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Abstract

Capital structure is the most significant discipline of company's operations. Capital structure decision is a vital decision with great implication for the firm's sustainability. The capital structure of a firm is very important since it indicates the ability of the firm to meet its obligations and the needs of its stakeholders. Advocates of optimal capital structure argue that judicious combination of debt and equity maximizes the value of a firm. There are dissenting views among scholars on what constitutes optimal capital structure and its effects on a firm's financial performance. Extant literatures have reviewed the relationship between capital structure and the performance of firms, although the findings of these studies are inconclusive. This paper was anchored on the expectancy theory and supported by the pecking order theory and resource-based view theory. This paper adopted positivism philosophy. The target population was the 68 institutions under the energy sector. The pilot test was carried out on twenty managers from different departments of the selected firms. The Quantitative data was analysed using Statistical Package for Social Sciences (SPSS version 22). The study results indicated that there was a statistically strong and positive relationship between strategy implementation and organizational performance. The findings

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indicated that capital structure had a strong and significant relationship with performance of Energy sector institutions. The research findings further showed that the joint influence of strategy implementation and capital structure on performance was higher than their separate effect. The study further concluded that an appropriate capital structure is a critical decision for any business organization. The study recommends that Energy sector institutions should adopt balanced capital structure strategy that will optimize companys' performance and corporate value.

Keywords: *Strategy Implementation, Capital Structure & Organizational Performance.*

Introduction

Strategy implementation has been a major challenge in today's organizations. This is due to the fact that there are very many mixed factors that influence the realization of strategy implementation which range from mechanisms in place to control and coordinate people who implement or communicate the strategy (Yang, Guohui & Eppler, 2008). The business world is arriving at a new frontier composed of rapid, unpredictable change and substantial uncertainty that are transmuting the nature of competition. Success in today's business world necessitates new managerial mindsets that highlight strategic flexibility, global markets and the ability to tolerate and harness change. Additionally, the time frames for all strategic actions are significantly being reduced (Schaap, 2006). This newfangled business setting involves new forms of managerial thinking and organizational structures, global mindsets, extensive strategic and structural flexibility, and innovative methods for implementing strategies. A scientific resurgence will bring about the growth of industries, modify how businesses compete, and possibly change how companies are managed (Pascale, Millemann, & Gioja, 2000). Failure in implementation will automatically render good strategy useless (Pearce, Robinson & Mital, 2012). Strategy implementation is a crucial and important process in strategic management (Pearce *et al*., 2012). In order to be successful organizations need to effectively implement their strategies to enhance their performance. The purpose of strategy is to afford directional cues to the organization that permit it to achieve its objectives while reacting to the opportunities and threats in the environment. Since strategic decisions influence the way organizations react to their environment, it is very important for a firm to make strategic decisions and define strategy in terms of its purpose within the environment (Pearce & Robinson, 2007). Strategy is a fundamental management tool which is appreciated in any organization as a multi-dimensional concept that various authors have defined in different ways.

Capital Structure

The term capital structure is used to represent the proportionate relationship between debt and equity. Equity includes paid-up share capital, share premium and reserve and surplus (retained earnings) while the debt capital in a firm's capital structure refers to borrowed monies, such as bonds, loans, debenture, and commercial papers (Pandey, 2010). Company financing decisions involve a wide range of policy issues. Such decisions affect capital structure, corporate governance and company development (Green, Murinde & Suppakitjarak, 2002). Knowledge about capital structures has mostly been derived from data from developed economies that have many institutional similarities (Booth, Aivazian, Demirguc-Kunt & Maksimovic, 2001). The capital structure is playing a most important role in the firm's financial decision making process along with other resources. According to Mahakud and Jitendra (2012) under pecking order there is no

optimal capital structure since the observed debt ratio is the cumulative outcome of the pecking order financing behavior overtime.

Capital structure involves different sources of long term capital through which an enterprise finances its assets (Kirmi, 2017). Capital structure influences both shareholders' return and the ability of a firm to survive economic depression (Joshua, 2017). Mohammad and Jaafer (2012) affirm that firms can use either equity or debt to finance their assets. But where the interest was tax deductible, firms would maximize the value accruable by using more debt. Capital structure decision becomes relevant to any business enterprise which has the need to maximize shareholders' return and achieve competitive advantage. The mix/ratio of debt and equity in the company's mode of financing refers to capital structure. Some organizations prefer more debt while others prefer more equity in financing their assets.

The capital structure of a firm is determined by internal and external factors. The external factors are the macroeconomic variables which include tax policy of government, inflation rate and capital market conditions. The characteristics of an individual firm, growth rate, profitability, debt servicing capacity and operating leverage are determinants of capital structure (Baral, 2004). Teker, *et al*, (2009) identified the determinants of capital structure of firms to include tangibility, size, growth opportunities, profitability and non-debt tax shields. Owolabi, Inyang and Uduakobong (2012) identified the determinants of capital structure of Nigerian firms as corruption, political instability and nature of financial market.

Abor (2008) in his study of the determinants of the capital structure of Ghanaian firms identified the following factors to be responsible for leverage decisions among Ghanaian firms (both quoted and unquoted firms): age of the firm, size of the firm, asset structure, profitability, growth opportunities, dividends anticipated, risk, tax benefit and managerial ownership. These factors influence both long–term and short-term leverage ratios. In a pooled regression analysis, Drobetz and Fix (2003) identified tangibility, size, growth, profitability, volatility, non-debt tax shield and uniqueness as the major determinants of capital structure. The choice of which source of finance should be used in the firm is very important to managers since a wrong mix of financing source may affect the performance of the firms and their survival in the market (Chinaemeren & Anthony, 2012). Managers of the firms have a duty of maximizing return of not only shareholders but also other stakeholders of the firm and the choice of financing source is very important as it affects the ability of the firm to deal with competitive environment.

Organizational Performance

Performance is important to all organizations including public corporations, private companies, government ministries and even nonprofit organizations (Mkalama, 2014). Performance is, therefore, crucial for any organization and is at the heart of any strategic management (Ongeti, 2014). Previous studies have used different measures of firm's performance, these measures include accounting – based measures calculated from firms' financial statements such as ROA, and ROE (Chen & Hammes, 2004; Abor, 2005). Zeitun and Tian (2014) also used two common accounting – based performance measures to evaluate the firm performance to be ROE and ROA, in which ROE is computed as the ratio of net profit to average total assets, and ROA is computed as the ratio of net profit to average total assets. Financial performance analysis deals with the following items: capital employed, asset base, sales turnover, dividend growth (Omondi & Muturi, 2013). Financial performance is expressed with regards to increase in stock prices, sales and dividend (Maghanga & Kalio, 2012).

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Literature Review

Theoretical Review

This paper was anchored on the expectancy theory and supported by the pecking order theory and resource-based view theory.

Expectancy Theory

Expectancy Theory was developed by Vroom (1964). This theory suggest that people will only carry out a task with the expectation that their action will help them achieve required result. The theory deals with motivation and management. Expectancy theory assumes that behavior is a result of choosing among alternatives with the purpose of maximizing pleasure and minimizing pain. Expectancy theory is adopted for this study because it is a theory of management behavior that promotes employee commitment to organizational goals and standards. Thus, greater commitment leads to increased productivity and therefore, expectancy theory can be used to show managers how to enhance the value of employees' work and promote the perception that they can be successful and earn ensuing rewards (Quick, 1988). Based on studies done on motivation, it is noted that motivation is the driving force behind all human efforts and is essential to all human achievements.

The expectancy theory assumes that a person is motivated to the degree that they believe performance is a result of their effort. Expectancy theory is relevant for this study because strategy implementation can be positioned as the pivotal behavioral choice which then can be used to advance factors that indirectly affect the adoption of implementation activities through expectancy. Expectancy theory attempts to identify relationships among variables in a dynamic state which affect individual behavior, hence it is a process theory. According to Lunenburg (2011), the expectancy theory highlights the motivation of employees in relation to performance to reward and reward valences. The review of motivation theories whose attempt was to explain staff workplace motivation, revealed that expectancy theory focuses on mental experiences that motivate people and their interrelations. Expectancy theory is relevant to strategy implementation because from a management perspective, the expectancy theory has important implications for motivating employees.

The Pecking Order Theory

The Pecking Order Theory (POT) was developed by Myers and Majluf in 1984. According to POT, firms have three main sources to fund the financial needs which are internal funds, debt and new equity. The POT suggests that firms will initially rely on internally generated funds, and then they will turn to debt if additional funds are needed. Finally, they will issue equity to cover any remaining requirement (Ahmad, Abdullah & Roslan, 2012). The pecking order theory assumes that there is no target capital structure. This theory argues that firms follow a certain hierarchical fashion in financing their operations in the sense that they initially use internally generated funds in the form of retained earnings, followed by debt, and finally external funding (Mateev, Poutziouris & Ivanov 2013). The pecking order theory predicts a negative relationship between debt ratio and profitability, because firms utilize the available internal funds as first financing source and debt as a last resort (Brendea, 2012).

According to the pecking order hypothesis, firms that are profitable and therefore generate high earnings are expected to use less debt capital than those who do not generate high earnings (Ahmad *et al*., 2012). This is because funds used from profits do not dilute ownership. Besides, the funds obtained from debt attract interest which is an extra burden to the firm. According to the Pecking Order theory, there is no optimal debt-equity mix because there are two kinds of equity, retained earnings at the top of the pecking order and the issue of new shares at the bottom (Myers, 1984). The Pecking Order Theory further stipulates that optimal capital structure is reached when tax advantage of borrowing (tax shield) is balanced at the margin by the cost of financial distress (Maina & Muturi, 2013).

Myers (1984) summarizes the theory by stating that there is no optimal debt-equity mix because there are two kinds of equity, retained earnings at the top of the pecking order and the issue of new shares at the bottom. Myers (1984) claims that asymmetric information and transaction costs overwhelm the forces that determine optimal leverage in the trade-off models. For this reason, therefore, to minimize these financing costs, firms prefer to finance their investment first with internal cash flows. Only if there's residual financing need will firms use external capital in the following order; first safe debt, then risky debt and finally equity issues. So, contrary to the trade-off theory, the pecking order theory predicts no long run target capital structure (Maina & Kondongo, 2013).

POT is important as it signals to the public how the company is performing. This means if the company finances itself internally it means it is a strong company and if the company has external financing then this shows high level of confidence that the company has high chance of satisfying its obligations (Wahome, Memba & Muturi, 2015). This theory is also relevant to this study because it assisted in determining whether an institution exhaust internally generated funds before turning to debt financing. This theory underpins all the variables in this study apart from strategy implementation of the firm.

Resource Based View Theory

Resource Based View Theory was first advanced by Penrose (1959) who argued that a firm's superior performance is achieved when the resources are controlled by the firm. The resource-based theory (RBT) anchors propositions on organizational resources and contends that firm behaviors depend on resources (Barney, 1991). Resource based view theory states that, firm's performance is mainly driven by a unique set of resources that are valuable, rare and difficult to imitate (Singh & Mahmood, 2014). The chosen business strategy supports organisation to best and fully exploit its core competences given the available opportunities in organizations' external environment (Griffin, 2013). The theory emphasizes internally on assets, organizational processes, capabilities, knowledge, information, and other capacities controlled by an organisation that permits the development and implementation of effective strategies (Okioga, 2012). Organizations may also be seen as bundles of human, physical and capabilities which creates sustainable competitive advantage in such a way they are rare, valuable, non-substitutable and inimitable (Ferlie & Ongaro, 2015). Moreover, firm resources are the basis for the sustainable realization of competitive advantage (Singh & Mahmood, 2014; Gebhardt & Eagles, 2014). The resources must have the capacity to exploit opportunities and reduce threats in its external environment, while offering something rare, which cannot be easily imitated, or substituted by rivals within the same industry (Okioga, 2012).

The theory submits that for an organization to have competitive advantage over its competitors, it needs to prioritize the acquisition of unique resources and capabilities (Barney, 2002). The resource-based view (RBV) theory explains that valuable and rare organization resources can be difficult to replicate, and thus leading to sustained advantages in organizational performance (Alavi, Wahab, Muhamad, & Shirani, 2014). The RBV emphasizes the organization's resources as the fundamental determinant of competitive advantage. Two of RBV's assumptions are that firms within an industry or in a strategic group could be heterogeneous with respect to the kind of resources that they control. Secondly, it assumes that resource heterogeneity is long lasting because the resources used to implement firms' strategies are not perfectly mobile across firms and are difficult to accumulate and imitate. Theoretically, RBV addresses the fundamental question of why firms are different and how they achieve and sustain competitive advantage. The RBV literature suggests that firm's sustainability of competitive advantage come from building on the resource endowment and core competencies of the organization (Kostopoulos, 2003). Conceptually and empirically, resources are the foundation for attaining and sustaining competitive advantage and eventually high performance for the organization (Ismail, Rose, Uli & Abdullah, 2012). The resource-based view is considered relevant to competitive advantage. RBV contributes to the understanding of competitiveness of an organization. The RBV model assumes that each organization is a collection of unique resources and capabilities. The RBV's critics notwithstanding, this study still finds the RBV theory applicable in the current research context.

Strategy implementation, Capital structure and Organizational Performance

Njoroge *et al*. (2015) conducted a study on the effect of strategy implementation on performance of Kenya state corporations. The study was done on 98 state corporations in Kenya. The findings revealed that external environment has a significant effect on performance of those organizations. The study established that organization does not depend on financial resources alone to successfully implement its strategic plan. Cherugutt and Juma (2016) examined the determinants of strategy implementation at Libya Oil. The study sought to fill this gap by investigating the factors affecting strategy implementation at Libya Oil (K) ltd. The target population of the study was 64 respondents from a population of 30 percent of 212 employees. The study used stratified random sampling technique to select a sample of 64 employees from senior managers, middle managers and regular employees across the offices within the country. Data was collected using structured questionnaire while data analysis was done using descriptive statistics and inferential statistics. The findings of this study showed that there was a budget allocated for strategy implementation at Libya Oil, although it was not released on time. Nguyen and Nguyen (2017) studied the impact of factors affecting business strategy implementation of Vietnam garment companies. A total of 192 questionnaires were administered to respondents chosen from 82 Vietnam garment companies. The findings indicated that there is a significant positive relationship between factors: Strategy formulation-Human resources-Communication-Corporate culture-Organizational structure and business strategy implementation from the sample point of view.

Fatoki (2018) conducted a study on the effect of financial performance on capital structure of non-financial firms in the Nigerian Stock Exchange. The study examined the effect of financial performance on capital structure of non-financial firms on the Nigerian Stock Exchange (NSE). This was guided by assessing the effect of earnings per share, market to book value of equity, return on assets and return on capital employed on capital structure choice while size was included as the moderating variable. The causal research design was adopted. Panel data involving the 186 listed companies on the NSE as at December 2015 for a period of 16 years (1999 to 2015) was

extracted from the annual reports and financial statements of the firms, Central Bank of Nigeria statistical bulletins, NSE fact books and bulletins. Descriptive and inferential statistics were used to interpret and estimate the capital structure regression equation. The effects of all the explanatory variables are statistically significant at all levels of capital structure measure except for return on capital employed (ROCE), total debt ratio (TDR) and debt to equity ratio (DER) whose conclusions are statistically insignificant. Based on the significance of these results it was concluded that both the efficiency risk and franchise value hypotheses of the reverse causality hypothesis are observable in the capital structure choice of the non-financial firms in the NSE.

Olokoyo (2013) studied the relationship between capital structure and corporate performance of Nigerian quoted firms. The main objective of this study is to determine the overall effect of capital structure on corporate performance of Nigerian quoted firms by establishing the relationship that exists between the capital structure choices of firms in Nigeria and their return on assets, return on equity and Tobin's Q (a market performance measure). The effect of institutional factors such as size, tax and industry on firms' performance was also established. The study employed panel data analysis by using Fixed-effect estimation, Random-effect estimation and Pooled Regression Model. The usual identification tests and the Hausman's Chi-square statistics for testing whether the Fixed Effects model estimator is an appropriate alternative to the Random Effects model were also computed for each model. The empirical results based on 2003 to 2007 accounting and marketing data for 101 quoted firms in Nigeria lend some support to the pecking order and static trade-off theories of capital structure. A firm's leverage was found to have a significant negative impact on the firm's accounting performance measure (ROA). An interesting finding is that all the leverage measures have a positive and highly significant relationship with the market performance measure (Tobin's Q). It was also established that the maturity structure of debts affect the performance of firms significantly and the size of the firm has a significant positive effect on the performance of firms in Nigeria The study further reveals a salient fact that Nigerian firms are either majorly financed by equity capital or a mix of equity capital and short term financing. It is therefore suggested that Nigerian firms should try to match their high market performance with real activities that can help make the market performance reflect on their internal growth and accounting performance.

Ongombe and Mungai (2018) investigated the influence of the choice of capital structure decision on financial performance of sugar milling firms in Kisumu County, Kenya. The specific objectives of the study were to investigate the effect of financial debt-ratio, debt-equity ratio and weighted average cost of capital on the financial performance of sugar milling firms. The financial performance of the three sugar milling factories in Kisumu County were analysed from the perspective of the indicator of return on equity. The study was conducted based on the Trade-off theory, the Pecking order theory and the Agency cost theory. The units of analysis were individual firm to determine the effect of capital structure on financial performance. The population of the study consisted of all the three sugar manufacturing firms in Kisumu County. The study involved financial analysis and thus used descriptive survey design. The study used secondary data which was obtained from published financial statements from the period 2011-2015 and collected using the secondary data collection sheets. Data was analysed quantitatively using statistical package for social science (SPSS) version 21. Additionally, correlation analysis, simple and ~~a~~ multiple regression analysis was done to determine the extent of influence of each of the autonomous variable. To check whether there was collinearity, multicollinearity was carried out using tolerance and variance inflation factor and the normality was indicated by a PP plot of regression standardized residual. Data was presented using table and written discussions. The findings

indicated that debt-ratio had a negative insignificant statistical relationship while debt-equity ratio had a significant negative effect on monetary performance of sugar manufacturing firms in Kisumu County as measured by ROE. The study recommended that Sugar firms that are in a position to finance their operations using equity should reduce debt financing so as to lessen the risks connected to borrowing hence improve on their financial performance.

Muhammad, Shar and Islam, (2014) investigated the impact of capital structure on the performance of cement manufacturing companies in Karachi stock exchange during the period 2009-2013. Pearson correlation and multiple regressions models were used to analyze data. The result shows that the ratio of debt to asset showed a strong negative association with firm performance. The researchers used secondary data collected from the books of accounts of 30 energy firms in United States of America for the period 2009-2013, and analyzed the influence of capital structure on financial performance. Capital structure was measured by short term debt, total debt to equity ratio and firm size while return on asset was used as an indicator of financial performance. Smart partial least square was used in the analysis of data. The result shows that total debt has a significant negative impact on ROA. This negative association between total debt and total asset ratio and financial performance also prevailed in prior studies. This study therefore hypotheses that there is no significant negative connection between debt ratio and financial performance when measured by return on equity.

Nirajini and Priya (2013) assessed the impact of capital structure on financial performance of the listed trading companies in Sri Lanka. The data was extracted from the annual reports of sample companies. Correlation and multiple regression analysis are used for analysis. The results revealed there is positive relationship between capital structure and financial performance. The study found out that capital structure significantly impacts on the financial performance of the firm as showed by the debt asset ratio, debt equity ratio and long term debt correlated with gross profit margin (GPM), net profit margin (NPM), Return on Capital Employed (ROCE), Return on Asset (ROA) & Return on Equity (ROE) at significant level of 0.05 and 0.1

Dada and Ghazali (2016) studied the impact of capital structure on firm performance. The study examined the capital structure and firm performance evidence from Nigeria. The study employed a sample size of 100 non-financial firms of listed Nigerian companies in the Nigerian Stock Exchange (NSE) for a period of 2010 to 2014. The annual financial statements were examined using a panel data approach to analyse the empirical study. Tobin's Q and ROA were used as proxies for the firm performance. The study findings indicated that asset turnover had a positive and significant relationship with Tobin's Q. The study also found out that risk maintains negative and significant relations with Tobin's. Moreover, the age of a firm had negative and significant relationship with ROA while sales growth maintained positive and significant relationship with ROA.

Ahmad (2018) investigated the relationship between capital structure and performance of non-financial firms of Pakistan. The results of the study depicted that capital structure negatively and significantly influence the accounting measures of performance whereas the relationship between capital structure and market performance (Q ratio) was significantly positive. In addition, the results showed that 31 percent of the selected sample firms were inclined towards the cost leadership strategy to accomplish their business objectives. The results of moderating analysis showed that cost leadership strategy positively moderate the relationship between capital structure and firm performance. The study implied that debt financing is financially viable for the cost leadership firms. In addition, the results specified that when the firms try to maintain high debt

ratio while pursuing a product differentiation or hybrid strategy, incur a significant performance penalty.

Getahun (2014) examined the determinants of capital structure and its impact on the performance of Ethiopian insurance industry. The study used only secondary data. The study used statistical tests like descriptive statistics, correlation, specific linear assumption and fixed effect regression estimation model. The results showed that firm leverage, size, tangibility and business risk had significant impact on performance of Ethiopian insurance companies. The results provided strong evidence in support of the pecking order theory of capital structure which asserts that leverage was a significant determinant of firms' performance. A significant negative relationship was established between leverage and performance. The study realized that an appropriate capital structure is a critical decision for any business organization to be taken by business organization for maximization of shareholders wealth and sustained growth. According to Arulvel and Ajanthan (2013), capital structure choice is an important decision for a firm. It is important not only from a return maximization point of view, but also this decision has a great impact on a firm's ability to successfully operate in a competitive environment. The ability of companies to carry out their stakeholders' needs is tightly related to capital structure. Therefore, this derivation is an important fact that we cannot omit. Capital structure in financial term means the way a firm finances their assets through the combination of equity, debt, or hybrid securities (Saad, 2010).

Conceptual Framework for the Study

This paper investigated the intervening effect of capital structure on the relationship between strategy implementation and organizational performance as presented in a diagrammatical form in Figure 2.1.

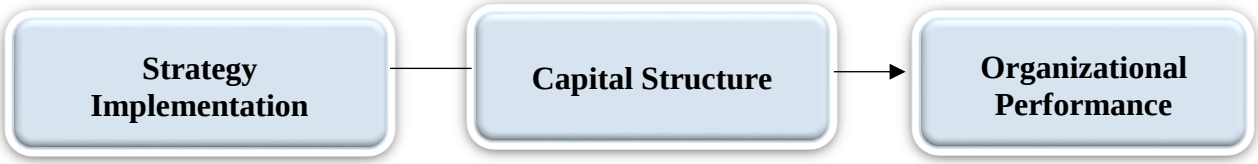

Figure 1: Conceptual Framework

Hypotheses of the Study

This paper was guided by the following hypothesis

$H0_1$: There is no significant intervening effect of capital structure on the relationship between strategy implementation and organizational performance.

Methodology

Research Philosophy

The study adopted a positivist paradigm which involves a statistical analysis approach. This paper adopted positivism view with the aim of assessing the intervening effect of capital structure on the relationship between strategy implementation and organizational performance.

Research Design

This study employed a cross-sectional survey design. The adopted design enabled collection of data across different facilities and testing their relationships. The cross-sectional study was concerned with finding out what, when and how much of the phenomena under study (Cooper & Schindler, 2014).

Population of the Study

The study population comprised all key players under energy sector covering both public and private institutions listed in the register of Energy and Petroleum Regulation Authority February 2019. According to ERC (2019), there are 68 institutions under the energy sector. The unit of observation comprised of the C.E.O or the Head of the Institution and two members of management involved in finance, operations or technical. This is because they are at policy and strategy level. This made it three (3) respondents from each category. The researcher purposively included CEO, head of finance, technical and operation manager from all the institutions to select 204 employees.

Data Analysis

The study used primary data and secondary data. Primary data was obtained from the selected respondents using questionnaires. Quantitative data was analysed using Statistical Package for Social Sciences (SPSS version 22). The study employed linear regression analysis to determine the relationships that exist between the independent variable(s) and dependent variable. A multiple linear regression model was used to determine the intervening effect of capital structure on the relationship between strategy implementation and organizational performance. Pearson correlation analysis was also done to measure the strength and direction of the relationship between the dependent and independent variables.

Findings and Discussions

Response Rate

The researcher distributed 204 questionnaires, out of which 166 responded positively by filling and returning the questionnaires. This represented an overall positive response rate of 81.37 percent. The remaining 18.63 percent were unresponsive even after several follow-ups and reminders. Table 4.1 and 4.2 give results for the response rate.

Table 4.1: Response Rate of study Population

Category	Targeted employees	Response of employees	Percent
Policy & Regulation	9	7	77.78
Distribution and Transmission	6	5	83.33
Generation	189	154	81.15
Total	204	166	81.37

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Table 4.2: Response Rate

Category	Questionnaires distributed	Questionnaires filled and returned	Percent
Respondents	204	166	81.37

Reliability Tests

Table 4.3: Cronbach's Alpha Reliability Coefficients

Variable	Components of Variables	Cronbach's Alpha	Number of items	Decision
Strategy Implementation	-Leadership -Structure -Responsibility and Accountability -Culture	.906	20	Reliable
Capital Structure	-Cost of capital -Covenants -Debt -Equity	.749	19	Reliable
Performance	-General performance -Service delivery	.853	14	Reliable

As shown in Table 4.3, the alpha coefficients for all the variables are above the 0.7 threshold. This was confirmation of reliability of the data used to draw conclusions from theoretical concepts. Cronbach's alpha coefficient was 0.749 (Capital structure) revealing a high degree of reliability of the instrument. The results indicate that all constructs had high scores of reliability coefficients. This implies that all the variables had a reliable index measure indicating the reliability of the questionnaires.

Descriptive Statistics

Intervening Effect of Capital Structure on the Relationship Between Strategy Implementation and Performance of Energy Sector Institutions in Kenya

The respondents were asked to rate factors on capital structure on a Likert scale of 1(strongly disagree) to 5 (strongly agree) as applied in the energy sector. Table 4.4 gives the results of the findings.

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Table 4.1: Capital Structure Dimensions

Capital Structure	N	Mean	Std. Deviation	Coefficient of Variation (percent)
Cost of Capital				
An aggressive financing policy is important for the firm	166	4.82	0.430	9
Investors are likely to invest in a firm where shareholders have a stake	166	4.82	0.386	8
Firms rank internal sources of finance higher than external sources	166	4.51	0.932	21
My organization ensures cost of capital is minimized while maximizing the value of the firm	166	4.25	0.463	11
My organization creates benchmark to evaluate its performance and discount rate for evaluating capital investments	166	4.17	0.467	11
My organization employs' financial ratios for business analysis	166	4.11	0.528	13
Overall Mean	166	4.45	0.534	12
Covenants				
My organization has debt agreements with the external financiers	166	4.01	0.534	13
Stakeholder are given right of partial information disclosure to the company's debt holder	166	4.01	0.534	13
Investors are protected from extravagant investments by the covenants	166	3.74	0.622	17
My organization has large assets which could be used to act as collateral for securing the loans.	166	3.99	0.447	11
Overall Mean	166	3.94	0.534	14
Debt				
The firm has a mix of debt and equity in its capital structure	166	3.85	0.629	16
The survival of my business is highly dependent on the country's economy	166	4.55	0.751	17
The organization prefers internal funding to external funding	166	3.27	0.832	25
High levels of debt in a firm's capital structure may cause liquidity problems	166	3.86	0.622	16
Excessive use of debt can lead to higher financial distress costs	166	3.90	0.619	16

Capital Structure	N	Mean	Std. Deviation	Coefficient of Variation (percent)
There are tax savings associated with use of debt as a source of financing	166	4.05	0.531	13
Overall Mean	166	3.91	0.664	17
Equity				
Equity element in a firm's capital structure is attractive to lenders	166	4.08	0.440	11
My organization's net income is greater than ordinary shareholders' equity	166	3.96	0.452	11
My organization's leverage ratio is inversely related to market-to-book equity ratio.	166	3.75	0.639	17
Overall Mean	166	3.93	0.510	13
Grand Mean	166	4.06	0.561	14

The grand mean of statements on capital structure was 4.06, standard deviation of 0.561 and coefficient of variation of 14 percent, a high mean indicating that capital structure decisions play a key role in the overall firm strategy in order to enhance shareholder firm value in Energy sector institutions. On factors of capital structure, cost of capital had the highest mean of 4.45, standard deviation of 0.534 and coefficient of variation of 12 percent. The findings indicated that an aggressive financial policy was a crucial factor to be considered for efficient financial performance of an organization. Additionally, for effective firm performance, the surveyed institutions ensured that they minimized cost of capital in order to maximize profits for their organizations as well as adopted benchmark programs which constantly evaluated performance. The choice of financing makes cost of capital a crucial variable for every organization since it determines the company's capital structure and hence firms ought to develop and implement right strategies which provide adequate funding and as well as minimize cost of capital for improved firm performance.

The average mean on statements on covenants was 3.94, standard deviation of 0.534 and coefficient of variation of 14 percent. The findings indicated presence of debt covenant agreements of the surveyed firms with external financiers and that most of the firms had large assets to be used as security when acquiring loans. Effective debt covenants facilitate development and implementation of right strategies that steer a firm to increase its income to enable it clear debt and enjoy profits hence better performance.

On equity, the average mean recorded was 3.93, standard deviation of 0.510 and coefficient of variation of 14 percent. Lastly on debt, the average mean depicted by the findings was 3.91, standard deviation of 0.664 and coefficient of variation of 17 percent. The findings indicated that capital structure decisions played a key role in the overall firm strategy in order to enhance shareholder firm value in Energy sector institutions. Determining the optimal composition and level of long-term debt and specific short-term debt relative to equity can enable an Energy sector Institution to gain competitive advantages over its rivals.

Inferential Statistics

To test this relationship, the following hypothesis was tested;

$H0_1$: There is no significant intervening effect of capital structure on the relationship between strategy implementation and organizational performance.

Baron and Kenny (1986) four-step method was used to test the hypothesis using regression analysis. Intervening is confirmed when the following four conditions are fulfilled. The first condition; the independent variable must be significantly related to the dependent variable in the absence of the intervening variable.

The second condition; the independent variable must be significantly related to the intervening variable. The third condition; the intervening variable must be significantly related to the dependent variable and the final condition; when the effect of the intervening variable on the dependent variable is controlled, the effect of the independent variable on the dependent variable should not be significant. Thus, step one involved regressing strategy implementation with performance. The process moves to step two if step one yields statistically significant results. If step one does not yield significant results, the process terminates. In such a case it would be concluded that capital structure does not intervene the relationship between strategy implementation and organizational performance.

In step two strategy implementation was regressed against capital structure. If the results are significant, the process moves to step 3 because the necessary condition for an intervening effect exist. In step three the influence of capital structure on performance is tested using a simple linear regression model. A statistically significant effect of capital structure on performance is a necessary condition in testing for the intervening effect. Finally, step four tested the influence of strategy implementation on performance while controlling for the effect of capital structure. These tests were done using simple linear regression analysis. The influence of strategy implementation on performance should be statistically significant when capital structure is controlled. This is a necessary condition in testing for an intervening effect. Results from the four steps are presented in Table 4.5, 4.6, 4.7 and 4.8 respectively.

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Step One: Strategy implementation was regressed against performance. The results are presented in Table 4.5.

Table 4.5: Regression Test of the Effect of Strategy Implementation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716[a]	.513	.510	.30712

a. Predictors: (Constant), strategy implementation

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.309	1	16.309	172.902	.000[b]
	Residual	15.469	164	.094		
	Total	31.778	165			

a. Dependent Variable: performance

a. Predictors: (Constant), strategy implementation

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.771	.195		9.083	.000
	Strategy implementation	.598	.046	.716	13.149	.000

a. Dependent Variable: performance

The findings in Table 4.5 shows a statistically strong and positive relationship between strategy implementation and performance (R=.716). Coefficient of determination (R^2=.513) depicts that strategy implementation explains 51.3 percent of performance. The F-value of 172.902 with p-value of 0.00 which is less than the 0.05 significance level, hence the model is statistically significant. The results thus confirmed the first step of testing for the intervening effect of capital structure on the relationship between strategy implementation and organizational performance.

The intervening testing then proceeded to step two that involved testing the influence of strategy implementation on capital structure. The results of the tests are presented in table 4.6.

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Table 4.6: Regression Test of the Intervening influence of Capital Structure

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.546[a]	.299	.294	.38735

a. Predictors: (Constant), strategy implementation

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.478	1	10.478	69.833	.000[b]
	Residual	24.606	164	.150		
	Total	35.083	165			

a. Dependent Variable: capital structure
b. Predictors: (Constant), strategy implementation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.163	.246		8.796	.000
	Strategy implementation	.480	.057	.546	8.357	.000

a. Dependent Variable: capital structure

The results presented in Table 4.6 indicate that strategy implementation have a positive and statistically strong relationship with capital structure (R = .546). Further the coefficient of variation (R^2 = .299) depicted that capital structure is explained by 29.9 percent by strategy implementation. Further the F-value was 69.833 with P-value of .00 which is < 0.05, hence the model is statistically significant. The results therefore, suggest that the second step of testing confirms the process of testing the intervening effect to move to step 3.

In Step Three capital structure was regressed against performance. The results for the step 3 are presented in Table 4.7

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Table 4.2: Regression Test of the Effect of Capital Structure on Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.569[a]	.324	.320	.36188

a. Predictors: (Constant), Capital structure

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.301	1	10.301	78.656	.000[b]
	Residual	21.477	164	.131		
	Total	31.778	165			

a. Dependent Variable: Performance
b. Predictors: (Constant), Capital structure

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.038	.258		7.891	.000
	Capital structure	.542	.061	.569	8.869	.000

a. Dependent Variable: performance

The results in Table 4.7 indicate that capital structure had a strong and significant relationship with performance (R = .569) with capital structure explaining 32.4 percent of performance (R^2 = .324) with remaining percent being explained by other factors not considered in the model. The analysis from the model had F-value of 178.592 with P-value of 0.00 which is less than the level of significance 0.05, hence the model is statistically significant. Therefore, the condition in the third step in testing for intervening effect was satisfied and therefore progressed to step 4 in testing for the intervening effect.

Finally, step four tested the influence of strategy implementation on performance while controlling for the effect of capital structure. These tests were done using simple linear regression analysis. The mediation is supported if the effect of capital structure remains significant after controlling for strategy implementation. If strategy implementation is not significant when capital structure is controlled, then there is full mediation, and if both strategy implementation and capital structure significantly predict Performance, there is partial mediation. The influence of strategy implementation on performance should not be statistically significant at α=.05 when capital structure is controlled. The relevant results are summarized in Table 4.8.

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Table 4.8: Regression Test of the Intervening Effect of Capital Structure

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.716[a]	.513	.510	.30712	.513	172.902	1	164	.000	
2	.747[b]	.559	.553	.29336	.045	16.744	1	163	.000	1.846

a. Predictors: (Constant), Strategy Implementation
b. Predictors: (Constant), Strategy Implementation, Strategy implementation, Capital structure controlled
c. Dependent Variable: Performance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.309	1	16.309	172.902	.000[b]
	Residual	15.469	164	.094		
	Total	31.778	165			
2	Regression	17.750	2	8.875	103.123	.000[c]
	Residual	14.028	163	.086		
	Total	31.778	165			

a. Dependent Variable: Performance
b. Predictors: (Constant), Strategy Implementation
c. Predictors: (Constant), Strategy Implementation, Strategy implementation, Capital structure controlled

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.771	.195		9.083	.000		
	Strategy Implementation	.598	.046	.716	13.149	.000	1.000	1.000
2	(Constant)	1.244	.226		5.496	.000		
	Strategy Implementation	.240	.098	.287	2.453	.015	.198	5.062
	Strategy implementation, Capital structure controlled	.485	.119	.479	4.092	.000	.198	5.062

a. Dependent Variable: Performance

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The results in Table 4.8 shows that when capital structure is controlled strategy implementation is statistically significant (p-value=0.000 which is less than 0.05 threshold at 95 percent confidence level).

At model 2, capital structure adds significantly to the firm performance as the variation increased from coefficient of 0.513 to .559 and p-value=.000. The results further reveal that the variance explained by capital structure is significant (p-value=.000<0.05) and the significance was increased from F=172.902 in the first model to (F=103.123, p-value<.05) in the second model. The hypothesis that there is no significant intervening effect of capital structure on the relationship between strategy implementation and performance of institutions in the energy sector in Kenya was rejected.

This objective was guided by the following model; $Y_1= \alpha+ \beta_1 X_1+ \beta_2 CS+\varepsilon$

Where: Y_1 is Performance
X_1 is Strategy implementation
CS is capital structure (Intervening variable controlled)
ε= Error term
β = the beta coefficients of independent variables
After the regression analysis the model became Y= 1.244 + .479CS

Conclusion

The study results indicated that there was a statistically strong and positive relationship between strategy implementation and organizational performance. The findings indicated that the strategy implementation attributes that include leadership, structure, responsibility and accountancy and culture had a great influence on performance. The inclusion of capital structure gave new insights to the relationship between strategy implementation and organizational performance. The study showed that capital structure significantly mediated the relationship between strategy implementation and organizational performance. The research findings showed that the joint influence of strategy implementation and capital structure on performance was higher than their separate effect. The results of this study therefore provide a concrete reason to give more attention on strategy implementation to be able to achieve better outcomes. The study further concluded that effective strategy implementation should devise internal action approaches, develop effective strategies to improve organizational performance, attain clarity of future direction, assign team work and expertise based on resources, deal effectively with organizational changes and uncertainties in external environment, processes and people and make appropriate choices and priorities in order to achieve better organizational performance.

The study further concluded that an appropriate capital structure is a critical decision for any business organization. The decision is important not only because of the need to maximize returns to various organizational constituencies, but also because of the impact such a decision has on an organization's ability to deal with its competitive environment. From the study results, it was deduced that, the impact of capital structure on firm performance depends on the variables and indicators that are used to approximate capital structure and performance. The study recommends that Energy sector institutions should adopt balanced capital structure strategy that will optimize company's performance and corporate value. The study also recommends that firms should improve their capital structure and implement strategies that lead to a reduction in liquidity ratio as it leads to improved financial performance.

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