EFFECTS OF CHIEF EXECUTIVE OFFICER’S SOCIAL NETWORKS AND
PERFORMANCE OF STATE CORPORATIONS IN KENYA

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ABSTRACT

Chief Executive Officers are one important organizational resource that sets the path for the firm’s strategic direction. There was need to carry out a study in Kenya and consider whether there is a relationship between the Chief Executive Officers’ social networks and performance of state corporations in Kenya.

The specific objectives of the study were to determine whether, social networks, both intra-firm and inter-firm affect the performance among state corporations in Kenya. The study was carried out in Nairobi where the Chief Executive Officers and management staff of 11 state corporations were based. The research study used descriptive research design and the target population constituted 477 management staff and Chief Executive Officers’ of the eleven state corporations. However, only 153 formed the sample size which represented 30% of the total population. The Chief Executive Officers’, heads of departments and middle level management formed the key respondents of the research study. The study employed a structured questionnaire to collect data.
Data collected was analysed using Social Science Statistical Package (SSPS). Reliability was tested using Cronbachs alpha and all the variables met the threshold for subsequent analysis. Factor analysis was also employed to test for validity where the questions that didn’t meet the threshold were dropped and not considered for subsequent analysis. Correlation analysis indicated that the independent variables had a positive and insignificant relationship with organizational performance of state corporations in Kenya.

Regression analysis was also used to test the nature of the relationship and it was reported that among the three independent variables, CEOs’ social networks had a positive but insignificant relationship with performance of state corporations. CEOs’ social networks explained 10% of variation in performance of state corporations in Kenya. The study therefore concluded that CEOs’ social networks have no significant effect on the performance of state corporations in Kenya.

Key words: Chief Executive Officers, social networks, organizational performance, state corporations.

Introduction

The strategic value of Chief Executive Officers to an organization lies in his or her social connections in addition to his or her value stand-alone knowledge, skills and abilities. Studies that draw on human capital theory do not account for this strategic value. As the other individuals, Chief Executive Officers can be viewed as entities embedded within one or more social systems, Adler and Kwon (2002). Consistent with the research on top management social networks Collins and Clark (2003), this research study differentiates two types of social systems within which Chief Executive Officers can be embedded in; intra-firm and inter-firm social networks.

Intra-social networks refer to the sets of relationships the Chief Executive Officer has with others within his or her own organisation and inter-firm social networks refer to the sets of relationships she
or he has with individuals outside the organisation who hold information of potential value to the firm. This research study adopts the view that a Chief Executive Officer’s value to an organisation is contingent on his or her standing within both the intra-firm and inter-firm networks, first and foremost.

Chief Executive Officer’s memberships in the intra-firm and inter-firm social networks can potentially yield benefits for their organisations. Network embeddedness is an important factor that determines the extent to which firms can appropriate value from social networks, Granovetter (1985). Embeddedness in a social network is a faction of an individual’s position (centrality) within that network, Granovetteer (1973), Wiersma and Faus (1994). The conceptualisation of this study reflects the tradition in social network literature that studied two types of embeddedness relational and structural, Granovetter (1985, 1992).

Granovetter views embeddedness as, “the fact that economic action and outcome like all social action and outcomes are affected by actors’ pair wise relations and by the structure of the overall network of relations” (Granovetter, 1992). The former refers to relational embeddedness and the latter to structural embeddedness. Relational embeddedness emphasizes the quality of connection as featured by tie strength. The strength of ties in a social network has important implications for the quality of information an actor is privy to. Strong ties are characterised by a high level of trust and intimacy, thus enabling actors to gain access to information that is not widely available, Coleman (1988).

Structured embeddedness emphasizes the overall patterns of network connections. Centrality is the most important construct in this regard. It is defined as “the extent to which a focal actor occupies a strategic position within a network”, Wiersman and Faust (1994). Degree of centrality refers to the number of nodes that a local actor has ties to. Thus, the greater the degree of centrality, the more prestige the actor has within the network, Brass and Burkhardt (1993).
Network studies have basically followed one or both of the above approaches to embeddedness e.g. Ahuja (2000), Gnyawali and Madharan (2001), Hanzlu (1999), Levin and Cross (2004), Tsai (2001) in this research study, embeddedness as a combination of both structural and relational embeddedness. That is, a higher degree of network embeddedness refers to the Chief Executive Officers being in a more central position in the network with more strong ties.

A Chief Executive Officer who is highly embedded in the intra-firm network has an advantage with respect to gathering and distributing information within the organisation. In essence, high embeddedness in the intra-firm network places the Chief Executive Officers in the middle of the action, thus enabling him or her to contribute tremendously to the firm’s exploitation and exploration capabilities. The departure of the Chief Executive Officers with such embeddedness translates to significant losses in terms of instrumental relationships and the strategic efficiencies he or she facilitates.

Part of the value of Chief Executive Officer’s social connections with other organisational members is that they facilitate efficient information flow to lower levels of the organisational hierarchy. This value is created by instrumental relationships, Coleman (1988). Thus great Chief Executive Officers social network will improve the quality of the information flow over and above formal structures and procedures and thus enhance the effectiveness with which strategic decisions are implemented. When such a Chief Executive Officer leaves, this additional social channel is disrupted. The organisation may fall short in meeting the information requirement for executing strategic decisions that have been made, Galbraith (1973).
Embeddedness in the intra-firm social network also has important implications for the Chief Executive Officers’ role as an information gatherer within the organisation. Specifically, having strong connections with many organisational members will give the Chief Executive Officers a greater awareness of the nature and distribution of information and resources that reside within the organisation. Awareness of the availability and location of such resources is rooted in the instrumentality of relationships between the Chief Executive Officer and members of the organisation, Adler and Kwon (2002); Colenman (1988). Consequently, access to such information will assist the Chief Executive Officer in his or her decision making, putting him or her in a position to leverage the firm’s existing resources and in the process, create value. The turnover of a Chief Executive Officer in this position will lead to loss of this advantage and therefore negatively influence the firm’s exploitation capabilities. As Coleman (1988) points out, the instrumental action facilitated by social connections is lost when those relationships end. Similarly, Butt (1992) suggests that the dissolution of a social connection results in the loss of any value created by their relationship, Shaw (2005).

A Chief Executive Officer’s inter-firm social network is composed of his or her connections with other individuals external to the firm who hold information of potential value to the firm. These individuals typically include external board members and managerial contacts among suppliers, customers, competitors, financial institutions, alliance partners, government agencies and trade agencies, Collins and Clark (2003). A Chief Executive Officer is more embedded in the inter-firm network when he or she has a greater number of outside contacts (Has a higher structural embeddedness) and maintains stronger ties with them (has a higher relational embeddedness). One important source of Chief Executive Officer’s inter-firm network comes from his or her career path prior to current. The number of organisations the Chief Executive Officers has previously worked for, the number of industries those organisations are in, the number of positions and level of positions he or she held in those organisations
and his or her tenure in those organisations all shape the Chief Executive Officer’s experience through which she or he acquires inter-firm networks, Eisenhard and Schoonhoven (1996). In addition to the Chief Executive Officer’s career path, inter-firm networks can be developed through other means, including holding external directorship roles, being a member of an informal community of peers, or having experience with the management of a firm’s strategic partners, Geletkanycz and Hambrick (1997), Westphal and Milton (2000). These different experiences all determine the different degrees of inter-firm network embeddedness among different CEOs.

This research study argues that the firm’s exploration capabilities are higher when the Chief Executive Officers are more embedded in the inter-firm network. The value of membership in the firm in the inter-firm network is that it serves as an informational network for Chief Executive Officers providing access to information and knowledge from outside the organisation, which may be useful for current and future competitive strategies, Nigh (1999), Keegan (1984). Prior literature suggests that innovative firms reach for new knowledge extensively from external parties. For instance, Rosenkopf and Nerkar (2001) argue that firms should explore by spanning organisational boundaries.

Similarly, Katila and Aguja (2002) point out that those firms should search for new knowledge from the competitor firms and firms outside the industry. Inter-firm networks can therefore be used as a forum for knowledge search and acquisition. The new information and knowledge could be gained from the organisations in the same industry or related industries. When CEOs are exposed and average knowledge from outside, firms are more likely to be able to explore new learning opportunities and combine externally acquired information with their own existing knowledge to formulate more competitive strategies, Grant (1996), Kogut and Zander (1992).
Chief Executive Officers who are highly embedded in inter-firm social networks are strategically positioned at the cross roads of external information. Thus, they are privy to a vast amount of information, Collins and Clark (2003), Salk and Brannen (2000), Westphal and Milton (2000). Such strategic positioning enables Chief Executive Officers to be better informed of potential demand changes from customer firms, of future supply conditions from supplier firms and of updated technological development from proximal firms. Access to such information is a critical part of the entrepreneurial search and discovery process that characterises firm’s exploration capabilities. Bisociation processes thrive in the availability of information and knowledge from a broad array of domains, Koestler (1964). Even when the new information is seemingly irrelevant, it could help CEOs to break mental barriers to the consideration of different alternatives in strategic decision making, Walsh (1995). Consequently, the firm is prompted to these opportunities and initiate change. Chief Executive Officers may combine this information with their existing knowledge in ways that have never before been done, thus creating value, Smith and Di Gregorio (2002).

**Problem of Research**

Social capital represents the value that is embedded in relationships among people. This value emanates from actions facilitated by social connections (Adler and Kwon, 2002). The value is driven by the goodwill that exists among social actors. This goodwill facilitates the availability of information, positive influence and solidarity among actors in a social network, Coleman (1988), Nahapiel and Ghoshal (1998). Thus, a key actor standing within a social network is a critical component of his or her social capital or value associated with the social network.

Inspite of the previous studies citing the benefits that companies derive from CEO’s social networks, in the Kenyan context these social networks are hardly valued among Kenyan state corporations and
hence the study aims at addressing the reasons why Kenyan state corporations do not value CEO’s social networks.

**Research focus**

Empirical literature indicates that social capital represents the value that is embedded in relationships among people, Adler and Kwon, (2002). This value emanates from the actions facilitated by social networks and connections, Coleman (1988). It is driven by the goodwill that exists among social actors, Adler and Kwon (2002). This goodwill facilitates the availability of information, influence and solidarity among the people in the social network, Coleman Nahapiet, Ghosha (1988). Similarly, Adler & Kwon (2002) argue that the value underlying social capital stems from the Chief Executive Officer’s social networks. Thus, a Chief Executive Officer’s standing within the social network is a critical component of his or her social capital that he or she bring to bear with organizational performance, Leana and Van Buren (1999).

Collins and Clark (2003) examined the relationship between the Chief Executive Officers social networks and firm performance. They argue that the Chief Executive Officers membership in a social network whether intra or inter firm can potentially yield benefits for their firms. Grano Vetter (1985) further argued that Chief Executive Officer’s social networks are an important factor that determines the extent to which firms can benefit from economic actions and outcomes influenced by the Chief Executive Officer’s social network members.

Levinthal and March (1993) pointed out that Chief Executive Officer’s social networks affect firms’ growth and long-term prosperity. Darr (1995) winter and Szulanki (2001) concluded that the Chief Executive Officers social networks are relevant to firms’ profits from their current investment,
enhancing their short-term productivity and efficiency. Galbraith, (1973), Habib and Victor (1991), argue that when a Chief Executive Officer has many strong social networks with other members of staff in the organization these connections provide an alternative information flow channel to the formal structure. The efficient flow of information from the Chief Executive Officer, as the top decision maker, to lower levels of the organization is crucial to the successful achievement of the organizations performance objectives.

Hough and White (2004) further argue that access to such information from social networks enables the Chief Executive Officer to make better decisions about how best to exploit the firm’s resources to meet profitability and sales growth objectives. Kogut (2000) points out those Chief Executive Officers who have social networks within the firms are in a unique position to discover new ways to combine organizational knowledge and gain competitive advantage among competition.

Athanassion and Nigh (1999) argue that when a Chief Executive Officer has social networks outside the organization such social network serve as informational network for Chief Executive Officers and knowledge from outside the organization, which may be critical for current and future competitive strategies. Katila and Ahuja (2002) point out that firms that search for new knowledge from competitor firms and firms outside the industry find social networks very useful as such social networks can be used as a forum for knowledge search and acquisition. When Chief Executive Officers are exposed to and leverage knowledge from outside, firms are likely to be able to explore new learning opportunities and combine externally acquired information with their own existing knowledge to formulate more competitive strategies.

Westphal and Milton (2000) posits that social networks enable Chief Executive Officers to be better informed of potential demand changes from customer firms, of future supply conditions from supplier
firms and of updated technological developments from firms that could pose potential competition to their firm. Chief Executive Officers may combine this information with their existing knowledge in ways that have never before been done, thus creating value for their investors.

Organizational Performance

Organizational performance is an analysis of a company’s performance as compared to goals and objectives. Within state corporations, there are three primary outcomes analysed; financial performance, market performance and shareholder value performance. Organizational capability is a prerequisite of organizational performance. It refers to the firm’s ability to develop its resource base in order to meet environmental expectations.

As organizational life is characterized by the continuous need to adapt to a dynamic environment and generate innovations in order to meet or create future demands, Gibson and Birkinshaw (2004), there are however two specific organizational capabilities that have been given attention in management literature; exploration and exploitation capabilities.

According to Levinthal and March (1993), exploration refers to organizational abilities to search and identify new opportunities, discover new knowledge, experiment with new experiences and review organizational strategy. McGrath (2001) asserts that exploration affects organization growth and prosperity in the long term, particularly in promoting organizational innovation and change. Szulanski (2001) describes exploitation as organizational abilities to execute and refine their routines and appropriate value from existing organizational knowledge and strengthen available advantages. Exploitation becomes relevant in organizational profiting from their investments and enhancements of their productivity.
Organizational performance is at the core of competitiveness. They are the things an organization always does better than competitors do, Ulrich (1997). These capabilities may be hard, such as technology (for example the ability to create new marketable technologies or the financial flexibility to respond aggressively in multiple markets simultaneously), or they may be soft such as organizational capability (for example, the ability to move faster in the marketplace or attract and retain effective global expatriates). Soft organizational capabilities are more difficult to create and replicate, Ulrich, (1997). This is seen with firms trying to implement soft capabilities such as process reengineering.

Most surveys show that efforts to implement these soft organizational capabilities take a 75 per cent failure rate, Ashkenas (1994). Less important than who build the product today is the question that has the organizational capability to build the best product over and over, adjusting to each global market. A Chief Executive Officer with organizational capability to sustain to create such a capacity in an organization becomes much sought after in the labour market, McGrath (2004).

Recent research into soft organizational capabilities show that organizations are working in four directions: building capabilities of confidence in which individuals both inside and outside the organization believe that Chief Executive Officers will do what they say and maintain their reputation, Fombrum (1996), becoming boundary-less, allowing information and ideas to move effortlessly across hierarchical, horizontal and external boundaries; achieving capacity for change, the flexibility and agility that allow constant innovation and learning, attaining change that builds on and maintains itself. Company Chief Executive Officers have the obligation to identify and foster these and other capabilities to increase competitiveness, Drucker (1995).

Chief Executive Officers need to frame what they do in terms of the capabilities they must create. It is no longer sufficient to hire, train or reward individuals; these activities must now be undertaken in the interest of creating a set of organizational capabilities, Ulrich and Lake, (1995).
Football teams illustrate how individual Chief Executive Officer’s competences complement organizational capability. Athletes at each position are well trained and known as the best. The team and its system of play, however, is more important than any single individual. Individual competence was less than the team work capability shared among all the players. In successful organizations, however, whatever the industry or area, individual Chief Executive Officers competencies are being turned into organizational performance, Senge (1995).

**Methodology of Research**

The study adopted Descriptive Research Design to support and meet the research objectives. The descriptive design is flexible and expansive enough to adapt to various field challenges that could arise during administration of questionnaire and data interpretation, Kombo and Tromp (2006). Descriptive research design provided an accurate account of characteristics of a particular event or group in real life situation, Kothari (2004), Mugenda, (2008), Orodho and Kombo (2002). Studies that have been undertaken in this area of research by Hambrick and Mason (1984), Smith (2006), Mackey (2008), Norburn and Birley (1988), Parry and Masons (2006), Charan, Drotter and Noel (2001), Shen (2001), Hermalin and Weisbach (1988), Ward, Bishop and Sonnenfeld (1999), Adams, Almeida and Ferreira (2005), Hill (2005), Jacobstein, (2008), have used this research design and therefore the researcher adopted it.

**Population**

According to Sekeran (2008), a population is the total collection of elements about which inferences are made and refers to all possible cases which are of interest for a study. For purposes of this study the population was drawn from eleven state corporations comprising of Chief Executive Officers, heads of
departments, middle level managers and lower level management staff totalling 477. State corporations constitute a major source of ex-chequer finances resources and therefore their performance in the economy is very important, Cabinet Office, (2011).

Target Population

According to Mugenda & Mugenda (2008), population refers to an entire group of individuals, events or objects having common observable characteristics. Target population is that population which a researcher wants to generalize the results of a study. In defining the accessible population, one should not be influenced by convenience. One should define the population as consistently as possible with the purpose of the study. Consistency supersedes convenience in research. The study considered the following organizations as its target population; Kenya Airports Authority, Kenya Pipeline, Kenya Power & Lighting Company Ltd, Kenya Electricity Generating Company, Kenya Revenue Authority, Kenya Ports Authority, National Oil Corporation of Kenya, National Cereals & Produce Board, East African Portland Cement, Agricultural Finance Corporation and Chemelil Sugar, Chief Executive Officers Head of department’s Middle level manager’s Lower level mgt staff which constituted 477 respondents from the eleven states corporations.

Sampling and Sampling Procedure

After deciding on the sample size, the researcher formulated a procedure of selecting the subjects to be included in the sample. To select a representative sample, a researcher must first have a sampling frame. In this research, the researcher stratified the state corporations into three strata; very good performing, good performing and poor performing. Purposive sampling proportional to size was used to select corporations within each stratum.
The research identified the sample respondents from the various departments who included human resources, marketing, finance, operations and public relations (corporate affairs), but only a sample of 153 were chosen to participate. This formed 30% of the population. Mugenda & Mugenda (2008), recommend that for small populations a sample of 30% is statistically significant. The respondents were Chief Executive Officers; Heads of Department, Middle level and lower level management staff chosen using simple random sampling to give them equal chances of being selected.

Data Collection Procedure

The Chief Executive Officers, middle level managers and lower level management staff were more likely to be most knowledgeable with respect to the overall situation of their firms. Cooper & Schindler (2006) recommends the use of questionnaires in descriptive studies because self-administered surveys cost less than personal interviews and sometimes sample accessibility becomes difficult.

A pilot test was conducted using questionnaires administered to 15 individuals. This constituted 10% of the 153 staff. The individuals were selected using sample random sampling. The research also used Cronbachs alpha to test for reliability of the data. All the independent variables met the threshold of 0.7 and above as per (Nunnaly, 1978). Factor analysis was also used as a reduction method in order to reduce the data to manageable and meaningful size in order to be left with the data that addresses the key phenomenon. The result of factor analysis was to reduce the items to only those that meet the threshold of 0.5 as indicated by (Child, 1990).

Data Processing and Analysis

The questionnaire was screened to remove those that are incomplete or poorly filled and counterchecked to ensure that they were all correctly filled. The qualitative data was then converted
into quantifiable forms by coding all relevant data followed by systematic assembly. Statistical Package for Social Science (SPSS) was used for analysing the data.

Descriptives of both independent and dependent variables were established, test for normality of the dependent variable was established so that the researcher can do subsequent analysis. Factor analysis was done to reduce the data and be left with the only items that met certain threshold. Reliability analysis was conducted through the use of Cronbachs alpha. Correlation analysis was used to test the nature of the relationship between the variables. Regression analysis was used to test whether the independent variables had any effect on performance of state corporations in Kenya.

**Measurement of Dependent Variable**

For the purpose of conducting the analysis in this study sub variables under organizational performance namely profit growth, sales growth and growth in earnings per share were identified. These are the items to be measured for the dependent variable. Linear Regression Analysis was performed to measure the relationship between dependent variable and independent variable. Normality tests were done so that the researcher could continue with further analysis.

**Measurement of Independent Variables**

Independent variables were run through the statistical package for social sciences to test their reliability. Reliability test was done to check whether the independent variables are reliable. Cronbachs Alpha was used to test this. Correlation analysis was done to test any chances of multicolinearity before factor analysis was done. Correlation matrix was used to gauge the items that were considered for further analysis. In cases where the correlations were less than 0.5 they were not considered for
subsequent analysis. Validity analysis was done to check whether the instruments were valid. Factor analysis was used to reduce the factors considered for subsequent analysis.

Regression Analysis

The study used Linear Regression Analysis to measure the relationship between the independent variables, that is, Chief Executive Officers social networks, and the dependent variable, that is, organizational performance. Previous studies done in this area advocated for the use of multiple linear regression models. Huson Malatesta Parrino (2002), Neumann, Voetmann (1999), Abe and Iwasaki (2010), Cannella, Albert and Shen (2010).

The Regression Analysis indicated that organizational performance was a function of the sum of Chief Executive Officers social networks. Therefore the research study used the following model to test whether Chief Executive Officers social networks had any influence on organizational performance.

\[ Y = \beta_0 + \beta_1 X_1 + \epsilon \]

Where: \( \beta_0 \) is constant, \( \beta_1 \) = intercepts for the independent variables, \( Y = \) Performance, \( X_1 = \) Chief Executive Officers Social Networks, \( \epsilon = \) Error term

Results of Research

Factor analysis as a redemption method was used in order to have a meaningful number of questions that met the threshold of 0.5 which was the standard, (Child, 1990). Out of the total 19 questions on social networks only 13 met the threshold as indicated on table 1. The 13 questions that were left for consideration for subsequent further analysis had coefficients ranging from 0.714 to 0.509. However, the remaining 6 questions were dropped and not considered.
Table 1: Component matrix of social networks

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.714</td>
</tr>
</tbody>
</table>

Higher degree of network embeddedness refers to the Chief Executive Officers being in a more central position in the network with more ties. The greater the degree of centrality, the more prestige the actor has within the network. The position of a Chief Executive Officers in an organization provides internal balance and dynamism

Chief Executive Officers memberships in the intra-firm and inter-firm social networks can potentially yield benefits for their organizations.

The departure of the Chief Executive Officers of such embeddedness translates to significant losses in terms of instrumental relationships and the strategic efficiencies he or she facilitates

In essence, high embeddedness in the intra-firm network places the Chief Executive Officer in the middle of the action, thus enabling him or her to contribute tremendously to the firm's exploitation and exploration capabilities.

Embeddedness in the intra-firm social network also has important implications for the Chief Executive Officer’s role as an information gatherer within the organization

The organizational impact of Chief Executive Officers turnover and succession can be attributed to the nature of the individual's accumulated social capital from both types of networks (Intra-firm and inter-firm)

The strength of ties in a social network has important implications for the quality of information an actor (e.g. a Chief Executive Officer) is privy to

Strong ties are characterized by a high level of trust and intimacy, thus enabling actors to gain access to information that is not widely available

Thus, great Chief Executive Officer’s social network will improve the quality of the information flow over and above formal structures and procedures and thus enhance the effectiveness with which strategic decisions are implemented

The departure of the Chief Executive Officers of such embeddedness translates
to significant losses in terms of instrumental relationships and the strategic efficiencies he or she facilities.

When such a Chief Executive Officer leaves, this additional social channel is disrupted. The organization may fall short in meeting the information requirement for executing strategic decisions that have been made.

Inter-firm social networks refer to the sets of relationships a Chief Executive Officer has with individuals outside the organization who hold information of potential value to the firm. His departure would affect these networks and linkages negatively.

Stakeholders are affected by the departure of the Chief Executive Officers.

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Table 2: Reliability and Validity measurement results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of items</th>
<th>Cronbachs alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social networks</td>
<td>13</td>
<td>0.862</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>8</td>
<td>0.904</td>
</tr>
</tbody>
</table>

Source: Research Data

The results and findings indicated that social networks and organizational performance met the threshold as per Nunnaly 1978 and therefore they were considered viable for subsequent analysis. After the questions were reduced to a meaningful number (13), correlation analysis was conducted to test the relationship between social networks and organisational performance of state corporations in Kenya. Social network has a positive Pearson correlation of 0.136; however, it is not significant since it has surpassed the threshold of 0.05. The results indicated that social network did not have a significant influence on organisational performance because, p=0.148 (p>0.05)
Table 3: Correlation between social networks and organizational performance

<table>
<thead>
<tr>
<th></th>
<th>Organizational performance</th>
<th>Social networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational</td>
<td>Pearson</td>
<td>1</td>
</tr>
<tr>
<td>performance</td>
<td>Correlation</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.148</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td>Social networks</td>
<td>Pearson</td>
<td>0.136</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
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</tr>
<tr>
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<td>0.148</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>114</td>
<td>114</td>
</tr>
</tbody>
</table>

Table 4: Goodness of fit of Social Networks

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.136&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.019</td>
<td>0.010</td>
<td>5.22856529</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Social Networks

The results on social networks indicated that social network explains 10% of variation in organisational performance of state corporations in Kenya. This is indicated on table 3 Adjusted R² = 0.010. This shows a relatively small explanation in the Kenyan scenario.

The Anova (analysis of variable table) results indicated that social networks versus organisational performance has insignificant influence since p = 0.148 against the threshold of p = 0.05.

Table 5: Analysis of Variance between social networks and organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>58.051</td>
<td>1</td>
<td>58.051</td>
<td>2.123</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>3061.844</td>
<td>112</td>
<td>27.338</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3119.895</td>
<td>113</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>
a. Predictors: (Constant), social networks

b. Dependent Variable: organizational performance

From table 6 results indicated that regression coefficient for social network against organisational performance was not significant although the constant was significant hence social network has no influence on organizational performance of state corporations in Kenya. Table 6 indicates the regression coefficient results of social networks.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>20.506</td>
<td>2.381</td>
<td>8.613</td>
</tr>
<tr>
<td></td>
<td>Social Networks</td>
<td>0.079</td>
<td>0.054</td>
<td>0.136</td>
</tr>
</tbody>
</table>

a. Dependent Variable: organizational performance

**Discussions**

The study sought to establish the effects of social networks on the performance of state corporations in Kenya. The purpose of the study was to test the relationship between the Chief Executive Officers’ social networks and performance of state corporations in Kenya. The objective was to determine whether Chief Executive Officer’s social networks affect performance of state corporations in Kenya.

Descriptive statistics were used to analyse this research objective before other subsequent analysis was done. The results and findings indicated that both intra-firm social networks and inter-firm social networks had a great influence on the organisational performance of state corporations in Kenya.
Factor analysis was done in order to reduce the social network items to manageable and meaningful size, where 13 items met the threshold of 0.5 and above. 6 items were dropped since they did not meet the threshold. After factor analysis, reliability analysis was done to establish how the items were reliable for this case. Cronbach alpha established the reliability with a coefficient of 0.862. Correlation was also done to establish the nature of the relationship and it indicated that there was a positive Pearson correlation of 0.136.

Regression analysis was also done whereby the results indicated that social networks had a goodness of fit of 10% indicating that social networks only explained 10% of the variation in the performance of state corporations in Kenya. The Pearson correlation also indicated that social networks within the Kenyan scenario have no significant influence on the performance of state corporations in Kenya. This was the case since the significance level did not meet the threshold of 0.05 but instead it yielded 0.148 which surpasses the threshold.

Conclusions

The results and findings therefore conclude that although social networks have a positive correlation, in the Kenya state corporations, it does not have any effect on their performance.

References


Fombrum Charles, (1996), Reputation Realising Value from Corporate Image


