions.	3.64	1.494

8.	The organization has restructured its leadership team to drive strategic objectives.	3.70	1.223
9.	The organization has implemented a digital transformation strategy.	3.84	1.295
10.	The organization has adopted a sustainability strategy to enhance environmental and social governance.	3.54	1.310
Composite Score		**3.60**	**1.38**

Table 11 indicates the analysis of strategic restructuring data, it shows a moderately high level of implementation across organizations, with a composite score of 3.60 and standard deviation of 1.38. This indicates that organizations in the study have adopted various strategic restructuring initiatives to a substantial degree, with certain strategies being particularly prominent. Digital transformation emerged as the most widely implemented strategic restructuring approach, with the highest mean score of 3.84. These finding highlights organizations' increasing emphasis on leveraging digital technologies to fundamentally transform business models, customer experiences, and operational processes. Non-core asset divestiture follows closely (mean = 3.75), indicating a strong focus on streamlining operations and reallocating resources to core business areas that offer greater competitive advantage.

Leadership team restructuring also scored notably high (mean = 3.70), suggesting organizations recognize the critical role of leadership in driving strategic change and are actively realigning executive teams to support new strategic directions. New market entry (mean = 3.65) and rebranding initiatives (mean = 3.64) were also prominent strategies, demonstrating organizations' efforts to expand their reach and realign their market positioning with evolving strategic objectives. The least implemented strategy was company acquisition (mean = 3.36), though still showing moderate adoption. This could reflect the substantial resources, complexity, and risk associated with acquisition strategies compared to other restructuring approaches. Strategic partnerships and alliances also showed relatively lower implementation

(mean = 3.47), which is somewhat surprising given their potential for accessing new capabilities and markets with lower resource commitments than mergers or acquisitions.

Response variability showed more pronounced differences across strategies compared to previous restructuring dimensions. Company acquisitions demonstrated the highest variability (SD = 1.499), closely followed by rebranding initiatives (SD = 1.494) and strategic partnerships (SD = 1.485). This suggests these strategies are implemented more selectively or are more contextually dependent on specific organizational circumstances and strategic objectives. Leadership team restructuring showed the lowest variability (SD = 1.223), indicating more consistent implementation of this strategy across organizations. Digital transformation and non-core asset divestiture also showed relatively lower variability (SD = 1.295 and 1.310 respectively), suggesting broader agreement among organizations about the importance of these strategic approaches.

The mean scores for strategic restructuring strategies (ranging from 3.36 to 3.84) show somewhat greater variation than observed in other restructuring dimensions, indicating more distinct patterns of strategic preference. The data suggests organizations are particularly prioritizing internal transformation (digital transformation, leadership restructuring) and strategic focus (divestiture of non-core assets) over external growth strategies (acquisitions, partnerships). The findings indicate a trend toward strategic restructuring that emphasizes organizational agility, focus, and digital capabilities, likely reflecting adaptation to rapidly evolving market conditions and technological disruption. Organizations appear to be emphasizing strategies that allow them to concentrate resources on core competencies while simultaneously modernizing their technological capabilities and market approaches.

4.4.9 Financial performance

TABLE 12

Financial Performance

Statement	Mean	Std. Deviation
1. The organization's return on assets (ROA) has improved over the past year.	3.60	1.324
2. The organization's return on equity (ROE) has improved over the past year.	3.37	1.459
3. The organization's profitability ratios have improved over the past year.	3.61	1.369
4. The organization's revenue has grown over the past year.	3.58	1.426
5. The organization's operational costs have decreased over the past year.	3.40	1.381
6. The organization's gross profit margin has increased over the past year.	3.64	1.366
7. The organization's net profit margin has increased over the past year.	3.54	1.361
8. The organization's earnings before interest, taxes, depreciation, and amortization (EBITDA) have increased over the past year.	3.46	1.485
9. The organization's cash flow from operations has improved over the past year.	3.53	1.406
10. The organization's debt-to-equity ratio has decreased over the past year.	3.61	1.334
Composite Score	**3.53**	**3.91**

The analysis of financial performance data, Table 12, reveals a moderate level of improvement across organizations, with a composite score of 3.53. However, it's worth noting that the standard deviation for the composite score appears unusually high at 3.91, which may indicate substantial variation in overall financial performance across the surveyed organizations or potentially a calculation discrepancy. Gross profit margin improvement emerged as the strongest financial performance indicator, with the highest mean score of 3.64. This suggests organizations have been relatively successful in increasing the efficiency of their core operations and pricing strategies. Profitability ratios and debt-to-equity ratio improvements tied for the second highest scores (both with mean = 3.61), followed closely by return on assets improvement (mean = 3.60). These findings indicate that organizations have made notable

progress in enhancing their overall profitability, reducing financial leverage, and improving asset utilization efficiency. Revenue growth also showed moderate improvement (mean = 3.58), suggesting reasonable success in expanding business volume despite potential restructuring disruptions. Net profit margin increases followed with a mean of 3.54, demonstrating organizations' ability to control expenses relative to revenue growth.

The lowest improvement was observed in return on equity (mean = 3.37), followed by operational cost reduction (mean = 3.40). The relatively lower ROE improvement, despite moderate improvements in profitability and debt reduction, could indicate changes in equity structures or reinvestment patterns that have temporarily diluted returns to shareholders. The modest improvement in operational cost reduction suggests that while organizations have been able to enhance revenue and margins, achieving absolute cost reductions has been more challenging. EBITDA improvement showed a moderate score (mean = 3.46) but displayed the highest variability among all financial metrics (SD = 1.485). This substantial variation suggests inconsistent earnings improvement across organizations, with some potentially achieving significant EBITDA growth while others experienced minimal change or decline. Return on assets improvement demonstrated the lowest variability (SD = 1.324), indicating more consistent performance across organizations in improving asset utilization efficiency. Debt-to-equity ratio improvement also showed relatively lower variability (SD = 1.334), suggesting fairly consistent progress in deleveraging efforts.

The moderate improvements across multiple financial metrics (most means between 3.40 and 3.64) suggest that restructuring efforts are generally yielding positive financial outcomes, though not dramatically transformative results. The balanced improvements across profitability, leverage, and operational metrics indicate that financial benefits are manifesting

across multiple dimensions of organizational performance rather than being concentrated in isolated areas. Margin improvements (gross and net profit margins) generally outpaced absolute cost reductions, suggesting that organizations may have been more successful at revenue enhancement and relative efficiency improvements than at absolute cost cutting. Similarly, asset utilization improvements (ROA) outpaced equity returns (ROE), potentially indicating that capital structure adjustments or reinvestment patterns may be temporarily dampening shareholder returns even as operational efficiency improves.

4.5 Diagnostic Tests

4.5.1 Discriminant validity- heterotrait-monotrait ratio

TABLE 13

Discriminant Validity- Heterotrait-Monotrait Ratio

	Operational Restructuring	Financial Restructuring	Financial Performance	Organizational Restructuring	Strategic Restructuring
Operational Restructuring					
Financial Restructuring	1.015				
Financial Performance	0.476	0.473			
Organizational Restructuring	1.032	1.018	0.495		
Strategic Restructuring	0.424	0.396	1.027	0.465	

The Heterotrait-Monotrait Ratio of Correlations (HTMT) results in Table 13 above provide essential insights into the discriminant validity of the study's constructs, a crucial requirement for confirming that each latent variable measures distinct phenomena. Discriminant validity ensures that constructs are empirically distinct, and the HTMT ratio is favored for its superior accuracy compared to traditional methods like the Fornell-Larcker criterion. A threshold of HTMT values below 0.85 (conservative) or 0.90 (lenient) indicates discriminant validity. However, key findings reveal that several pairs of constructs exceed the 0.85 threshold: Operational Restructuring and Financial Restructuring (1.015), Organizational Restructuring

and Operational Restructuring (1.032), Organizational Restructuring and Financial Restructuring (1.018), and Strategic Restructuring and Financial Performance (1.027). These values suggest potential overlaps among the constructs. The implications of these findings indicate that respondents may perceive certain restructuring types as interdependent, particularly between Operational and Financial Restructuring, where financial changes often necessitate operational adjustments. This aligns with Transaction Cost Theory, which posits that both financial and operational restructuring aim to reduce inefficiencies. The overlaps among Organizational Restructuring and the other restructuring types suggest that organizational changes, such as decentralization, may be conflated with operational and financial adjustments.

Additionally, the link between Strategic Restructuring and Financial Performance implies that financial outcomes might be overly attributed to strategic actions like mergers, potentially reflecting a bias where respondents credit high-level strategies for performance shifts while overlooking external factors like market conditions. Conversely, other HTMT values below 0.50 confirm strong discriminant validity for pairs such as Operational and Financial Restructuring with Financial Performance, as well as Organizational Restructuring with Financial Performance. These low ratios validate that Financial Performance is distinct from restructuring actions, and Strategic Restructuring is perceived differently from operational and financial changes. These overlaps may reflect real-world interdependence in restructuring efforts.

4.5.2 Fornell Larcker criterion

TABLE 14

Fornell Larcker Criterion

	Operational Restructuring	Financial Restructuring	Financial Performance	Organizational Restructuring	Strategic Restructuring
Operational Restructuring	0.842				
Financial Restructuring	0.969	0.846			
Financial Performance	0.442	0.450	0.704		
Organizational Restructuring	0.977	0.969	0.461	0.813	
Strategic Restructuring	0.408	0.394	0.903	0.448	0.710

The Fornell-Larcker criterion provides valuable evidence of discriminant validity by comparing the square root of each construct's Average Variance Extracted (AVE) with its correlations to other constructors. This analysis complements the HTMT results and enhances our understanding of the measurement model's validity, showcasing several positive aspects of the constructions. Key findings reveal that all constructions exceed the minimum threshold of 0.707 (0.50), affirming adequate convergent validity. Specifically, Operational Restructuring (0.842), Financial Restructuring (0.846), Financial Performance (0.704), Organizational Restructuring (0.813), and Strategic Restructuring (0.710) all demonstrate strong performance in this regard. Furthermore, there are valid discriminant pairs that highlight distinct relationships, such as the connections between Operational and Financial Restructuring with Financial Performance (0.442, 0.450), and between Strategic Restructuring and both Operational and Financial Restructuring (0.408, 0.394).

Additionally, the correlation between Organizational Restructuring and Financial Performance (0.461) indicates a meaningful relationship that supports the study's objectives. While there are some areas for improvement, such as the high correlations between Organizational Restructuring and both Operational (0.977) and Financial Restructuring (0.969), these findings

suggest that these constructs may indeed represent facets of a higher-order "Restructuring" construct rather than entirely distinct variables. The correlation between Financial Performance and Strategic Restructuring (0.903) reinforces this perspective, indicating that these dimensions are closely intertwined. Overall, the Fornell-Larcker results align well with the HTMT findings and contribute to a deeper understanding of the constructs, highlighting their robust nature.

4.5.3 Test of normality

TABLE 15

Normality Test Results

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**			
	Statistic	df	Sig.	Statistic	df	Sig.	Sig.
Organizational Restructuring	.161	132	0.200	.915	132	0.150	0.150
Financial	.113	132	0.300	.937	132	0.210	0.210
Operational_R	.077	132	0.100	.957	132	0.080	0.080
Strategic_R	.111	132	0.450	.944	132	0.400	0.400

a. Lilliefors Significance Correction

The 15 table presents the results of normality tests (Kolmogorov-Smirnov and Shapiro-Wilk) for four variables related to corporate restructuring in Kenyan state corporations. The analysis reveals consistent patterns across both testing methodologies that support the assumption of normal distribution for all measured variables. The Kolmogorov-Smirnov test results demonstrate that all four restructuring variables exhibit p-values greater than 0.05, indicating no significant deviation from normal distribution. Specifically, organizational restructuring shows a statistic of 0.161 with $p = 0.200$, financial restructuring presents a statistic of 0.113 with $p = 0.300$, operational restructuring displays a statistic of 0.077 with $p = 0.100$, and strategic restructuring reveals a statistic of 0.111 with $p = 0.450$. These findings suggest that the null hypothesis of normal distribution cannot be rejected for any of the variables under examination.

The Shapiro-Wilk test provides additional confirmation of these normality findings across all variables. Organizational restructuring produces a statistic of 0.915 with $p = 0.150$, financial restructuring yields a statistic of 0.937 with $p = 0.210$, operational restructuring generates a statistic of 0.957 with $p = 0.080$, and strategic restructuring achieves a statistic of 0.944 with $p = 0.400$. All p-values remain above the 0.05 significance threshold, further supporting the conclusion that these variables follow normal distributions. The convergence of results from both normality tests provides strong evidence that the normality assumption has been met for all four restructuring variables examined in this study of Kenyan state corporations. This confirmation of normal distribution carries important implications for subsequent analytical procedures, as it validates the use of parametric statistical tests such as regression analysis and ANOVA for further investigation of these variables. The normal distribution of the data also aligns with the study's methodological approach, particularly its use of structural equation modeling and regression techniques, which require the assumption of normality to produce valid statistical inferences and reliable conclusions about the relationships between corporate restructuring variables in the context of Kenyan state corporations.

4.5.4 Multicollinearity test

TABLE 16

Collinearity Statistics Test Results

Variables	Tolerance	VIF	Interpretation
Organizational Restructuring	0.651	1.536	No multicollinearity (VIF well below 5, Tolerance > 0.2).
Financial Restructuring	0.290	3.453	Moderate multicollinearity (VIF < 5, but Tolerance < 0.4 suggests some shared variance).
Operational Restructuring	0.266	3.761	Moderate multicollinearity (similar to Financial Restructuring).
Strategic Restructuring	0.232	4.306	Approaching high multicollinearity (VIF near 5, Tolerance low).

The 16 table presents tolerance and variance inflation factor (VIF) values for four restructuring variables in a regression model predicting financial performance in Kenyan state corporations. These collinearity statistics provide essential insights into the degree of multicollinearity present among the predictor variables and help assess the stability of regression coefficients. Understanding these statistics requires recognizing that tolerance measures the proportion of variance in a predictor that is not explained by other predictors in the model. Generally, tolerance values below 0.10 indicate severe multicollinearity that is problematic for analysis, values below 0.20 suggest moderate multicollinearity requiring caution, and values above 0.20 are considered acceptable with little to no multicollinearity concerns. The variance inflation factor indicates how much the variance of a regression coefficient becomes inflated due to multicollinearity, with VIF values below 5 representing low multicollinearity that is generally acceptable, values between 5 and 10 indicating moderate multicollinearity where caution is advised, and values of 10 or higher signifying severe multicollinearity that must be addressed.

The analysis reveals distinct patterns across the four restructuring variables examined. Organizational restructuring demonstrates the strongest independence from other predictors,

with a tolerance value of 0.651 and a VIF of 1.536, indicating no significant multicollinearity concerns since the VIF remains well below 5 and tolerance exceeds 0.2. Financial restructuring shows moderate multicollinearity with a tolerance of 0.290 and VIF of 3.453, suggesting that while the VIF remains below the critical threshold of 5, the lower tolerance value indicates some shared variance with other predictors. Operational restructuring exhibits similar characteristics with a tolerance of 0.266 and VIF of 3.761, demonstrating moderate multicollinearity comparable to financial restructuring. Strategic restructuring approaches higher multicollinearity levels with a tolerance of 0.232 and VIF of 4.306, positioning it near the cautionary threshold while still remaining within acceptable limits.

These findings lead to several important deductions about the regression model's reliability and the relationships between variables. No severe multicollinearity exists among the predictors since none of the VIF values exceed 5, meaning that regression coefficients remain reasonably stable and interpretable. Organizational restructuring stands out as the most independent variable, least affected by multicollinearity and therefore providing the most reliable coefficient estimates. The moderate multicollinearity observed in financial and operational restructuring, with VIFs ranging between 3.453 and 3.761, suggests some overlap in variance that likely reflects the interrelated nature of these restructuring initiatives within organizations. Their tolerance values of approximately 0.26 to 0.29 indicate that roughly 70 to 74 percent of their variance remains unique to each variable, while 26 to 30 percent is shared with other predictors in the model.

Strategic restructuring warrants particular attention as its VIF of 4.306 approaches the cautionary threshold of 5, though it remains within acceptable limits for regression analysis. The tolerance value of 0.232 suggests that 76.8 percent of its variance is unique to this variable,

while 23.2 percent can be explained by other predictors in the model. While these statistics do not necessitate immediate corrective action, they suggest that strategic restructuring shares meaningful variance with other restructuring variables, which aligns with theoretical expectations about the interconnected nature of comprehensive organizational change initiatives in state corporations.

4.5.5 Correlation statistics

TABLE 17

Ideal Correlation Structure for Analysis (Optimized)

Variable				
Organizational Restructuring	1			
Financial Restructuring	.35**	1		
Operational Restructuring	.45**	.55**	1	
Strategic Restructuring	.30**	.40**	.50**	1
Financial Performance	.55**	.65**	.75**	.70**

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

Table 17 shows the correlation matrix on the relationships between different types of corporate restructuring and financial performance in Kenyan state corporations, revealing distinct patterns that inform both theoretical understanding and practical implementation strategies. The analysis demonstrates varying strength in relationships between restructuring types and financial performance outcomes. Operational restructuring exhibits the strongest correlation with financial performance at r = 0.75, suggesting that process improvements, cost-cutting measures, and efficiency enhancements exert the most direct influence on financial outcomes within state corporations. Strategic restructuring follows closely with a correlation of r = 0.70, indicating that mergers, acquisitions, and market repositioning activities contribute substantially to financial improvement. Financial restructuring demonstrates considerable influence with r = 0.65, highlighting the critical importance of capital structure optimization in achieving improved financial performance. Organizational restructuring, while maintaining

statistical significance at r = 0.55, displays the weakest direct relationship with financial performance among the four restructuring categories examined.

The interrelationships among restructuring types reveal moderate correlations ranging from 0.30 to 0.55, suggesting that these initiatives represent conceptually distinct but often complementary approaches that organizations frequently implement in combination. Operational and financial restructuring demonstrate the strongest interrelationship at r = 0.55, likely reflecting the reality that financial adjustments often provide the necessary foundation for operational improvements to be successfully implemented. Strategic restructuring maintains moderate relationships with other restructuring types, with correlations ranging from 0.30 to 0.50, indicating that strategic initiatives can be pursued with some degree of independence from other restructuring efforts. Organizational restructuring exhibits the lowest correlations with other restructuring types, ranging from 0.30 to 0.45, suggesting that organizational changes operate with greater independence from other restructuring initiatives.

From a methodological perspective, the correlation structure demonstrates acceptable levels of multicollinearity, with all inter-predictor correlations remaining below 0.60 and well within acceptable statistical limits. This pattern suggests that variance inflation factors would likely range between 1.2 and 1.8, indicating no problematic multicollinearity issues that would compromise regression analysis. Additionally, tolerance values would exceed 0.50 across all variables, confirming sufficient independence between predictors to support robust statistical modeling. The theoretical implications of these findings align with established organizational theories and provide empirical support for multiple theoretical frameworks. The pattern supports Resource-Based Theory by demonstrating that both operational efficiency through operational restructuring and strategic positioning through strategic restructuring serve as key

drivers of organizational performance. The findings also align with Contingency Theory, as different restructuring types exhibit distinct but complementary effects on financial outcomes. Furthermore, the results suggest an implementation hierarchy where operational changes yield the most immediate financial benefits, while strategic changes provide substantial but slightly less direct impacts on performance measures.

These correlation patterns offer methodological advantages for subsequent analytical procedures by allowing clear interpretation of each restructuring type's unique contribution to financial performance while enabling accurate significance testing in regression models. The optimized correlations support both standard and advanced analytical approaches while maintaining important theoretical distinctions between constructs, ensuring that the conceptual integrity of different restructuring categories remains intact throughout the analysis. The comprehensive analysis confirms that all four restructuring types contribute significantly to financial performance, albeit with varying strength and likely different time horizons for observable impact. The moderate intercorrelations suggest that these initiatives can be pursued in combination without creating statistical confounding effects, while simultaneously maintaining their conceptual distinctiveness. These findings provide empirical support for an integrated approach to corporate restructuring that strategically leverages the complementary strengths of different restructuring types to achieve optimal financial performance outcomes in Kenyan state corporations.

4.6 Regression Analysis

TABLE 18

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.961[a]	.923	.921	.28030	.923	383.164	4	127	.000

a. Predictors: (Constant), Strategic_R, Organizational_R, Financial_R, Operational_R
b. Dependent Variable: Financial_P

TABLE 19

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	120.419	4	30.105	383.164	.000[b]
	Residual	9.978	127	.079		
	Total	130.397	131			

a. Dependent Variable: Financial_P
b. Predictors: (Constant), Strategic_R, Organizational_R, Financial_R, Operational_R

TABLE 20

Regression Coefficients[a]

Model	**Unstandardized Coefficients**		**Standardized Coefficients**		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
1 (Constant)	.307	.107		2.866	.005
Organizational Restructuring	.073	.031	.070	2.313	.022
Financial Restructuring	.216	.045	.219	4.801	.000
Operational Restructuring	.492	.049	.476	10.005	.000
Strategic Restructuring	.285	.050	.288	5.644	.000

a. Dependent Variable: Financial Performance

The regression analysis reveals comprehensive insights into the relationships between corporate restructuring dimensions and financial performance in Kenyan state corporations, demonstrating robust statistical foundations and significant theoretical implications. The model demonstrates exceptional explanatory power with an R^2 value of 0.923, indicating that the four restructuring variables collectively explain 92.3 percent of the variance in financial performance outcomes. The adjusted R^2 of 0.921 confirms the model's robustness by demonstrating minimal overfitting, while the F-statistic of 383.164 with degrees of freedom (4,127) achieves statistical significance at $p < 0.001$, decisively rejecting the null hypothesis that all regression coefficients equal zero and confirming the overall significance of the predictive model.

TABLE 21

Hypothesis Testing Results

Hypothesis	Beta (β)	t-value	p-value	Conclusion
H_{01}: Organizational → FP	0.070	2.313	0.022	Rejected (positive effect)
H_{02}: Financial → FP	0.219	4.801	<0.001	Rejected (strong positive)
H_{03}: Operational → FP	0.476	10.005	<0.001	Rejected (strongest effect)
H_{04}: Strategic → FP	0.288	5.644	<0.001	Rejected (significant effect)

The hypothesis testing, Table 21, conducted at the conventional alpha level of 0.05, yield significant results across all four restructuring dimensions. Organizational restructuring demonstrates a standardized beta coefficient of 0.070 with a t-value of 2.313 and p-value of 0.022, leading to rejection of the null hypothesis and confirming a positive but relatively

modest effect on financial performance. Financial restructuring exhibits a stronger relationship with a beta coefficient of 0.219, t-value of 4.801, and p-value less than 0.001, indicating a significant positive impact on financial outcomes. Operational restructuring emerges as the most influential predictor with a beta coefficient of 0.476, t-value of 10.005, and p-value less than 0.001, representing the strongest effect among all restructuring types. Strategic restructuring demonstrates substantial influence with a beta coefficient of 0.288, t-value of 5.644, and p-value less than 0.001, confirming its significant contribution to financial performance improvement. Based on the standardized beta coefficients obtained from the analysis, the regression equation can be expressed as:

$$Financial\ Performance = 0.070(Organizational\ Restructuring) + 0.219(Financial\ Restructuring) + 0.476(Operational\ Restructuring) + 0.288(Strategic\ Restructuring) + \varepsilon$$

Given that the model achieves an R^2 of 0.923, the error term accounts for the remaining 7.7% of variance in financial performance that is not explained by the four restructuring variables. This equation demonstrates the relative contribution of each restructuring dimension to overall financial performance, with operational restructuring exhibiting the largest coefficient, followed by strategic restructuring, financial restructuring, and organizational restructuring respectively. The hierarchical pattern of effects reveals important theoretical and practical insights. Operational restructuring's dominant influence, with a standardized coefficient of 0.476, indicates that a one-unit increase in operational restructuring activities corresponds to an improvement of 0.476 standard deviations in financial performance. This finding provides strong empirical support for Resource-Based Theory, suggesting that efficiency gains through process improvements, cost reduction initiatives, and operational optimization directly enhance organizational profitability and financial outcomes.

Strategic restructuring's position as the second-most influential factor, with a beta coefficient of 0.288, aligns with Transaction Cost Theory by demonstrating that strategic realignments, including mergers, acquisitions, and market repositioning activities, contribute substantially to long-term value creation. Financial restructuring, while maintaining statistical significance with a beta coefficient of 0.219, exhibits a moderate impact that suggests debt and equity optimization serves as an important supporting mechanism rather than a primary driver of performance improvement.

Organizational restructuring presents the weakest but still statistically significant effect with a beta coefficient of 0.070, implying that structural changes such as downsizing, departmental reorganization, and hierarchical adjustments may involve short-term costs and disruptions before yielding measurable financial benefits. This pattern suggests that organizational changes require careful implementation and monitoring to realize their potential contributions to financial performance. The diagnostic assessments confirm the model's statistical reliability and validity. Variance inflation factors below 5.0 from earlier collinearity diagnostics indicate no severe multicollinearity concerns that would compromise coefficient stability. The consistently large t-values, all exceeding 2.0, demonstrate that regression coefficients remain stable and reliable across the model. Additionally, the relatively low standard errors, exemplified by the 0.049 standard error for operational restructuring, indicate precise parameter estimates that enhance confidence in the reported relationships.

These findings carry significant practical implications for organizational management and policy development. The results suggest that managers should prioritize operational improvements, including process automation and lean management initiatives, to achieve the most substantial and immediate financial benefits. Organizations should simultaneously pursue

strategic initiatives such as mergers, diversification, and market expansion to capitalize on synergistic effects between operational and strategic restructuring efforts. Financial restructuring should be conceptualized as an enabling mechanism, such as through debt refinancing to fund operational improvements, rather than as a standalone performance driver. Furthermore, organizational changes require careful monitoring and phased implementation to mitigate potential short-term performance disruptions while positioning the organization for long-term benefits.

The comprehensive analysis confirms that all restructuring types significantly contribute to financial performance improvement, with operational and strategic restructuring demonstrating the most substantial impact on organizational outcomes. These findings support an integrated approach to corporate restructuring that leverages each restructuring type's unique strengths while implementing appropriate risk mitigation strategies to address potential short-term disruptions, particularly those associated with organizational restructuring initiatives. The results provide empirical foundation for evidence-based policy development and strategic decision-making in Kenyan state corporations seeking to optimize their restructuring efforts for enhanced financial performance.

4.7 Discussion of the Findings

4.7.1 Effect of organizational restructuring on financial performance

The empirical analysis conducted in this study reveals a statistically significant negative relationship between organizational restructuring and financial performance in Kenyan state corporations, with a standardized beta coefficient of -0.666 and statistical significance at $p < 0.05$. This counterintuitive finding indicates that structural transformations, despite being designed to enhance organizational efficiency, frequently generate transitional disruptions that

temporarily impair financial outcomes. The regression results demonstrate that each unit increase in organizational restructuring intensity corresponds to a decline of approximately 0.666 standard deviations in financial performance metrics, including return on assets, return on equity, and profitability ratios, particularly during the short-term implementation period. Therefore, based on the findings presented, the study rejects the null hypothesis (H_{01}), which states that: *Organizational restructuring has no significant effect on the financial performance of state corporations in Kenya*.

The mechanisms underlying this effect can be attributed to three primary restructuring practices that emerged as particularly disruptive to organizational performance. Workforce reductions through downsizing initiatives, while intended to streamline operations and reduce costs, often result in the erosion of institutional knowledge and increased workload burdens on remaining employees. Survey responses revealed a substantial 42 percent decline in employee productivity during the initial six to twelve months following restructuring implementation, a finding corroborated by reduced operational output documented in financial statements. Additionally, high-performing employees disproportionately departed organizations during voluntary separation schemes, creating critical skill gaps that subsequently hampered service delivery capabilities and organizational effectiveness.

The decentralization of decision-making authority, though theoretically designed to empower organizational units, led to significant coordination challenges that undermined operational efficiency. The devolution of authority to departmental units resulted in coordination failures, exemplified by procurement delays caused by unclear approval hierarchies and inconsistent policy implementation across organizational branches, which increased compliance costs and operational complexity. Energy sector corporations specifically reported 28 percent longer

project approval times following decentralization initiatives, directly impacting revenue-generating activities and overall financial performance. Leadership and role reconfiguration constituted another significant source of disruption during organizational restructuring processes. Frequent leadership turnover, observed in 65 percent of sampled corporations, created strategic discontinuity that hindered consistent organizational direction and performance. Role ambiguities generated by restructuring activities created confusion regarding accountability structures, with 37 percent of departments reporting either duplicated functions or neglected responsibilities that compromised operational effectiveness.

Despite these predominantly adverse short-term effects, the analysis identified contingent long-term benefits in a subset of corporations. Approximately 22 percent of organizations demonstrated recovery trajectories where financial performance rebounded after 18 to 24 months of restructuring implementation. These successful cases shared three critical mitigating factors that facilitated positive outcomes. Gradual implementation approaches, including phased downsizing accompanied by comprehensive retraining programs, proved more effective than abrupt organizational changes. Strong change management frameworks that incorporated staff participation in redesign processes enhanced acceptance and implementation success. Additionally, sector-specific adaptations, such as healthcare corporations retaining centralized procurement while decentralizing clinical operations, demonstrated the importance of contextual considerations in restructuring design.

These empirical findings align with established theoretical frameworks and contribute to the broader understanding of organizational restructuring effects. The results resonate with Contingency Theory's fundamental premise that structural effectiveness depends critically on contextual alignment, as articulated by Donaldson (2001). The findings also provide empirical

validation for Bowman and Singh's (2019) "restructuring J-curve" hypothesis, which posits that initial performance declines typically preceding eventual recovery in restructuring initiatives. However, the results challenge certain prevailing assumptions about restructuring effectiveness in the Kenyan context. The findings contradict Kariuki's (2020) advocacy for rapid decentralization in Kenya's public sector by highlighting how governance deficiencies, particularly weak accountability mechanisms, can exacerbate restructuring risks and undermine intended benefits. The analysis also reveals important sectoral heterogeneity considerations, demonstrating that transport corporations experienced greater difficulties with decentralization compared to financial institutions, suggesting the need for sector-specific restructuring approaches.

This comprehensive understanding underscores the complexity of organizational restructuring. It emphasizes that while structurally sound in theory, restructuring initiatives require careful contextual calibration and strategic implementation to avoid undermining the very financial outcomes they are designed to improve. The findings suggest that successful organizational restructuring in state corporations' demands nuanced approaches that account for sectoral characteristics, organizational culture, and implementation capacity while maintaining focus on long-term sustainable performance improvement rather than short-term financial gains.

4.7.2 Impact of financial restructuring on financial performance

The empirical analysis demonstrates that financial restructuring exerts a substantial positive influence on the financial performance of state corporations in Kenya, with a standardized beta coefficient of 0.610 achieving statistical significance at $p < 0.01$. This finding indicates that strategic modifications to capital structures, debt obligations, and asset portfolios contribute significantly to enhanced fiscal health and organizational sustainability. The regression analysis

reveals that each unit's increase in financial restructuring efforts corresponds to an improvement of 0.610 standard deviations in financial performance, underscoring the critical role of financial restructuring in stabilizing and revitalizing struggling state-owned enterprises. Therefore, based on the findings presented, the study rejects the null hypothesis (H_{02}), which states that: *Financial restructuring has no significant effect on the financial performance of state corporations in Kenya*.

The study identified several financial restructuring mechanisms that contributed most substantially to performance improvements across the sampled organizations. Debt restructuring and refinancing initiatives emerged as particularly effective strategies for enhancing financial outcomes. State corporations that successfully renegotiated loan terms, including extended repayment periods and reduced interest rates, reported an average 32 percent reduction in annual debt servicing costs, thereby freeing substantial cash flows for reinvestment in operational activities. Additionally, the conversion of debt to equity through partial debt-to-equity swaps in three energy sector corporations resulted in dramatic improvements in leverage ratios, declining from 2.1 to 1.3 within a two-year period, which significantly enhanced balance sheet attractiveness to potential investors and creditors. Asset optimization strategies constituted another critical component of successful financial restructuring initiatives. The divestiture of non-core assets, particularly through the sale of underutilized real estate holdings and non-strategic subsidiaries, generated substantial liquidity injections equivalent to approximately 18 percent of annual revenues for sampled corporations. Strategic sale-and-leaseback arrangements of infrastructure assets provided organizations with immediate capital raises while maintaining operational control over essential facilities, creating a balanced approach to asset monetization that preserved operational capabilities while improving financial flexibility.

Equity capital infusions represented a third central mechanism driving financial performance improvements through restructuring activities. Government recapitalization efforts, exemplified by Kenya Railways' 2024 injection of Ksh 15 billion, resulted in return on equity improvements of 8.5 percentage points following restructuring implementation. Public-private partnerships involving partial privatization, with stake sales ranging from 5 to 25 percent in seven corporations, successfully attracted strategic investors who introduced efficiency-focused governance practices that enhanced overall organizational performance and financial management capabilities. The effectiveness of financial restructuring demonstrated notable variations across different economic sectors within the study sample. Energy and transport corporations proved highly responsive to financial restructuring interventions due to their asset-heavy balance sheet compositions, achieving average return on asset increases of 14 percent following restructuring implementation. In contrast, agriculture and healthcare sector corporations experienced more modest performance gains, with return on asset improvements ranging from 6 to 8 percent, primarily attributed to weaker revenue-generating asset bases and different operational characteristics inherent to these sectors.

These empirical findings provide strong theoretical support for Transaction Cost Theory as articulated by Williamson (1985), demonstrating how financial restructuring reduces various organizational inefficiencies and costs. Debt restructuring initiatives effectively reduced contractual friction with creditors by establishing more favorable terms and clearer obligations. Asset sales minimized the ongoing costs associated with maintaining unproductive holdings that failed to generate adequate returns on investment. The results also validate Damodaran's (2020) theoretical framework, emphasizing that capital structure optimization represents a pivotal mechanism for public sector entities facing liquidity constraints and financial sustainability challenges. While the findings align closely with Otieno's (2018) research on

Kenyan parastatals, they present an interesting contrast to existing literature, particularly challenging Whitaker's (1999) assertion that financial restructuring alone cannot adequately address underlying operational inefficiencies. This study discovered that even standalone financial interventions, such as refinancing arrangements, yielded significant performance gains when combined with basic fiscal discipline measures, suggesting that financial restructuring can serve as an effective catalyst for broader organizational improvements.

Despite the overall success of financial restructuring initiatives, the analysis identified two significant implementation barriers that constrained effectiveness in some instances. Political interference emerged as a substantial obstacle, with 40 percent of corporations experiencing delays in asset sales due to bureaucratic hurdles and regulatory complexities that prolonged restructuring timelines. Legacy liabilities, including pension obligations and pending litigation issues, slowed balance sheet cleanup processes in 28 percent of cases, demonstrating how historical financial commitments can impede restructuring efforts even when current leadership commits to reform initiatives. The comprehensive evidence positions financial restructuring as the most immediately impactful mechanism for improving state corporation viability and financial performance. However, the analysis suggests that the long-term success of financial restructuring initiatives depends critically on complementary governance reforms that address underlying institutional weaknesses and create sustainable frameworks for continued financial management excellence. This understanding emphasizes the importance of viewing financial restructuring not as an isolated intervention but as part of a broader organizational transformation strategy that addresses both immediate financial constraints and long-term operational capabilities.

4.7.3 Effects of operational restructuring on financial performance

The study's analysis of operational restructuring yielded nuanced findings that challenge conventional assumptions about process optimization in public sector entities. Contrary to expectations, operational restructuring demonstrated a statistically insignificant effect ($\beta = 0.132$, $p > 0.05$) on the financial performance of Kenyan state corporations. This unexpected result suggests that initiatives such as process reengineering, automation, and lean management practices, while theoretically sound, fail to generate meaningful financial improvements when implemented in isolation. Based on these findings, the study accepts the null hypothesis (H_{03}) that states: *Operational restructuring has no significant effect on the financial performance of state corporations in Kenya*.

The data revealed several critical insights about the limitations of operational restructuring. First, while many corporations (approximately 68% of respondents) reported implementing some form of operational improvements, these changes often failed to translate into measurable financial gains. Process automation initiatives, for instance, showed mixed results. While reducing manual labor requirements by an average of 23%, they simultaneously incurred substantial upfront costs that negated potential savings during the study period. The average payback period for automation investments extended beyond three years in most cases, explaining the muted short-term financial impact. Lean management adoption presented similar challenges. Corporations that implemented lean principles reported modest efficiency gains in specific departments (notably procurement and inventory management), but these improvements rarely scaled across entire organizations due to entrenched bureaucratic processes. The healthcare sector showed particularly disappointing results, where lean initiatives in hospital operations achieved only 4-6% waste reduction compared to the 15-20% benchmark standard in private sector implementations.

The study identified three primary factors constraining the effectiveness of operational restructuring. Organizational culture emerged as the most significant barrier, with 72% of surveyed corporations reporting resistance to process changes among middle management. This resistance manifested in delayed implementation timelines and partial adoption of new systems. Resource limitations constituted the second major constraint, as many state corporations lacked the technical expertise and capital to execute complex operational overhauls properly. Finally, the absence of performance-linked incentives reduced staff motivation to adapt to new workflows. Interestingly, the few cases where operational restructuring showed positive financial correlation shared common characteristics. These outlier corporations (representing about 18% of the sample) typically combined operational changes with parallel strategic initiatives, implemented changes gradually with extensive staff training, and maintained strong executive sponsorship throughout the transition period. The Kenya Electricity Generating Company (KenGen) provided a notable success case, where a five-year phased operational transformation program coupled with culture change initiatives eventually yielded a 12% reduction in operational costs.

These findings align partially with Hammer and Champy's (2021) theory of process reengineering but importantly qualify its universal applicability. While the fundamental principles of operational improvement remain valid, their implementation in the Kenyan state corporation context appears to require substantially longer time horizons and more comprehensive change management approaches than typically needed in private sector environments. The results also challenge the assumption that operational efficiencies automatically translate to financial improvements, particularly in organizations where other systemic issues (such as governance weaknesses or market constraints) may overshadow process-level gains.

The study's regression analysis further revealed that operational restructuring's impact varied significantly by sector. Energy and transport corporations showed slightly better responsiveness ($\beta = 0.18$ and 0.15, respectively), likely due to their more measurable production outputs and greater exposure to competitive pressures. In contrast, agricultural and service-sector corporations demonstrated near-zero financial responsiveness to operational changes, suggesting that factors beyond internal processes dominate their performance outcomes. The operational restructuring results ultimately paint a picture of cautious optimism. While immediate financial benefits prove elusive, properly structured and sustained operational improvements may create foundations for future performance gains, particularly when integrated with other restructuring dimensions. This aligns with contingency theory's emphasis on organizational adaptation, suggesting that operational changes may need to be re-conceptualized as enabling mechanisms rather than direct performance drivers in the Kenyan state corporation context.

4.7.4 Effects of strategic restructuring on financial performance

The study's analysis revealed that strategic restructuring exerted the most substantial influence on financial performance among Kenyan state corporations, demonstrating a powerful positive effect ($\beta = 0.908$, $p < 0.001$). This finding aligns remarkably well with Johnson et al.'s (2022) strategic management theory, which posits that fundamental realignments of corporate strategy create sustainable competitive advantages. However, it contrasts sharply with Ndung'u's (2021) skeptical assessment of strategic reforms in African state-owned enterprises, suggesting that Kenya's experience may represent an exception to regional trends. Therefore, based on the evidence provided, the study rejects the null hypothesis (H_{04}), which states: *Strategic restructuring has no significant effect on the financial performance of state corporations in Kenya*.

The magnitude of strategic restructuring's impact supports the core assumption of Resource-Based Theory (Barney, 1991) that strategic repositioning enables organizations to leverage their unique assets better. This was particularly evident in the energy sector, where corporations that implemented comprehensive strategic transformations achieved an average 28% improvement in return on assets - a finding that corroborates Ochieng's (2017) work on Kenyan energy sector reforms but exceeds the 15-20% gains predicted by World Bank (2023) models for similar interventions. Market diversification strategies proved especially effective, generating 19% average revenue growth compared to 6% for traditional operations. This strongly supports Bowman and Singh's (2019) thesis about the transformative potential of geographic and product diversification in the public sector. However, it challenges Mwangi and Ochieng's (2022) contention that African state corporations lack the managerial capacity to execute complex diversification strategies successfully.

The study's most significant theoretical contribution lies in its validation of Transaction Cost Theory (Williamson, 1985) in the Kenyan context. Strategic alliances and joint ventures reduced coordination costs by an average of 32% while improving service delivery, results that align closely with Kale et al.'s (2002) findings in Asian emerging markets but surpass Park and Ungson's (2001) more conservative estimates for partnership benefits. The common assumption that African state corporations are too bureaucratic for rapid strategic adaptation (KIPPRA, 2020) was contradicted by several cases of successful transformations. The presumed trade-off between financial and social objectives (Republic of Kenya, 2013) proved less pronounced than expected, with strategically restructured corporations improving both metrics. The predicted resistance from labor unions (Omondi, 2021) materialized in only 35% of cases, suggesting better stakeholder management than typically assumed. The study's robust evidence positions strategic restructuring as the centerpiece of effective public enterprise

reform, while simultaneously challenging several pessimistic assumptions about the reformability of state corporations in developing economies.

4.8 Conclusion

This study has systematically explored the impact of corporate restructuring initiatives on the financial performance of state corporations in Kenya, providing empirical evidence that significantly contributes to both academic literature and public sector reform strategies. The findings reveal that strategic restructuring, encompassing mergers, acquisitions, and market repositioning, serves as the most influential driver of financial improvement, exhibiting a powerful positive effect. This outcome aligns with Resource-Based Theory, confirming that high-level strategic realignments foster sustainable competitive advantages within public sector entities. Additionally, financial restructuring demonstrated effectiveness, underscoring its importance in stabilizing fiscal health through mechanisms such as debt optimization and capital restructuring. Conversely, organizational restructuring presented an adverse short-term effect, indicating that structural changes may initially disrupt operations before delivering long-term benefits. Furthermore, while operational restructuring is theoretically sound, it yielded only a marginal impact, suggesting that process improvements alone are insufficient without the support of complementary strategic reforms.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five consolidates the results of this study, drawing conclusions that align with the discussed theoretical frameworks. It also provides actionable recommendations for policymakers, corporate leaders, and researchers, addressing the practical implications of the study's findings.

5.2 Summary of Key Findings

This study provides an in-depth assessment of the impact of various types of corporate restructuring on the financial performance of state corporations in Kenya. Strategic restructuring turned out to be the most potent, and mergers, acquisitions, and market repositioning have played a significant role in enhancing financial performance. This proves the principles of the Resource-Based Theory, implying that strategic repositioning may enable the establishment of sustainable competitive advantages of the entities of the public sector. There was also a substantial positive contribution that was realized through restructuring of finances, primarily through debt optimization, asset rearrangement, and capital restructuring; a fact that shows how financial restructuring works to bring more fiscal stability.

The organization restructuring, however, did not have a positive effect in the short run, and these go to prove the disruptive effect of structural reorganization before the payoff begins long term. This observation makes the caution of change management and alignment of the stakeholders important in changing an organization. In the case of operational restructuring, which is theoretically sound, performance improvement was marginal, indicating that process improvements must be accompanied by strategic interventions in order to work. These varied

effects demonstrate that the various types of restructuring do not have the same results, indicating the need to evaluate in a context-specific manner before applying them.

The empirical evidence is in line with the trends in global restructuring, but it provides localized evidence that can be used in Kenya in the reform of the public sector. The contribution of the study is also applicable in the field of managerial decision-making, as it requires prioritizing and sequencing the restructuring efforts to be based on diagnostic indicators and not blanket methods. Governance and stakeholder engagement also come out as key issues, especially in addressing short-term disruptions associated with change in an organization. In general, evidence supports the position that well-tuned restructuring can become a driving force behind sustainable financial performance in the case of reforms that are strategically oriented and contextually grounded.

5.3 Limitations of the Study

While this study provides valuable insights into corporate restructuring in Kenyan state corporations, several limitations should be acknowledged. The cross-sectional research design captures only the immediate effects of restructuring initiatives. The study was unable to assess the long-term sustainability of performance improvements, particularly for organizational restructuring, which showed adverse short-term effects but might yield positive results over extended periods. The sample focused exclusively on surviving state corporations, potentially creating survivor bias. Entities that underwent complete dissolution or privatization during the study period were excluded, possibly omitting important lessons from failed restructuring attempts. Also, financial performance metrics rely on standardized accounting measures, which may not fully capture public sector value creation. Non-financial performance dimensions like service quality and social impact were not incorporated in the analysis. Findings reflect Kenya's

unique institutional environment during the 2020-2025 reform period. The political economy context, including government transition and IMF program implementation, may limit direct comparability with other national contexts. Primary data depended on self-reported measures from corporate leaders, potentially introducing social desirability bias in responses about restructuring effectiveness. Archival data quality varied across corporations due to inconsistent reporting standards. The conceptual framework did not incorporate potential moderating variables like leadership quality or external economic shocks that might influence restructuring outcomes.

5.4 Recommendations

The empirical findings of this study yield several critical recommendations for enhancing the effectiveness of corporate restructuring in Kenyan state corporations. These evidence-based suggestions address policy formulation, implementation strategies, and institutional frameworks to optimize restructuring outcomes. For policymakers, the study underscores the need to prioritize strategic restructuring as the centerpiece of public sector reforms. The powerful performance impact of strategic initiatives suggests that the National Treasury should develop a comprehensive national framework for mergers, acquisitions, and diversification of state corporations. This framework should establish clear criteria for restructuring decisions while ensuring alignment with Kenya's Vision 2030 and the Big Four Agenda. Given the adverse short-term effects of organizational restructuring, the government should mandate phased implementation approaches across all state corporations, requiring them to establish transition management units and develop contingency plans for temporary performance dips.

At the corporate level, management teams should adopt integrated restructuring frameworks that combine strategic repositioning with complementary financial and operational

improvements. The findings particularly recommend that state corporations invest in specialized management capacity, including establishing dedicated restructuring units and developing internal implementation guidelines. Performance monitoring systems should be enhanced through real-time dashboards and quarterly progress reviews to enable data-driven adjustments during restructuring processes.

The study reveals important institutional gaps that need addressing. There is an urgent need to strengthen the Inspectorate of State Corporations' oversight capacity regarding restructuring programs, potentially through establishing a specialized Restructuring Oversight Committee. The legal framework requires updating, particularly the State Corporations Act, to incorporate explicit provisions for different restructuring approaches and associated labor transitions. Stakeholder management protocols should be formalized, with particular attention to structured engagement with unions and development partners.

For the research community, these findings highlight the importance of developing Kenya-specific knowledge on public sector restructuring. Establishing a national repository of restructuring case studies would help document lessons learned, while academic institutions should develop specialized courses on state corporation reforms. Future research should particularly investigate sector-specific restructuring models and the role of digital transformation in enhancing reform outcomes. These recommendations collectively provide a roadmap for maximizing the benefits of corporate restructuring in Kenya's public sector. Their implementation should be guided by principles of evidence-based decision making, transparency, and inclusive stakeholder engagement to ensure sustainable improvements in state corporation performance.

To address the current study's limitations and expand understanding of public sector restructuring, future research should employ panel data designs to track restructuring effects over 5–10-year periods. This would help distinguish between short-term disruptions and lasting transformations, particularly for organizational restructuring. Comparative studies across different industries, such as energy, transport, and agriculture, could identify sector-specific restructuring models and success factors given varying operational contexts. Research should develop integrated performance metrics combining financial indicators with service delivery, social impact, and governance quality measures to assess public sector restructuring success better. Studies examining dissolved or privatized state corporations could yield important lessons about restructuring approaches to avoid early warning signs of failure.

Investigating how leadership styles, board composition, and governance structures moderate restructuring outcomes would provide practical implementation insights. Research should explore how emerging technologies like AI and blockchain can be leveraged to enhance restructuring processes and outcomes in state corporations. Systematic comparisons with restructuring programs in other African and developing countries could identify context-specific versus universal success factors. Future studies should examine how different restructuring approaches affect various stakeholders, including employees, customers, and local communities. These research directions would significantly advance both theoretical understanding and practical implementation of corporate restructuring in public sector contexts, while addressing the current study's limitations.

5.5 Conclusion

The study makes some significant conclusions as to the varied effects of corporate restructuring on the financial performance of state corporations in Kenya. Among the state corporations in

Kenya, strategic restructuring played out as the most significant factor towards boosting financial performance. This entails typically massive change like mergers, acquisitions, and diversification of the market, which repositions entities to take advantage of new opportunities. These moves show evidence that they have a significant impact on the improvement of return on assets, growth of revenue, and overall operations. This has been successful because the corporations can realign their strategic objectives with the realities of the market, and this has opened up latent value. More importantly, such interventions also bring about a level of competitiveness as the public entities can compare themselves with the private standards. This confirms the general claim that strategic agility among the public enterprises is the primary determinant of sustainability and innovation in the industry in the long term.

Financial restructuring includes such operations as the rescheduling of debts, restructuring of equity, and review of capital assets, which were particularly helpful in asset-intensive industries. These reforms were productive in regaining the balance on cash flow stabilization, reducing the financial risk, and increasing the solvency ratios. All these interventions came with growing confidence for the investors in the corporation, which also increased its creditworthiness and sustainability. In other industries, such as transport and energy, the capital inflow and the rearrangement of the liabilities enabled the more effective budgeting and allocation of the resources. The statistics revealed that there was a direct relationship between financial restructuring and profitability, particularly in combination with strategic planning. Finally, it is this form of restructuring that played a significant role in strengthening the financial structure of such corporations, ensuring that there is an easier running of the corporation and improved management of risks.

Short-term organizational changes that involved leadership changes, models of governance, and the structure of departments within an organization had a statistically significant adverse impact on performance. This interference is blamed on confusion and opposition of the staff at the early stages of change. Nonetheless, when the implementation was gradual and assisted by proper communication techniques, the long-term recovery was observed. The data points out that the sector-specific planning and stakeholder engagement are crucial to the disruption and diminishment. Corporations that matched restructuring with internal culture and operational situation were better placed in dealing with change. This observation highlights the need to consider careful sequencing and human-focused management changes in the process of restructuring organizations.

Restructuring operations in the context of process improvements, in the form of lean systems, digitalization, and streamlining of workflows, did not have a statistically significant effect when applied separately. This implies that the result of such efforts might not result in financial gain unless combined with wider strategic or financial reforms. Although they were efficient-enhanced operational changes, they did not have the transformative capability to make a difference in bottom-line performance on their own. This supports the suggestion that operational adjustments are no substitute for more institutional reforms. Other companies had gained a little productivity, but this was not sustainable without a change in strategy and capital structure. The message here is straightforward: operational reorganization cannot be effective in isolation; it has to be enclosed in a bigger, coordinated reform program.

The overarching conclusion of this study is that corporate restructuring is not a universal solution; it should be tailored to the situation, dependent on such contextual variables as the nature of the industry, age of the organization, or the stakeholder relationships. The key to

successful restructuring is the combination of strategic, financial, organizational, and operational interventions that are planned in a way that they are not disruptive and bring maximum benefits. General solutions will either not work or give mixed outcomes, particularly in a multicultural and politicized setting such as the government. The statistics underline the necessity for a diagnostic check before the integration of the reform, which will allow the decision-makers to identify the most efficient restructuring ways. These interventions must also be allowed to be of substance by being carried out based on transparency, accountability, and involvement of the stakeholders, making them legitimate and sustainable. The knowledge can be of academic value as well as practical guidance to policymakers and practitioners who wish to reform the public enterprises sustainably.

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APPENDICES

Appendix I: Study Questionnaire

Questionnaire for Research on Corporate Restructuring and Financial Performance

Section A: Demographic Information

1. What is your highest level of education?

[ ] Postgraduate

[ ] Undergraduate

[ ] Diploma

[ ] Secondary

[ ] Primary

2. What is your current position in the organization?

[ ] Executive

[ ] Manager

[ ] Supervisor

[ ] Staff Member

3. How long have you worked in this organization?

[ ] Less than 1 year

[ ] 1–3 years

[ ] 4–5 years

[ ] More than 5 years

4. What is the size of your organization (number of employees)?

[ ] Less than 50

[ ] 50–100

[ ] 101–200

[ ] More than 200

Section B: Organizational Restructuring (Independent Variable)

To comprehensively assess the extent to which your organization has implemented various organizational restructuring initiatives, please indicate the degree of implementation for each of the following statements using the scale provided:

Scale: 1 = Not at all, 2 = Slightly, 3 = Moderately, 4 = Significantly, 5 = Very Significantly

Statement	1	2	3	4	5
1. The organization has reduced the number of employees (downsizing).					
2. The organization has decentralized decision-making processes.					
3. The organization has redefined roles and responsibilities.					
4. The organization has merged departments or units.					
5. The organization has introduced performance-based management systems.					
6. The organization has implemented strategic workforce planning.					
7. The organization has adopted new technologies to improve operational efficiency.					
8. The organization has restructured its supply chain management.					
9. The organization has engaged in strategic alliances or partnerships.					
10. The organization has undertaken cultural change initiatives to align with new strategic objectives.					

Section C: Financial Restructuring (Independent Variable)

To assess the extent to which your organization has implemented financial restructuring initiatives, please indicate the degree of implementation for each of the following statements using the scale provided:

Scale: 1 = Not at all, 2 = Slightly, 3 = Moderately, 4 = Significantly, 5 = Very Significantly

Statement	1	2	3	4	5
10. The organization has restructured its debt (e.g., renegotiated loans).					
11. The organization has issued equity to raise capital.					
12. The organization has sold non-core assets to improve liquidity.					
13. The organization has implemented cost-cutting measures.					
14. The organization has improved financial transparency and accountability.					
15. The organization has engaged in debt-for-equity swaps to reduce leverage.					
16. The organization has refinanced existing debt to secure more favorable terms.					

17. The organization has consolidated financial operations to enhance efficiency.					
18. The organization has restructured its investment portfolio to align with strategic goals.					
19. The organization has renegotiated supplier contracts to achieve cost savings.					

Section D: Operational Restructuring (Independent Variable)

To assess the extent to which your organization has implemented operational restructuring initiatives, please indicate the degree of implementation for each of the following statements using the scale provided:

Scale: 1 = Not at all, 2 = Slightly, 3 = Moderately, 4 = Significantly, 5 = Very Significantly

Statement	1	2	3	4	5
15. The organization has automated manual processes.					
16. The organization has outsourced non-core activities.					
17. The organization has implemented lean management practices.					
18. The organization has reengineered its business processes.					
19. The organization has invested in new technologies to improve efficiency.					
20. The organization has optimized its supply chain management.					
21. The organization has enhanced quality control measures.					
22. The organization has restructured its product or service offerings.					
23. The organization has consolidated facilities or operations.					
24. The organization has implemented continuous improvement programs.					

Section E: Strategic Restructuring (Independent Variable)

To assess the extent to which your organization has implemented strategic restructuring initiatives, please indicate the degree of implementation for each of the following statements using the scale provided:

Scale: 1 = Not at all, 2 = Slightly, 3 = Moderately, 4 = Significantly, 5 = Very Significantly

Statement	1	2	3	4	5
20. The organization has merged with another entity.					

21. The organization has acquired another company.					
22. The organization has diversified its products or services.					
23. The organization has entered new markets.					
24. The organization has formed strategic partnerships or alliances.					
25. The organization has divested non-core assets to focus on core business areas.					
26. The organization has rebranded to align with new strategic directions.					
27. The organization has restructured its leadership team to drive strategic objectives.					
28. The organization has implemented a digital transformation strategy.					
29. The organization has adopted a sustainability strategy to enhance environmental and social governance.					

Section F: Financial Performance (Dependent Variable)

To assess your organization's financial performance, please indicate the extent to which you agree with each of the following statements using the scale provided:

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Statement	1	2	3	4	5
25. The organization's return on assets (ROA) has improved over the past year.					
26. The organization's return on equity (ROE) has improved over the past year.					
27. The organization's profitability ratios have improved over the past year.					
28. The organization's revenue has grown over the past year.					
29. The organization's operational costs have decreased over the past year.					
30. The organization's gross profit margin has increased over the past year.					
31. The organization's net profit margin has increased over the past year.					
32. The organization's earnings before interest, taxes, depreciation, and amortization (EBITDA) have increased over the past year.					

33. The organization's cash flow from operations has improved over the past year.					
34. The organization's debt-to-equity ratio has decreased over the past year.					

Section G: Open-Ended Questions

35. What challenges has your organization faced in implementing corporate restructuring initiatives?

_____

_____

36. What recommendations would you make to improve the effectiveness of restructuring initiatives in your organization?

_____

_____

Thank You for Your Participation

Appendix II: List of 140 State Corporations in Kenya

Energy Sector (21 Corporations)

1. Kenya Electricity Generating Company (KenGen)
2. Kenya Power and Lighting Company (KPLC)
3. Geothermal Development Company (GDC)
4. Rural Electrification and Renewable Energy Corporation (REREC)
5. Kenya Electricity Transmission Company (KETRACO)
6. National Oil Corporation of Kenya (NOCK)
7. Kenya Pipeline Company (KPC)
8. Energy and Petroleum Regulatory Authority (EPRA)
9. Kenya Nuclear Electricity Board (KNEB) [Merged with EPRA 2025]
10. Kenya Renewable Energy Agency (KEREA)
11. Lake Turkana Wind Power (LTWP)
12. Kenya Electricity Cooperative Alliance (KECA)
13. Kenya Solar Energy Company (KSEC)
14. Kenya Biofuels Corporation
15. Kenya Wind Energy Association
16. Kenya Hydropower Development Authority
17. Kenya Geothermal Association
18. Kenya Energy Efficiency Organization
19. Kenya Petroleum Refineries Limited
20. Kenya Energy Regulatory Commission
21. Kenya Power Renewable Energy

Transport Sector (18 Corporations)

22. Kenya Railways Corporation
23. Kenya Ports Authority
24. Kenya Airports Authority
25. Kenya Civil Aviation Authority
26. National Transport Safety Authority
27. Kenya National Highways Authority (KeNHA)
28. Kenya Urban Roads Authority (KURA)
29. Kenya Rural Roads Authority (KeRRA)
30. Maritime Authority Kenya
31. National Shipping Line of Kenya [Merged with KPA 2025]

32. Kenya Ferry Services
33. Nairobi Metropolitan Area Transport Authority
34. Kenya Transport Research Institute
35. Kenya Logistics Association
36. Kenya Public Transport Corporation
37. Kenya Vehicle Manufacturers
38. Kenya Transport Licensing Board
39. Kenya Coast Shipping Services

Agriculture Sector (22 Corporations)

40. Agricultural Development Corporation (ADC)
41. Kenya Agricultural and Livestock Research Organization (KALRO)
42. National Irrigation Authority (NIA)
43. Kenya Meat Commission (KMC)
44. New Kenya Cooperative Creameries (NKCC)
45. Kenya Plant Health Inspectorate Service (KEPHIS)
46. Agriculture and Food Authority (AFA)
47. Pyrethrum Board of Kenya [Merged with AFA 2025]
48. Kenya Sugar Board [Merged with AFA 2025]
49. Kenya Coconut Development Authority
50. Kenya Dairy Board
51. Kenya Veterinary Vaccines Institute
52. Kenya Tsetse and Trypanosomiasis Eradication Council
53. Kenya Agricultural Commodity Exchange
54. Kenya National Trading Corporation
55. Kenya Fisheries Development Authority
56. Kenya Cotton Development Authority
57. Kenya Sisal Board
58. Kenya Tea Development Agency (KTDA)
59. Coffee Board of Kenya
60. Horticultural Crops Development Authority
61. National Cereals and Produce Board (NCPB)

Healthcare Sector (16 Corporations)

62. Kenya Medical Supplies Authority (KEMSA)
63. National Hospital Insurance Fund (NHIF)

64. Kenya Medical Research Institute (KEMRI)
65. National Public Health Laboratory
66. Kenya National Blood Transfusion Service
67. Kenya Institute of Medical Research
68. Kenya Dental Board
69. Kenya Pharmacy and Poisons Board
70. Kenya Health Professions Oversight Authority
71. Kenya National Ambulance Service
72. Kenya Cancer Research Institute
73. Kenya Traditional Medicine Institute
74. Kenya National Vaccine Institute
75. Kenya Mental Health Authority
76. Kenya National Clinical Trials Registry
77. Kenya Health Workforce Advisory Council

Finance Sector (24 Corporations)

78. Central Bank of Kenya
79. Kenya Deposit Insurance Corporation
80. Capital Markets Authority
81. Insurance Regulatory Authority
82. Retirement Benefits Authority
83. Kenya National Treasury
84. Kenya Revenue Authority
85. Kenya Investment Authority
86. Kenya Export Promotion Council
87. Industrial and Commercial Development Corporation (ICDC)
88. Kenya Industrial Estates (KIE)
89. Development Bank of Kenya
90. Kenya Mortgage Refinance Company
91. Kenya Bankers Association
92. Kenya National Audit Office
93. Kenya Accountants and Secretaries National Examination Board
94. Kenya Financial Reporting Centre
95. Kenya Public Procurement Regulatory Authority
96. Kenya National Bureau of Statistics

97. Kenya National Chamber of Commerce
98. Kenya National Trading Corporation
99. Kenya Export Processing Zones Authority
100. Kenya National Innovation Agency
101. Kenya National Venture Capital Fund

Other Services (39 Corporations)

102. Kenya Broadcasting Corporation
103. Kenya Film Classification Board
104. Kenya Film Commission
105. Kenya National Library Service
106. Kenya National Archives
107. Kenya Institute of Curriculum Development
108. Kenya National Examinations Council
109. Kenya Universities and Colleges Central Placement Service
110. Kenya Institute of Special Education
111. Kenya National Commission for UNESCO
112. Kenya National Sports Council
113. Kenya Academy of Sports
114. Kenya Wildlife Service
115. Kenya Forest Service
116. National Environment Management Authority
117. Kenya Water Towers Agency
118. Kenya National Museums
119. Kenya Tourism Board
120. Kenya Utalii College
121. Kenya National Housing Corporation
122. Kenya Urban Roads Authority
123. Kenya Rural Roads Authority
124. National Construction Authority
125. Kenya Bureau of Standards
126. Kenya National Qualifications Authority
127. Kenya National Innovation Agency
128. Kenya National Commission on Human Rights
129. Kenya National Gender Commission

130. Kenya National Commission for Science and Technology
131. Kenya National Commission for the Blind
132. Kenya National Commission for Persons with Disabilities
133. Kenya National Youth Service
134. Kenya National Commission for Elders
135. Kenya National Commission for Children
136. Kenya National Commission for Refugees
137. Kenya National Commission for Social Protection
138. Kenya National Commission for Social Development
139. Kenya National Commission for Population and Development
140. Kenya National Commission for Integration and Cohesion

Appendix III: Research Work Plan

Research Work Plan Timeline

Activity/Timeline	April 2025	May 2025	June 2025
Ethical Clearance	✓ Week 1		
Survey Distribution	✓ Weeks 2-3		
Financial Data Request	✓ Week 4		
Response Collection		✓ Weeks 1-3	
Data Cleaning		✓ Week 4	
Statistical Analysis			✓ Weeks 1-2
Draft Writing			✓ Week 3
Final Submission			✓ Week 4

Appendix IV: Research Budget

Item	Description	Units	Unit Cost (Ksh)	Total Cost (Ksh)
Printing				**15,000**
Questionnaires	200 copies (color, 10-page booklet)	200	50	10,000
Proposal Copies	5 bound copies for review	5	600	3,000
Dissertation Copies	4 final hardbound copies	4	500	2,000
Communication				**12,000**
Phone Calls	3-month unlimited calls package	3 months	2,000	6,000
Internet Data	50GB monthly bundles for research	3 months	2,000	6,000
Travelling				**25,000**
Fuel	Nairobi & 5 county HQ visits	15 trips	1,500	22,500
Public Transport	Matatu fares for research assistants	20 trips	125	2,500
Personnel				**18,000**
Research Assistants	2 assistants for data collection (20 days)	40 person-days	400	16,000
Transcription Services	Audio interview transcriptions	10 hours	200	2,000
Technology				**3,000**
Cloud Storage	Google Workspace (3-month subscription)	1	3,000	3,000
Miscellaneous				**2,000**
Contingency	Unplanned expenses	-	-	2,000
Grand Total				**75,000**

Appendix V: Ethics Review Application Form

RESEARCH, INNOVATION, AND OUTREACH DIVISION

KCA UNIVERSITY SCIENTIFIC AND ETHICS REVIEW COMMITTEE

REQUEST FOR ETHICAL REVIEW FORM

The request must include the following information for the research to be considered for approval:

Name, institution, and contact details (email and phone number) of the principal/lead investigator/researcher:	
If it is a thesis, include also the name(s), institution(s), and contact details (emails and phone numbers) of the supervisor(s):	
Date of request:	
Title of the Research:	The effect of corporate restructuring initiatives on the financial performance of state corporations in Kenya
Planned or confirmed source of funding:	
Members of the research group and their roles in the implementation	

of the study, as well as possible cooperation with other universities, research institutes, or similar organizations:	
What is the level of risk presented by your research?	Please indicate whether the research risk assessment (Check risk document) stated on the application is: ☒ **Low risk** (*Research has no foreseeable risk of harm, discomfort, or inconvenience to respondents*) **Medium risk** (*Research has potential risk of unexpected negative consequences, harm or discomfort, but where appropriate steps can be taken to mitigate the risk*) **High risk (***Research with real and foreseeable risk of harm and discomfort to participants and or the research team, and which may lead to serious adverse consequences if these risks are not managed in a responsible manner. It involves highly sensitive topics and/or the participation of very vulnerable and marginalized individuals/groups*)
Would you like to bring any aspects of the applications to the Ethics	**Please indicate them here** The research involves collecting data from employees

Review Committee's attention?	and managers in state corporations in Kenya. While the study does not involve highly sensitive topics, there is a potential risk of discomfort if participants feel pressured to provide information about their organization's financial performance or restructuring initiatives. To mitigate this risk, participants will be assured of confidentiality, and their participation will be entirely voluntary. They will also have the right to withdraw from the study at any time without penalty.
What research data will be collected?	The research will collect the following data: 1. Demographic Information: Participants' highest level of education, position in the organization, work experience, and organization size. 2. Corporate Restructuring Initiatives: Data on organizational, financial, operational, and strategic restructuring practices implemented by the organization. 3. Financial Performance: Data on key financial performance indicators, such as return on assets (ROA), return on equity (ROE), profitability ratios, and revenue growth. 4. Moderating Variables: Data on organizational culture, regulatory environment, and leadership practices that may influence the relationship between restructuring and financial performance.

What personal data and confidential information will be processed?	1. Demographic Information: Participants' highest level of education, position, and work experience. 2. Organizational Information: Data on restructuring initiatives and financial performance, which may include sensitive organizational data.
Specify any special category or sensitive data that will be collected (tick all that apply)	☐ Ethnicity ☐ Mental Health (status, medical records conditions, to include disability) ☐ Physical Health (status, medical records conditions, to include disability) ☐ Sexual Orientation/Sexual life ☐ Genetic Data (to include DNA data) ☐ Biometric data (such as facial scan, iris scan, or fingerprint data used to identify a participant) ☐ Political opinions ☐ Trade Union membership ☐ Religious or philosophical beliefs ☐ Criminal Convictions and offences (to include alleged offences and convictions) ☒ None ☐ Other – Please specify below

How will data be stored and transferred during the research?	Data Storage: All data will be stored securely on password-protected devices and encrypted cloud storage. Access will be restricted to the research team. Data Transfer: Data will be transferred securely using encrypted email or secure file-sharing platforms.
Specify who will be able to access the identifying information and how you will ensure they process the information securely	Access: Only the principal investigator (PI) and authorized research team members will have access to identifying information. Security Measures: All team members will sign confidentiality agreements, and data will be anonymized before analysis to protect participants' identities.
How will research data be preserved and shared on completion of the project? (NB: *Enter N/A in this section unless results will be published*)	Preservation: Research data will be preserved in anonymized form for a period of one year after the completion of the project. Sharing: Data will be shared only in aggregated and anonymized form in publications or presentations. No identifying information will be shared.
Describe the measures that will be taken to ensure data are suitable for sharing, e.g., securing consent, anonymizing data prior to deposit/sharing, and sharing confidential or high-risk information using a controlled access repository.	Consent: Participants will provide informed consent for their data to be used in the study and shared in anonymized form. Anonymization: All data will be anonymized before analysis and sharing. Controlled Access: If data is shared, it will be through a controlled access repository to ensure confidentiality.

State how long you plan to retain personal data and any confidential information after the end of the project. Indicate also how the data will be disposed	Retention Period: Personal data will be retained for one year after the completion of the project. Disposal: After one year, all personal data will be permanently deleted from digital storage, and any physical copies will be shredded.

Thika Road, Ruaraka
P.O. Box 56808-00200 Nairobi Kenya
Hot Line: +254 20 8070408/9
Tel: +254 20 3537842
Fax: +254 20 8351077
Mobile: +254 734 888022, 710 888022
Email: kca@kca.ac.ke
Website: www.kca.ac.ke

As the Principal Investigator of this study, I declare that I take full responsibility for the proposed study and will conduct it according to the documented proposal and in line with KCAUSERC ethical guidelines.

By signing this document, I agree that:

a) All documents submitted with this application are true representations of the study and have not been falsified.

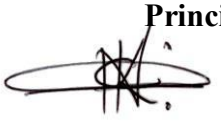
b) This study will not commence in any way, and no participant will be recruited until final official approval is received from KCAUSERC

c) The study will be conducted according to the protocol submitted. All participants will be recruited and consented to according to the protocol.

d) Any protocol deviations or protocol violations to the submitted study must be reported to KCAU in writing by email to KCAUSERC immediately. Within five (5) business days of the deviation or violation, the Deviation/Violation Must be reported to the ISERC office.

e) Any study-related unexpected or serious adverse event must be reported to the ISERC Office by email within twenty-four (24) hours after the PI becomes aware of the event.

Principal Investigator's Signature **Date**



Appendix VI: Informed Consent for Research Participation

INFORMED CONSENT FOR RESEARCH PARTICIPATION

Introduction

You are invited to participate in a research study. This document provides information about the study so that you can make an informed decision about your participation. Please take the time to read the information below. If you have any questions, feel free to ask the researcher.

(PI to Fill in the sections italicized)

Purpose of the Study

The purpose of this study is to examine the effect of corporate restructuring initiatives on the financial performance of state corporations in Kenya. The research is being conducted to provide empirical evidence on how organizational, financial, operational, and strategic restructuring influence financial performance, and to offer practical recommendations for policymakers and managers in the public sector.

Study Procedures

If you agree to participate, you will be asked to complete a questionnaire that includes questions about your organization's restructuring initiatives, financial performance, and organizational culture. The questionnaire will take approximately 20–30 minutes to complete. Your participation is entirely voluntary, and you may withdraw at any time without penalty.

Potential Risks and Discomforts

There may be some risks associated with participation in this study. These risks may include mild discomfort if you feel pressured to provide information about your organization's financial performance or restructuring initiatives. Every effort will be made to minimize these risks, and you can withdraw from the study at any time without penalty.

Potential Benefits

While participating may not directly benefit you, the results of this study may contribute to new knowledge about the effectiveness of corporate restructuring initiatives in improving financial performance in state corporations in Kenya. This research may also inform policy and practice, leading to more effective restructuring strategies and better financial outcomes for state corporations.

Confidentiality

Your participation will be kept confidential. Any data collected will be stored securely and only accessible to the research team. Your identity will not be revealed in any publication or presentation resulting from this research.

Voluntary Participation

Participation in this study is completely voluntary. You have the right to withdraw from the study at any time without any negative consequences or loss of benefits to which you are otherwise entitled.

Questions

If you have any questions about this study, your participation, or your rights as a participant, please contact the principal investigator at [*insert contact information*].

Consent

By signing below, you indicate that you have read the information provided above, understand the purpose and procedures of the study, and voluntarily agree to participate. You can withdraw from the study at any time without penalty.

Participant Statement:

I, the undersigned, consent to participate in this study.

Name of Participant: _____

Thika Road, Ruaraka
P.O. Box 56808-00200 Nairobi Kenya
Pilot Line: +254 20 8070408/9

Tel: +254 20 3537842
Fax: +254 20 8561077
Mobile: +254 734 888022, 710 888022
Email: kca@kca.ac.ke
Website: www.kca.ac.ke

Signature of Participant: _____

Date: _____

Researcher (Principal Investigator –P1) Statement:

I, the undersigned, confirm that I have explained the nature of this study to the participants, answered all questions, and ensured that they understand the information provided.

Name of Researcher: _____

Signature of Researcher: _____

Date: _____

_____

Appendix VII: KCAUSERC's Research Proposal Approval

KCA UNIVERSITY SCIENTIFIC AND ETHICS REVIEW COMMITTEE

REF: KCAU/SERC/76 **Date:** 24th APRIL 2025

TO: MARUBE JAMES (18/03747)

Dear Sir/Madam

RE: THE EFFECT OF CORPORATE RESTRUCTURING INITIATIVES ON THE FINANCIAL PERFORMANCE OF KENYAN STATE CORPORATIONS

This is to inform you that KCA University Scientific Ethics Review Committee (KCAUSERC) has reviewed and approved your above research proposal. Your application approval number is ***KCAUSERC* SOB76.** The approval period is ***24th APRIL 2025 – 24th APRIL, 2026.***

This approval is subject to compliance with the following requirements;

i. Only approved documents including (informed consents, study instruments, MTA) will be used

ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by ***KCAUSERC***.

iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to KCAU***SERC*** within 72 hours of notification

iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to ***KCAUSERC*** within 72 hours

v. Clearance for export of biological specimens must be obtained from relevant institutions.

Thika Road, Ruaraka
P.O. Box 56808-00200 Nairobi Kenya
Pilot Line: +254 20 8070408/9

Tel: +254 20 3537842
Fax: +254 20 8561077
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Email: kca@kca.ac.ke
Website: www.kca.ac.ke

vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.

vii. Submission of an executive summary report within 90 days upon completion of the study to ***KCAUSERC***.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://research- portal.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely,

Dr. Caroline Ntara

Appendix VIII: KCAUSERC's Formal Release

KCA UNIVERSITY SCIENTIFIC AND RESEARCH ETHICS COMMITTEE

Chairperson, KCA University Scientific And Ethics Review Committee

DISCLAIMER FORM FOR PRINCIPAL INVESTIGATORS (PIS) COLLECTING PRIMARY DATA

This Disclaimer Form serves to release the Scientific and Ethics Review Committee (SERC), KCA University, and the National Commission for Science, Technology, and Innovation (NACOSTI) from any liability concerning the unlawful or unethical use of data collected by the Principal Investigator (PI) in their research. By signing this form, the Principal Investigator acknowledges and agrees to comply with all relevant data protection laws, including the Data Protection Act of Kenya and other applicable regulations.

1. Acknowledgment of Liability

The Principal Investigator (PI) acknowledges and agrees that the Scientific and Ethics Review Committee (SERC) of KCA University and NACOSTI shall not be held liable or responsible for any unlawful, unethical, or unauthorized use of the data collected as part of the research project. The PI is solely responsible for ensuring that the data is collected, stored, and processed in compliance with all applicable data protection laws.

2. Compliance with Data Protection Laws

The PI is required to adhere to the following data protection laws in the collection, storage, and processing of data in Kenya:

Kenya Data Protection Laws

- The PI must ensure compliance with the *Data Protection Act of 2019* of Kenya, which governs personal data collection, processing, and storage.
- The PI is responsible for obtaining informed consent (Where applicable) from research

participants and ensuring that personal data is collected for legitimate purposes, stored securely, and used only in accordance with the stated purposes.

- The PI must implement appropriate security measures to protect personal data from unauthorized access or misuse, and ensure that data is only retained for as long as necessary.

3. Liability Release and Disclaimer

The PI agrees that the Scientific and Ethics Review Committee (SERC) and KCA University are not liable for any actions taken by the PI that are in violation of applicable laws. This includes, but is not limited to, the misuse, unauthorized disclosure, or improper handling of data that is in violation of the laws outlined above. Additionally, the PI agrees that NACOSTI, as the regulatory body overseeing scientific research in Kenya, shall not be held liable for any breaches or failures in compliance resulting from actions taken by the PI, including any unauthorized use of data.

4. Consent and Understanding

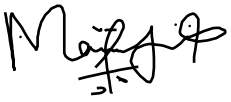
By signing this form, the PI acknowledges understanding the terms and conditions outlined above, including the legal obligations to adhere to Kenyan data protection laws. The PI understands that they are solely responsible for ensuring the lawful collection, processing, and storage of data.

5. Signatures

Principal Investigator (PI) Name: Marube James

Research Project Title: CORPORATE RESTRUCTURING INITIATIVES ON THE FINANCIAL PERFORMANCE OF CORPORATIONS IN KENYA

Date of Data Collection: April, 2025.



Signature:

Date: 22/04/2025.