

**ASSESSMENT OF PERFORMANCE MANAGEMENT FRAMEWORK
AND MODERATING ROLE OF MANAGEMENT INNOVATION ON
EFFICIENCY IN SERVICE DELIVERY AMONG STATE
ORGANIZATIONS IN KENYA**



**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS OF THE DEGREE OF MASTER OF PUBLIC
POLICY AND MANAGEMENT OF STRATHMORE UNIVERSITY
BUSINESS SCHOOL**

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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ABSTRACT

Performance management is an important managerial concept that integrates organizational mission and core values with organizational culture. Unlike private organizations, public organizations are more complex to the extent that they are affected by political, communal, and social environment and are often exposed to competing policies. This study attempted to assess the implementation of a performance management framework for enhancing the service delivery of State Organizations in Kenya. Specific Objectives of the study included: Evaluating the influence of Performance management planning on service delivery among State Organizations in Kenya; Assessing the influence of the Performance management system on service delivery among State Organizations in Kenya; Analyzing the influence of feedback mechanisms on service delivery among State Organizations in Kenya; and To examine the extent to which innovation moderates the relationship between performance management and service delivery among state organizations in Kenya. The study reviewed the following theories: Goal-setting theory; System theory of management; Institutional theory; and Innovation theory. The study used primary data sampled from 71 randomly selected state organizations. Regression analysis was used for analysis. The study revealed that management systems and feedback mechanisms have a significant and positive effect on efficiency in Service delivery. It was also revealed that management innovation has a moderating effect on the relationship between performance management systems and efficiency in service delivery. The study recommended enacting laws to strengthen the utilization of the Medium-Term Expenditure Framework instead of introducing ad hoc policies, while ensuring clear budgetary allocations to support the successful implementation of projects. The study also recommended aligning appraisal criteria with employees' tasks and responsibilities while incorporating opportunities for career growth and development. Additionally, strengthen external feedback systems to identify bottlenecks, address inefficiencies, and facilitate problem-solving between the organization and external stakeholders.

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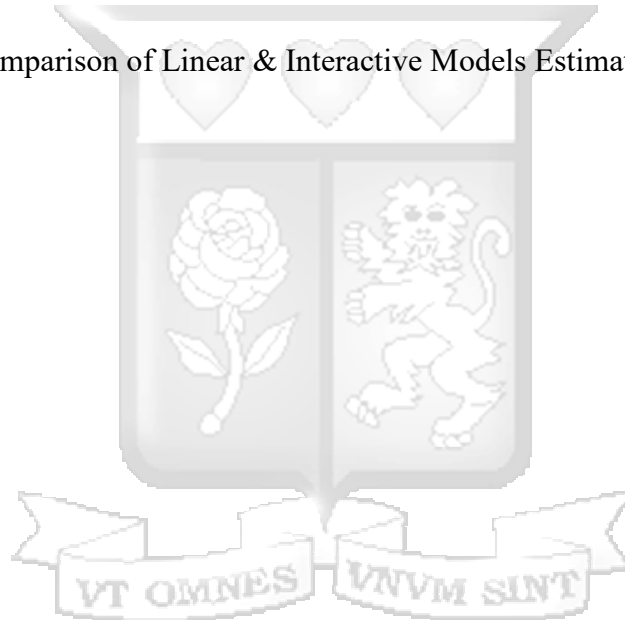
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LIST OF ABBREVIATIONS

ERS	Economic Recovery Strategies
FM	Feedback Mechanism
GoK	Government of Kenya
HRM	Human Resource Management
MBO	Management by Objectives
MDA	Ministry, Departments and Organizations
MTEF	Medium-Term Expenditure Framework
MI	Management Innovation
NACOSTI	National Commission of Science, Technology and Innovation
NPM	New Public Management
PMP	Performance Management Planning
PMS	Performance Management Systems
PSC	Public Service Commission
RBM	Results- Based Management
RBR	Results- Based Reporting
RRI	Rapid Results Initiative
SCAC	State Corporations Advisory Committee
SDG	Sustainable Development Goal
SOEs	State Owned Enterprises

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This chapter introduced the concept of performance management and its vital role to establish the causal relationship between performance management factors and organizational outcomes. The introduction thereby provides a robust foundation for testing the study objectives within a scientific paradigm.

1.1.1 Concept of Performance Management

Performance management is an important managerial concept that integrates organizational mission and core values with organizational culture, human resource management and productivity. The concept can be traced back to the early 20th century during the Industrial Revolution, which was at its peak with the rise of the automotive industry, coal mining, and steel manufacturing, among others. Growth of the industry introduced the need to develop new management systems such as management by objectives (MBO) and 360 degrees feedback, which stressed the importance of clear alignment of organizational goals, constitution of clear communication and feedback channels, and employee participation in the performance management process (Samuel, 2013).

Over time, this led to the introduction of performance appraisal system after human resource management emerged as a discipline. Performance management has contributed to the emphasis on the social facet of work as a means of improving both employee morale and organizational productivity. In the modern setting, it generally utilizes a model known as the "performance management cycle" which comprises five components that offered recommendations for how an organization should set up its system. A reward system based on performance outcomes, performance metrics, goal setting, performance evaluation, feedback, and objective modifications were among these components (Mabbey, 1999).

Globally, the United Nations (UN) played a key role in promoting performance management through the implementation of Results-Based Management (RBM) and

Results-Based Reporting (RBR) in the 1990s. UNDP (2011) defines RBM as a management strategy by which all players, contributing directly or indirectly to achievement a set of goals, ensure that the products, services, and processes contribute are harmonized to enhance their collective contribution to the achievement of desired outcomes. These approaches aimed to improve the efficiency and effectiveness of development programs by focusing on achieving measurable results. (Bester, 2012).

Results-based management puts emphasis on the implementation of a sound performance management system. Performance management is a participatory and team-based management approach intended to achieve well-defined results by improving planning, programming, management efficiency, effectiveness, accountability and transparency (Pulakos, 2009). Additionally, it is a collaborative communication-based process by which management and employees work together to plan implement, monitor and review objectives and long-term goals.

Performance management systems provide mechanisms that link the attainment of organizational goals and employee recognition and reward objectives. This can be achieved through alignment of processes for establishing a shared understanding about organization's objectives, procedures needed to fulfil the objectives and human resource management strategies that enhance achievement of the objectives. Its fundamental role is to enable goal congruence between an organization and the employees (Koech & Namusonge, 2012; Korir & Bengat, 2015).

Performance management is therefore vital in ensuring that an organization adopts the best practices that lead to efficiency, effectiveness, and competence. Leveraging employee performance against organizational goals. Therefore, ensuring organizational procedures are in place to capitalize on employee efficiency and, ultimately, the organization's overall output is the goal of performance management. Monitoring and evaluation of the value of the labor force is a part of performance management and it is a significant component of implementing organizational strategy (Jonjo, 2017). Noe et al. (2010b) argues that performance management initiatives, woven into a framework of measurable goals and objectives, empower individuals, departments, and the organization to achieve revenue targets and drive success.

The goal of introducing performance management systems is enhancement of efficiency in production and service delivery. Organizations' workforces are better positioned to deliver services effectively, reduce redundancies, and eliminate bottlenecks when performance expectations are well defined, communicated. Additionally, incorporating actionable insights for process improvement, continuous and progressive feedback, training, and capacity building initiatives not only improves their productivity but also foster a culture of accountability and responsiveness that directly improves service quality and turnaround time.

Efficiency in service delivery is further strengthened when performance monitoring and appraisal systems focus on outcome-based assessments. To this end, performance management has become an indispensable and dynamic tool for identifying gaps, motivating employees and refining production and service standards to adopt innovative practices that enhance productivity while streamlining operations. Ultimately, an effective performance management system ensures that organizational goals and vision are realized in the long run through creation and reinforcement of results-driven and performance-oriented organizational culture.

1.1.2 Performance Management in the Public Sector

The strategic importance of sectors such as transportation, manufacturing, energy, and telecommunications compelled to establish State-owned enterprises (SOEs) for three main reasons: First, to protect national interest by ensuring the government has control over strategic resources. Second, to fulfil the critical role of delivering vital services essential for fostering economic progress and development. Third, governments were compelled to step in since the private sector often lacked the capacity and financial resources to invest in the projects mainly due to the substantial initial investments outlay (Riany, 2021).

Therefore, SOEs were initially created to address market failures and provide services deemed too important or complex for the private sector to handle. SOEs that operate independently to provide these in a country are referred to as State Organizations. Governments establish these organizations with the intention of providing essential public services to the residents of a state. In most countries, the establishment of the SOEs is made possible through legislation and headed by boards that the State appoints

and the board answers to various arms of government as stipulated by the law (Koech et al, 2012; US Government Accountability Office, 2019).

The public sector is a multifaceted organization that plays a significant role in the provision of public goods and services, ensuring national security and providing a conducive environment that facilitates economic growth and improvement of the community's welfare. Given that the primary source of government revenue is tax collection from its subjects, then its primary responsibility as an organization is to ensure that it emphasizes accountability, efficiency, transparency and effectiveness for the benefit of its citizens (Heling et al, 2005).

According to Chowdhury & Shil (2021), political development over the last three decades has increased pressure for governments, globally, to improve their performance by demanding for more transparency and accountability. From 1990's governments in developed countries reinvented their management practices by introducing administrative reforms commonly renowned as New Public Management (NPM), which streamlined public organizations through decentralization, downsizing, and privatization. Performance management in the public sector shifted its emphasis over them to include processes for tracking results and rewarding accomplishments (Heinrich, 2004).

In 1993 the United States of America became one of the pioneers by introducing an act of parliament that required state agencies to formulate mission statements, organizational objectives and come up with strategic goals that will help them achieve the objectives. This act played a central role in exposing inefficiencies and weaknesses in execution of duties and responsibilities among public organizations. This was achieved through monitoring and evaluation of state agencies by Congress. Congressional oversight served as an important platform for monitoring and evaluation by holding state organizations accountable for their action, identifying malpractice and/or inefficiencies, and driving improvements in performance through legislative reforms (US Government Accountability Office, 2019).

The emergence of modern economy was catalyzed by the rapid industrialization and urbanization occurring on the onset of the twentieth century. This led to significant expansion of government responsibilities, encompassing the provision of essential

public goods and services like infrastructure, education, healthcare, and social welfare. To protect national interests, governments were compelled to limit access and control of strategic resources to private sector. According to Hirschman (1978), nationalization was seen as ensuring that key industries, mostly determined through a natural monopoly, such as energy and natural resources, provided essential public goods and services.

Service delivery in State Corporation is a key aspect in the bid to promote public service worldwide. These government enterprises are critical organizations that enhance the promotion of critical services to the public. These services include transport, education and healthcare, among other essential services to the public. Globally, the SDGs under UN outline a service delivery framework to be followed across various states. Service delivery in the global context is measured according to international standards to make sure that they are in line with the SDGs (Van Dooren et al, 2015).

Performance measurement serves as a crucial gauge within the corporate landscape, reflecting an organization's competitive edge and overall well-being. Organizations that actively adopt and implement productivity-focused strategies enhance their capacity to produce high-quality goods and services while managing costs effectively, aligning with domestic and international market demands. Furthermore, such initiatives play a key role in upholding & elevating standards of living for their workforce. In the contemporary era of open and competitive markets, the intertwined enhancements in productivity and quality act synergistically to enhance socio-economic competitiveness (Sessional Paper No. 13 of 2013).

Performance management framework should encourage engagement between management and employees to ensure that a safe environment is provided to enable flow of information, feedback and regular review of employees' performance and the extent to which each employee contributes to the overall attainment of the organizational objectives. Performance appraisal system is therefore a fundamental tool that can be applied in monitoring and evaluation of organizational performance (Chaponda, 2014).

First, performance appraisal is one of the most fundamental aspects of managing management because it assists in linking employees' morale and productivity with organizational goals. It refers to the tools utilized for evaluating employees' performance over a specific period. The process of appraisal encompasses a collective approach in setting both organizational goals and employee tasks and responsibilities. Public service delivery is measured according to standards of the local, and regional integration is available. In this case, state Organizations of member countries of the East African Community (EAC) work together to enhance service delivery in the region.

Secondly, Rhys and Cardiff (2006) explained that organizational failure in public organizations has been a topical issue globally and can be attributed to failure to utilize performance review to set clear, attainable and meaningful targets and priorities. The performance management framework should have a clear monitoring and evaluation mechanism and should include clear performance indicators and metrics, streamline processes and an evidence-based decision support system. Setting clear priorities and targets is an essential part of performance management can play a fundamental role in enhancing efficiency and productivity.

Goal setting in public organization is an important exercise because This is achieved through measuring individual performance against set goals or deliverables that are, when applying best practice, aligned to team and organizational goals. In this practice, key performance areas are measured in terms of key performance indicators, and a person's performance rating is then used for incentive bonus, promotion and / or salary increase decisions

Last but not least, innovation is an essential feature that can enhances the relationship between performance management system and efficiency in productivity and service delivery in the public sector. Innovation can cut across all aspects of management by bridging the gap between the top-down decision-making process and grassroots operations (Walker et al., 2011) stated that: Management Innovation can play a central role in the process of changing organizations, facilitating organizational adaptation to the external environment and increasing the efficiency and effectiveness of internal processes.

Ideally, innovation and creativity enhance organizational components' ability to introduce performance measures that not only accentuate the overall performance system but are also consistent with overall organizational goals (Walker et al., 2011). Introduction of New Public Management (NPM) framework is hinged on need for public organization to shift towards 'privatization' with the aim of incorporating innovation culture as a way to improve performance management (Bloch & Bugge, 2013; Christesen et al., 2020).

Unlike private organizations, public organizations are more complex to the extent that they are affected by political, communal and social environment because they are accountable to citizens, donors, external governments among others. Therefore, they are often exposed to competing policies, and try to balance between a myriad of interests, split loyalty and diverse sources of influence that are woven in their environment. It is therefore necessary to use different perspectives for analyzing public organizations (Christesen et al., 2020; Gao, 2015).

1.1.3 Kenyan State-Owned Enterprises

In Kenya, State Organizations or State Owned-Enterprises (SOEs) are established through the Act of Parliament, and a board of directors who are appointees of the Government (Njoroge, 2015) oversees every agency. The state-owned enterprises (SOEs) are broadly classified into Regulatory state Organizations; Commercial state Organizations; Service state Organizations; Research and training state Organizations; Regional Development Organization; and financial state Organizations. Inspectorate of State Organizations (Government of Kenya, 2020).

Regulatory state organizations, whose role is to regulate certain sectors/industries in the country; financial Organizations, whose role is to offer finance-related services to the country. Commercial state Organizations are mainly involved in business activities to generate revenue for the government. Research and training state Organizations whose role is to undertake research and provide training in various sectors of the economy. Finally, service delivery Organizations are mandated to provide essential services to the public. Inspectorate of State Organizations (Ashworth et al, 2010).

The origin of State Owned-Enterprises (SOEs) can be traced back to the colonial era when SOEs were established to provide essential services that could not be provided

by the private sector. After Independence the newly formed government under sessional paper No. 10 of 1965 established SOEs with the aim of the Africanization of state resources and providing infrastructure and services with the aim of fast-tracking economic growth in the economy. Given the state of the economy, the government introduced SOEs that focused on expansion of key sectors including agriculture, manufacturing and industrial development.

Rapid expansion of SOEs was witnessed in the 1960s and 1980's due to the fact that private sector was ill developed and lacked capacity, capital and skills to adequately produce essential goods and services. The Kenyan economy established 115 SOEs from independence to 1980. During this period, SOEs employed more than 50 percent of the workforce in the formal sector and contributed more than 10 percent of Gross Domestic Product and accounted for more than 50 percent of the economy's export (Klaus, 1981; Mwaura, 2007).

Despite their crucial role in the economy, SOEs were faced with significant challenges that led to poor performance that have paralyzed their operation. Attempts to transform SOEs led to the formation of various committees between 1979 and 1986. The reports from Review of Statutory Boards in 1979 committee and 'The Working Party on Government Expenditures' proved that long term inefficiency, high level of debt, financial management, wastage, poor hiring and employee management policies, political interference in appointment of top officials were some of the main factors that explain poor performance of SOEs (Klaus, 1981, Mwaura, 2007, Government of Kenya, 2020).

According to Mwaura (2007), factors that led to poor performance of SOEs include, lack of autonomy, poor management and corruption among others. It was observed that appointments to top level management were based on favoritism and rewarding and influenced by political interest as opposed to technical and professional factors as politicians.

Government of Kenya (various issues) has adopted various performance management reforms in an attempt to improve performance of SOEs. RBM was first introduced in the late 1990s and aimed to improve public resource planning, budgeting, and management. The Rapid Results Initiative (RRI) was later introduced in 2004 and was

meant to satisfy internal and external customers and achieve the National Vision (Kenya Vision 2030).

GOK introduced Performance Management in Government Ministries, Departments and Organizations (MDA's) to expand service as a deliberate policy to enable public servants to focus on giving results when providing services to citizens. Performance management aimed to drive achievement of the Economic Recovery Strategy (ERS) goals. Departments and ministries, through their staff, set clear objectives aligned with ERS targets and defined individual roles in service delivery (Government of Kenya, various issues).

Reforms in management of SOEs led to remarkable improvement in management of SOEs. However, state Organization's still experience a number of challenges, among them debt and misappropriation of funds. The performance and the value of government resources allocated to these Organizations are a major challenge and, therefore, the need to promote a performance management framework within the state Organizations (Government of Kenya, 2022b).

Public organizations are more complex to the extent that they are affected by political, communal and social environment because they are accountable to citizens, donors, external governments among others. The need to critically investigate performance management framework is necessitated by the following factors. First, a greater effort is required to identify the needs of different groups and provide a greater variety of services to attain social objectives such as access to public services by all, equality, and wealth distribution among others (Bloche & Bugge, 2020; Walker et al, 2011).

Second, review of public sector performance reports shows that majority of SOEs face significant challenges. For example, a survey conducted by a presidential taskforce of 18 sampled State organizations reported that the organizations had a cumulative financial shortfall of KES 382 billion. In addition, 14 out of 18 of the sampled corporations were operating below cost recovery (Republic of Kenya, 2022a). Additionally, performance evaluation of State organizations shows that while significant improvement was noted over the last five years, a significant number of SOE's are still underperforming. For example, Republic of Kenya, (2022b) reported

up to 49 percent of the corporations were rated as ‘Good’ or ‘Fair’ scores that fall short of desired results as per the standards set by the National treasury review committee.

Lastly, innovation in public service delivery in Kenya is expressed in the Kenya Vision 2030: Towards a Globally Competitive and Prosperous Kenya. The Kenya Vision 2030 document underscores science, technology and innovation as a means to foster global competitiveness for wealth creation, national prosperity and a high quality of life for its people. Specifically, the document states that “the government will create and implement an STI policy framework to support Vision 2030.” Further, Articles 10 and 232 of the Constitution of Kenya, 2010 emphasize service delivery that is responsive to the needs of the citizenry. This calls for creativity and innovation as a driver for efficiency and development in both private and public sector (Kenya Vision 2030, 2007).

1.2 Statement of the Problem

Performance management concept has been one of the most significant and positive developments in human resource management. If executed properly, it provides a platform for evaluation of employees’ performance and sees how the employees have each added value to the organization’s mandate and overall objective (Boipono et al., 2014). Political and social development over the last three decades has increased pressure for governments to improve their performance by demanding for more transparency and accountability public organizations.

Performance management in the public sector shifted its emphasis over them to include processes for tracking results and rewarding accomplishments. The adoption of New Public Management (NPM) aimed at adoption of best practices that were ‘generically’ employed in the private sector to strengthen public institution management system.

However, the application of performance management in the public sector requires a different approach because unlike private organizations, public organizations are often exposed to competing policies, political manipulation, split loyalties and diverse sources of influence that are woven in the environment. (Christesen et al., 2020; Gao, 2015). Furthermore, public organization’s main objective is to enhance socio-economic development. A greater effort is required to identify the needs of different

groups and provide a greater variety of services in order to attain social objectives such as access to public services by all, equality, wealth distribution among others.

A review of the performance of State Organizations in Kenya shows that despite the introduction of reforms and new public management initiatives. State organizations are still performing dismally. Some of the factors that explain poor performance include high levels of debt, poor financial management, wastage, poor hiring and employee management policies, and political interference. It is unclear whether the performance management framework of state-owned organizations enhances service delivery in state-owned organizations. Understanding and improving their performance can yield substantial benefits for the economy, public policy, and societal welfare because detailed analysis of drivers of efficiency among commercial state organizations can offer valuable policy lessons that can be emulated across other sectors.

Ultimately, the need to assess the causal effect of performance management factors on service delivery is underscored by the vital importance state organizations play in contributing to the economic development agenda of the Kenyan economy.

Several studies have examined the influence of certain features of performance management on the performance of state-owned organizations (Karani, 2019; Monari, 2017; Nyaoga et al., 2010; Omboi et al, 2011). Still, none of the studies have evaluated the effect of policy and goal congruence, performance appraisal, innovation and feedback mechanisms and how these performance management factors affect service delivery in State Organizations. As a result, this study aims to investigate how performance management framework enhances productivity and service delivery in State Organizations.

1.3 Research Objectives

The general objective of the study is to assess the implementation of performance management framework in enhancing service delivery among State Organizations in Kenya.

Specific Objectives include:

- i. To evaluate the influence of Performance management planning on service delivery among State Organizations in Kenya.
- ii. To assess the influence of the Performance management system on service delivery among State Organizations in Kenya
- iii. To analyze the influence of feedback mechanisms on service delivery among State Organizations in Kenya.
- iv. To examine the extent to which management innovation moderates the relationship between performance management and service delivery among state organizations in Kenya.

1.4 Research Questions

- i. How does Performance management planning influence service delivery among State Organizations in Kenya?
- ii. What is the influence of Performance management systems on service delivery among State Organizations in Kenya?
- iii. To what extent does feedback mechanisms influence service delivery among State Organizations in Kenya?
- iv. To what extent does management innovation moderates the relationship between performance management and service delivery among state organizations in Kenya?

1.5 Scope of the Study

The study focused on assessing the level of implementation of a performance management framework for enhancing productivity and service delivery of State Organizations in Kenya. The study limited its scope to state-owned corporations to evaluate the importance of the need of these organizations to balance profitability with their public mandates. Therefore, the target for this study was a population of 246 State Organizations registered under the Ministry of State Department as of December 2024. The study covered State organizations across key sectors that are domiciled in Nairobi, Mombasa and Nakuru.

1.6 Significance of the Study

The study sought to fill the existing knowledge gap in understanding the extent to which performance management can contribute to enhanced operational efficiency and improvement of the quality of service of government-owned enterprises in the Kenyan economy.

1.6.1 Ministry of State Corporations

The findings of the study are crucial to the management of state corporations as the identification of performance management best practices from successful parastatals can lead to overall performance improvement of state organizations.

1.6.2 Ministry of Finance and National Treasury

The findings are important to the Ministry of National Treasury because the study emphasizes the importance of strong governance and how it impacts policies and fiscal risk exposure to both the organizations and the national treasury.

1.6.3 Inspectorate of State Corporations

The study is also beneficial to the inspectorate of State Departments where these state-owned enterprises belong because it will assist in the formulation of policy documents like strategic plans that align state organizational performance with national development goals.

1.7 Organization of the Study.

The succeeding chapters were organized as follows: Chapter two presents the literature review, which reviews theories that explain different facets of performance management. Chapter three presents the methodology where the research design, data collection procedure, and analytical methods are presented. Chapter four presents the research findings while chapter five presents the summary, conclusion and policy recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter entails the theoretical literature review, empirical literature review, research gap and conceptual framework.

2.2 Theoretical Literature Review

2.2.1 Goal Setting Theory

According to Locke & Latham (1990), Goal-setting theory emphasizes the significance of setting specific and challenging goals to enhance employee motivation and performance. The theory dictates that clear goals give individuals a sense of direction and purpose, leading to increased effort, persistence, and task performance. Goal specificity, difficulty, acceptance, and commitment are essential characteristics influencing the effectiveness of goal setting in HRM. In complex organizational settings, conflicting goals can arise, leading to goal interference and reduced performance. Specific goals offer clear guidance and enhance performance feedback, while challenging goals foster higher motivation and task engagement. Goal acceptance and commitment ensure employee buy-in and increase the likelihood of goal attainment.

Providing timely and constructive feedback is crucial for goal attainment and employee development (Locke & Latham, 2002). HRM should establish effective feedback mechanisms, such as performance appraisals, to track progress, recognize achievements, and address potential challenges. An overemphasis on goal attainment without considering other factors may lead to unintended consequences, such as unethical behavior or neglect of important tasks (Locke & Latham, 2006). HRM should encourage a balanced approach that values goal achievement and ethical conduct. Goal setting theory suggests that employees experience a sense of achievement and satisfaction when they attain their goals. HRM can foster a motivated and satisfied workforce by involving employees in the goal-setting process and aligning individual aspirations with organizational goals.

Setting complex yet reasonable goals is a good idea. When someone reaches their goals, they feel successful, which gets them ready to go on to their next objective. The general rule is that a goal is more complex the greater the payoff and the greater the desire to achieve it. More than having no input at all, better and more appropriate reporting on the results influences employee behavior and improves performance. Gaining respect, providing explanations, and addressing goal obstacles are all possible through feedback (Sari & Basri, 2015). Setting objectives encourages increased engagement at work, which improves job satisfaction. Employee participation in the aim is rarely preferred. Nevertheless, participating in goal setting increases engagement and renders objectives more desirable.

According to the goal-setting theory of motivation, task performance is primarily connected to goal establishment. It claims setting clear, stimulating objectives and receiving timely feedback help employees perform their duties more effectively (Locke & Latham, 2019). In other words, goals inform employees of what must be done and how much work is necessary. Some of the critical components of goal-setting theory include: Challenging goals are more motivating than broad, simple objectives; The primary driver of job performance is the willingness to put effort into achieving a goal; (Cui, 2022). Greater productivity and higher performance result from setting specific, clear objectives. Clear, quantifiable objectives backed by completion timelines help prevent misinterpretation.

Measuring the degree of achieving objectives is the essence of performance evaluation. However, productivity will not be achieved if the established goals are not carefully created to be distinct and quantifiable. Since it guides planning for and executing an effective performance review that improves job performance, goal setting theory is consequently the most applicable in this study (Gao, 2015).

2.2.2 System Theory of Management

This theory was introduced in the 1950s by a German scholar known as Ludwig Von Bertalanffy. The theory was first applied on systems in medicine, and biology and it generally holds that as an entity organism is defined by subcomponents, parts or elements necessary to carry out its functions. In management, system theory plays a fundamental role in understanding the management structures and organizational

system. From a managerial perspective, systems theory contends that an organization is a single, integrated system of interrelated components or subsystems. The subsystems and interdependence such that each part of the system cannot function optimally without the others.

Systems theory is of importance to this study because it facilitates understanding of how various parts of the organization and how they interrelate with one another to produce desired outcomes. Think Insights (2024) holds that there are three major components of organizational systems. These include the environment, system process and feedback mechanism. Environmental components dictate the internal processes of an organization and how they adapt to changes to the both internal and external factors.

Unlike private organizations, public organizations' environment is more complex to the extent that they are affected by political, communal and social environment because they are accountable to citizens, donors, external governments among others. (Christesen et al., 2020; Gao, 2015). For the purpose of this study, system processes refer to the process of transforming raw materials and/or inputs into outputs. The Regional Observatory for Planning and development (n.d.) explains that systemization of public investment should stipulate the structural features that improve the effectiveness of each phase of the process, to enhance coordination among system components and alignment with organizational goals and overall public policies.

Lastly, a good and functional feedback mechanism is a vital component operationalization of a sustainable system. Feedback and reviews are sourced from external and internal elements like customers, external auditors, financiers, quality assurance consultants among other stakeholders and interested parties. The information that you can derive from feedback enables you to alter your input requirements, such as new machinery, alternative materials, different production processes or more efficient technologies. Ultimately, feedback has an instrumental role to play in transformation system process and adoption of innovative ways of achieving effectiveness and efficiency in performance management (Christesen et al., 2020; Gao, 2015; Think Insight, 2024).

2.2.3 Innovation Theory

The concept of innovation theory can be traced back to the late 19th century. However, one of the scholars who championed for the theory is Joseph Schumpeter who argued that innovation refers to development of new products, production development or opening up of new markets by entrepreneurs for the purpose of maximizing profits (Sledivk, 2013) Management innovation refers to the development and adoption of new ideas that lead to improvement in management, system processes efficiency and/or effectiveness in the operations of an organization The innovation generally leads to development or improvement of an organization product, service, or new methods of production (Walker 2011).

According to Bloch and Bugge (2013), profit oriented organizations are more innovative or effective than the public sector because it is one of the necessary conditions for survival in a market-based economy. Public organizations have often lagged behind because they are mostly funded by the government and focus on social objective factors, and this leads to bureaucracy and disincentives to innovate

Given that the primary role of public organization is provision of public service to the citizens, Walker (2011) argues that innovation in this sector should originate from policy formulation and implementation. Block and Bugge (2013) identified three main areas where innovation and creativity are needed in the public sector. First, innovation that targets value creation in services delivery aims at improvement of the overall system and lead to efficiency, improved quality, and overall user (citizens) satisfaction.

Second, unlike the public sector, innovation in the public sector should focus on achievement of social outcomes such as equality, wealth distribution, poverty reduction, improvement in literacy level or improved health, represent central aims of public services. This theory is instrumental in this study because it identifies innovation as medium through which performance management can not only be improved but also aid in achievement of intended social outcomes desired by the public organization (Walker, 2011). The study therefore identified innovation as an intervening variable that affects the relationship between performance management factors and service delivery by state organizations.

2.2.4 How the theories inform and their relevance to the study

The theories of Goal Setting, System Theory and Innovation Theory collectively provide a robust framework for understanding the dynamics of performance management and service delivery in state organizations in Kenya. Goal-setting theory, as articulated by Locke and Latham (1990), underscores the importance of clear, challenging, and specific goals in enhancing employee motivation and performance. This theory is particularly relevant to this study, as it highlights the need for well-defined performance indicators and feedback mechanisms within state organizations. By setting specific goals and providing timely feedback, state organizations can align individual employee efforts with broader organizational objectives, thereby improving service delivery. However, the theory also cautions against overly rigid goal-setting processes that may lead to unintended consequences such as unethical behavior or neglect of critical tasks. This aligns with the study's focus on creating balanced and ethical performance management systems that not only drive efficiency, but also foster employee satisfaction and engagement.

System and institutional theories further complement goal-setting theory by providing a macro-level perspective on how organizational structures and external environments influence performance management. System Theory emphasizes the interdependence of various organizational subsystems and the importance of feedback mechanisms in maintaining system efficiency. This is particularly relevant for state organizations, which operate in complex environments influenced by political, social, and communal factors. The theory suggests that effective service delivery requires a holistic approach in which all components of the organization work in harmony. Institutional Theory, however, highlights the role of legitimacy, norms, and values in shaping organizational behavior. In the context of state organizations, this theory explains how external pressures and internal cultures can either facilitate or hinder the implementation of performance management frameworks. Together, these theories suggest that for performance management systems to be effective, they must be adaptable to both internal organizational dynamics and external institutional pressures.

Innovation Theory ties these concepts together by introducing the role of creativity and new management practices in enhancing performance management systems. As argued by Schumpeter and later scholars, such as Bloch and Bugge (2013), innovation

is crucial for improving efficiency and effectiveness in service delivery. In the public sector, innovation can take the form of new technologies, processes, or policies that address social outcomes, such as poverty reduction and improved healthcare. This theory is particularly relevant to the study, as it identifies innovation as a moderating variable that can enhance the relationship between performance management factors and service delivery. By fostering a culture of innovation, state organizations can overcome bureaucratic inefficiencies and adapt to the evolving needs of the public. Together, these theories provide a comprehensive framework for assessing and improving performance management systems in state organizations, ensuring that they are both efficient and responsive to the needs of the citizens they serve.

2.3 Empirical literature review

2.3.1 Importance of Performance Management Planning in State Organizations in Kenya

Riany (2021) study aimed to determine how performance management framework awareness through organizational structure affected Kenyan state enterprises' performance. All heads of human resources at each state enterprise served as the point of observation. The questionnaire was utilized to gather primary data for the study from a sample of 96 state Organizations. In addition to the data gathered, a documentary evaluation was conducted. The study used stratified sampling and Cochran's (1977) formula to determine the sample size of 95 Heads of Human Resources departments to obtain the most accurate representation of the population. The data was analyzed using both descriptive and inferential statistics. The SPSS version 26 was used. The study found that organizational structure significantly and favorably influenced the performance of state Organizations in Kenya.

Muriuki (2017) examined how performance contracts helped Kenyan State Organizations implement their strategies. The study's research design was descriptive, and the target group consisted of the 32 Commercial State Organizations found on the website of the SCAC (2016). Structured questionnaires were used to gather primary data. Descriptive statistics were used to evaluate the data, and correlation and regression calculations were made to calculate the strength of the connection between performance contracting and service delivery. The investigation found that

performance planning has a big impact on how well a strategy is carried out. The study significantly contributes to new knowledge in enhanced service delivery and general performance of the State

Ngundi (2022) sought to determine how the performance of Kenya's state enterprises was affected by lack of a clear approach to strategy implementation. The study adopted descriptive research design and positivism as a research philosophy. The research study used linear regression analysis to show that the commercial state enterprises performance in Kenya was greatly impacted by the lack of a clear approach to strategy implementation. The study results showed that having no preferences for strategy implementation had a negative and significant impact on the financial performance of commercial state firms in Kenya, whereas having no routine and having no preferences for strategy implementation had a positive and significant impact. The study concluded that, while the absence of routines and control systems had no statistically significant impact on customer satisfaction, the absence of preferences had a negative and significant impact on it. The study recommended that in order to improve performance, state Organizations' top management should ensure budget allocations for strategy implementation activities, develop a roadmap for that implementation, ensure that all stakeholders are involved in the development process, and identify the specific tasks needed to achieve strategic goals.

2.3.2 Performance Management Systems in State Corporation in Kenya

Nyaoga, Kipchumba, and Magutu (2010) evaluated the efficacy of performance management systems at private universities in Kenya, a case of Kabarak University. The study examined the purpose of performance management systems in the university while outlining the relevant factors for achieving enhanced productivity. The study recognized that a performance evaluation system is the main tangible metric method through which an institution can realize the performance levels of its diverse employees. The study further established that the usefulness of performance appraisal/evaluation systems in the private universities is only augmented by training conducted on the employees to be involved in the rating and appraising process and only multi-rating systems are effective.

Omboi and Shadrack (2011) analyzed the efficacy of performance management framework in the Kenya Tea Development Agency (KTDA), by undertaking a survey in Meru County on selected tea factories. The study established that employee training, performance-based incentives, and Organizational objectives significantly affected employee performance in the selected factories. The study showed a 67.2% proportion of the variation in the employee performance that was predictable from the explanatory variables.

Chaponda (2014) investigated the subject conducted in a Nairobi slum-based non-governmental organization. The performance evaluation procedure is essential for employee motivation and for effective service delivery in the organization. The study illustrated that using performance evaluations has increased effective service delivery and, concludes that employee motivation depends on performance requirements being defined and linked to individual assessment. The study's particular goals were to ascertain how the performance review process affects employee enthusiasm and what difficulties arise while evaluating an employee's performance. The study used a descriptive research approach with a population of 300 NGO personnel who worked in slums. The stratified sampling method was used to choose a sample size of 171. The study recommended that performance appraisal systems be used to assist employees to feel more motivated at work and accomplish more on the job.

Rukumba et al (2019) study was to determine how performance management practices affected the performance of Kenya's telecommunications sector. Both descriptive and correlational research designs were used in the study. The study population comprised 300 senior management staff members from Kenya's four telecom companies (Safaricom, Airtel, Telkom, and Equitel). The managers from four telecommunications companies were chosen for the study using proportionate sampling. The Fisher's formula was used to determine the sample size to be 150. Structured questionnaires were used to obtain the main data. SPSS version 20 was used to analyze the data using both simple and multiple regression models. To evaluate the data, descriptive and inferential analyses were carried out. Performance management and the performance of the telecommunications business were favorably and significantly correlated, according to correlation analysis. Furthermore, the regression analysis revealed that performance management significantly and favorably affects the performance of Kenya's telecommunications sector. The findings showed a strong correlation between

performance management and the performance of Kenya's telecoms sector. Based on the findings, the study recommended that telecommunications companies should increase their performance management components.

Okello et al (2022) examined the impact of performance management practices on workers' output at Kenya's Ministry of Interior and Coordination of the National Government. To gather both qualitative and quantitative data for the study, a descriptive research methodology was adopted. 350 officers from various departments made up the study's target population. To choose from the list of departments, directorates, and divisions to be included in the study, simple random sampling techniques were used. The sample size for this study was determined using Yamane's (1967) sampling algorithm, which also gave the recommended number of replies. Consequently, 187 employees served as the sample size for this investigation. The study findings showed that performance management practices have a considerable impact on employees' productivity.

2.3.3 Importance of Feedback mechanisms in Performance Management

Grange & Geldenhuys (2008) studied how feedback changes organizational culture in South Africa. The study used a mixed method approach where a sample of 1584 employees and 203 focus group discussion sessions were utilized in analysis. The study findings show that feedback had a limited significance on organizational culture but significantly influenced performance management. The study established that effectively used feedback channels promote a culture of constructive criticism and an environment that supports conflict resolution.

Musheke & Phiri (2021) investigated the effects of effective communications on organizational performance in Zambia. Additionally, the study evaluated the most effective channels of communication. A quantitative approach was used where primary data was collected from 88 respondents in various organizations in Zambia private sector. It was established that effective communication had a positive and significant impact on organizational performance.

Jerab (2024) conducted a study on the effect of communication on organizational performance in Turkey. The study employed a desk review approach where more than 300 study findings from both public and private institutions were scrutinized. The

results show that effective communication had a significant impact on performance as it promotes clarity, goal alignment, employee engagement, customer satisfaction, and decision-making. It boosts productivity, efficiency, and trust, while fostering open and transparent communication.

2.3.4 Role of Management Innovation in Performance Management

Walker et al. (2010) investigated the role of management innovation in organization performance in England. The study included performance management as a mediating factor. The study used a structural equation model for analysis and employed a sample of 139 organizations. The study used primary data where key personnel from various local government institutions answered structured questionnaires administered through interviews. The main findings of the study results show that innovation had an indirect effect on organizational performance and was moderated by performance management factors. This study was insightful because it proved that there is a complex relationship between performance management, innovation and organizational outcome.

Bloche & Bugger (2013) evaluated the application of public sector innovation can be captured and its influence on performance management structure. The study utilized data from MEPIN survey which sampled 405 state organizations operating in local, regional and national level in five Nordic countries located in Europe. The study established that like public enterprises, systemic innovation, service delivery innovation and innovation in administrative or organizational methods were important for performance management. However, the study established that what is unique to the public sector is policy innovation. This study is insightful because it explained different types of innovations that are adopted in this study.

Glas et al., (2018) assessed government institutions performance evaluation systems and their influence on civil servants' performance in the Teso district. The study sought to evaluate how civil servants' performance affect their institutional service delivery and drew recommendations for their representatives and administrators to improve the effectiveness of the performance evaluation system. The investigation utilized both primary and secondary data collection methods. Data was gathered through interviews and questionnaires. The sampling technique involved a combination of stratified, simple random, and purposeful methods. SPSS was used to analyze data, which was

then shown as bar graphs and charts. The outcome demonstrated that the current appraisal procedures do not effectively motivate personnel by praising and rewarding top achievers.

Monari (2021) scrutinized the Relationship between Service Delivery and Performance Management Initiatives in State Organizations in Kenya. The research pursued to determine how organizational environment affected the connection between service delivery and performance management initiatives in Kenyan state enterprises. The study ascertained that employee engagement and performance in firms are predicated on the organizational climate. The study showed the need for Kenyan state enterprises to launch performance management programs that can raise performance levels to offer services effectively. To maintain favorable employee impressions and attitudes, they should also control the organizational climate. The study used a descriptive research design to collect information from the sampled State Organizations. Stratified random sampling was used to select the respondents to participate in the study.

2.4 Research gap identified

Theoretical literature reviewed three theories that were used as anchors for this study. Three theories were discussed; First, Goal setting theory contends that a clear interpretation of the policy innovation should translate to setting clear objectives and receiving timely feedback help employees perform their duties more effectively. Second, institutional theory provides a unique perspective through which to understand and navigate the complex institutional landscape that shapes the public sector environment. Third, innovation theory was deemed instrumental because it explains the necessity of development, adaptation and transformation of organizations. For the purpose of this study, innovation theory argues that public organizations can attain the set goals and target if they focus on value creation in services delivery aims at improvement of the overall system and policy innovation in public sector should focus on achievement of social outcomes such as equality, wealth distribution.

Empirical literature reviewed similar studies in Kenya and abroad. Majority of studies on Kenyan State organizations have explored the influence of performance appraisal and reward and recognition on organizational performance. Limited research currently

exists on how performance management systems affect or enhance service delivery. Few, if any, of the studies have focused on the effect of policy alignment, goal setting and planning, feedback and the effect of reforms and innovation on service delivery in Kenya. This study wants to fix the gap in the performance management implementation for enhancing service delivery and specifically in appraisal process that could allow prejudice to creep in and lead to decline in service delivery.

2.5 Operational Definition of Terms

Efficiency in Service Delivery: Refers to include quality of service, coverage, customer satisfaction, employee productivity and satisfaction Performance rating by government agencies

Feedback mechanism: refers to a structured process of information gathering, analysis, communication channels, and response to information about the overall performance of an organization

Management innovation: Refers to aspects of innovation from product development system strengthening, management and administrative reforms that are aimed at improving productivity and service delivery.

New Public Management: refers to a management philosophy that stipulates that the public sector should adopt business-oriented approaches by focusing on efficiency, customer satisfaction, and quality service delivery

Performance Management Planning: Refers to processes and strategies used to ensure that organizational targets and goals are aligned with the overall government policy

Performance Management System: Refers to management framework, organizational structures, guidelines and processes towards achievement of desired results.

Result Based Management: is an approach to management that focuses on achieving desired outcomes or results

State Organization: Government-owned entity or enterprise that operates in a commercial or profit-oriented manner, typically engaging in business activities such as manufacturing, trade, finance, or service provision

2.6 Conceptual Framework

This model explains how the independent variables relate to the problem variable. The interrelationship between the implementation of a performance management framework for enhancing service delivery in commercial state organizations in Kenya is shown below (Figure 2. 1)



INDEPENDENT VARIABLES

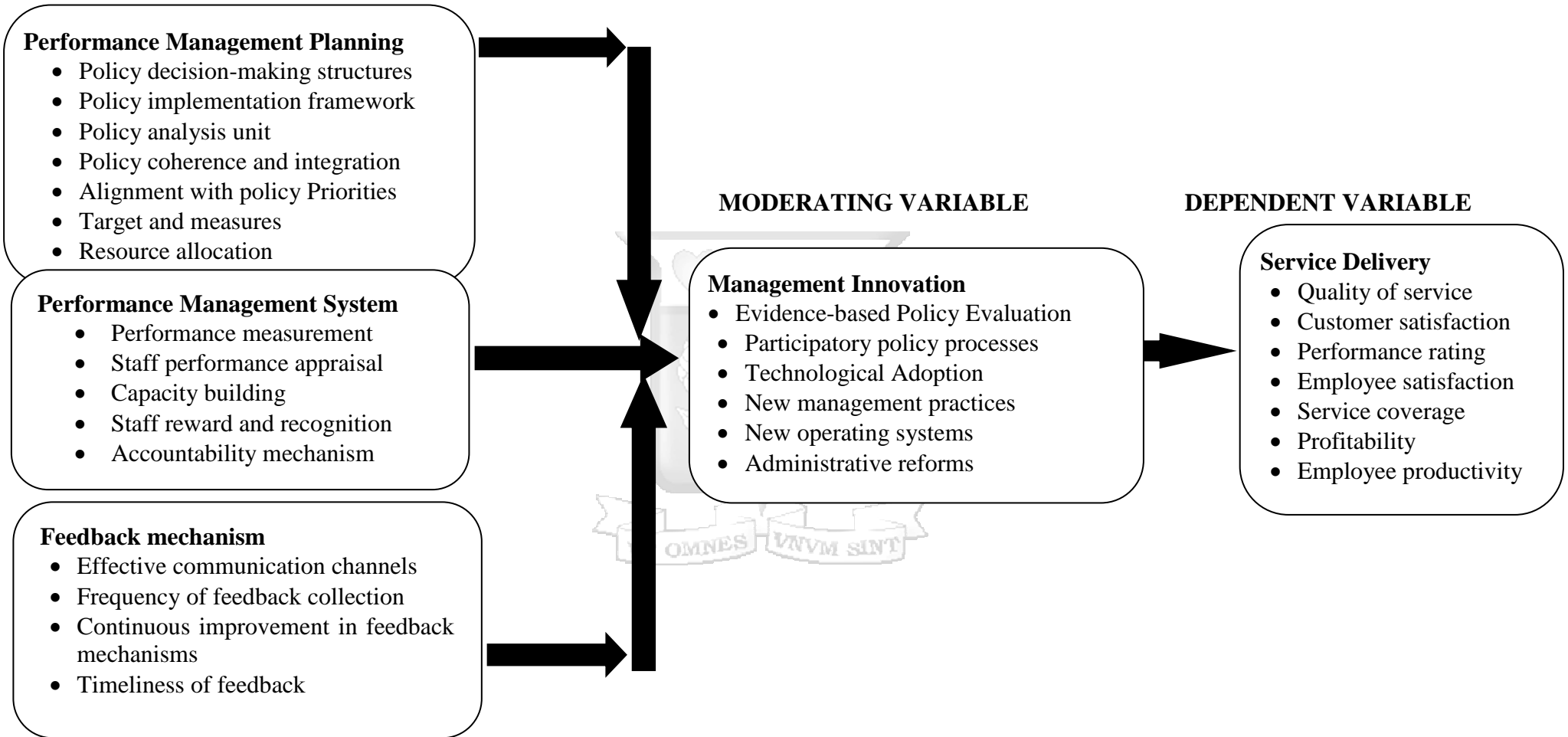


Figure 2.1: Conceptual Framework

Performance management Planning: It refers to processes and strategies used to ensure that organizational targets and goals are aligned with the overall government policy, (Poister, 2010). This variable captured the management guidelines, processes and procedures used in policy formulation, goal setting by the organization and establishment of targets and measurements in different departments and implementation units.

Performance management system: Refers to management framework, organizational structures, guidelines and processes towards achievement of desired results (Ferreira & Otley, 2009). This variable encompassed systematic approaches and structures that are utilized in result-based management and included monitoring and evaluation, enhancement of productivity, fostering employee engagement and capacity building, and ensuring accountability and efficiency in resource utilization.

Feedback mechanism: According to Ashford, et al (1983), feedback mechanism refers to a structured process of information gathering, analysis, communication channels, and response to information about the overall performance of an organization. This variable captured the effectiveness of communication channels and included policy communication, employee motivation and reinforcing positive behavior and communication of expected goals and outcomes.

Management innovation: Černe,, et al (2023) defined management innovation as the aspects of innovation from product development system strengthening, management and administrative reforms that are aimed at improving productivity and service delivery. This variable measured different aspects of innovation from product development system strengthening, management and administrative reforms that are aimed at improving productivity and service delivery.

Service Delivery: This variable captured different dimensions and factors that contribute to effectiveness and efficiency in service delivery. It includes quality of service, coverage, customer satisfaction, employee productivity and satisfaction Performance rating by government agencies. (Gideon, 2023)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter encompasses the research design, population and sampling, data collection methods and tools, the data analysis techniques, the validity, and reliability issues (research quality) together with the ethical considerations made in assessing the level of implementation of performance management framework for enhancing service delivery of State Organizations in Kenya.

3.2 Research Philosophy

This study adopted a positivist research philosophy, which puts emphasis on the quantification and measurement of observable phenomena to examine the causal relationship between performance management factors and efficiency in service delivery. The approach is in tandem with the objective of establishing measurable relationships and causality, thereby providing a robust foundation for testing hypotheses within a scientific paradigm.

3.3. Research design

According to Tharenou et al (2007) research design refers to the general plan that a researcher uses to answer the research questions. Research design provides the structure of investment conceived to obtain answers to research questions. Research design is an arrangement of conditions for data collection and analysis that integrates their relationship with the objective of the research. This study utilized quantitative research design to evaluate the extent to which implementation of performance management structures improves efficiency in service delivery in state- Owned Enterprises. A questionnaire was used to collect primary data from 71 parastatals and this served as the basis for empirical analysis. Regression analysis was used to determine the causal relationship between specified study variables (Pattern (2016).

3.4 Population and Sampling Design

Populace is an entire set of components that a researcher hopes to draw specific conclusions or inferences, (Orodho, 2003). This study targeted all State Corporations

registered under section 27 (1) 9b) of the State Corporation Act, CAP 446 of the Kenyan laws. The population of SCs was 246 as of January 2024 which are categorized into eight (8) different categories based on their functionality (Republic of Kenya, 2024). The following procedure was applied to ensure adequate representation of the population. First, the sampling frame with the list of all elements in the population was chosen. Thereafter, determined and estimated the appropriate sample size. Lastly, chose a suitable sampling design that was representative of the population's characteristics.

The sampling frame adopted by the study, which consisted of the list of all state corporations, sourced from the National Treasury. The study used the Yamane (1967) formula in choosing the sampling size because it is suitable and recommended when dealing with a finite population and provides a good sample size that balances between precision and coverage of the population characteristics and practical considerations such as time and financial resources needed to conduct the study (Louangrath, 2017; Taherdoost, 2017). The study assumed a 10 percent margin of error which shows the tolerated level of confidence ($\epsilon = 0.1$). Therefore, given a population $N=246$, the estimated sample size was given by:

$$n = \frac{N}{1 + N\epsilon^2} = \frac{246}{1 + 246(0.1^2)} = 71.09 \approx 71$$

Based on the estimate, the appropriate sample size was 71 corporations.

Notably, the population of state corporations were further classified into different sectors with diverse mandates and operational objectives. Stratified random sampling was employed to ensure adequate representation of the population characteristics. Table 3.1 shows selection of organizations sampled across the categories based on the sampling frame.

Table 3.1: Stratified Sampling Framework

Sectors	Population	Sample Size
Agriculture	30	$\frac{30}{246} \times 71 \approx 9$
Education	60	$\frac{60}{246} \times 71 \approx 18$

Finance	28	$\frac{28}{246} \times 71 \approx 7$
Trade	38	$\frac{38}{246} \times 71 \approx 12$
Others	90	$\frac{90}{246} \times 71 \approx 25$
Total	246	71

Source of data: Republic of Kenya, 2024.

3.5 Data Collection Methods

A questionnaire was used to collect both quantitative and qualitative data. Before collecting data, an introductory letter from the dean of Strathmore Business School was obtained. All items in the questionnaire were phrased positively and an ordinal scale was used to record the responses. The responses were recorded using a 5-point Likert scale, ranging from 0 (strongly disagree), 1 (disagree), 2 (Neutral), to 3 (agree) and 4 (strongly agree).

3.6 Data analysis

The obtained data was analyzed using SPSS software and categorized using descriptive statistics, including mean, confidence interval, frequencies, and proportions, which were used to examine it. Tables and charts presented the study results. The following multiple regression model was used to answer the study objectives:

$$SD_i = \alpha_1 + \beta_{11}PMP_i + \beta_{12}PMS_i + \beta_{13}FM_i + \beta_{14}MI_i + \varepsilon_{1i} \dots\dots\dots 3.1$$

$$SD_i = \alpha_2 + \beta_{21}PMP_i + \beta_{22}PMS_i + \beta_{23}FM_i + \beta_{24}MI_i + \phi_1 PMP_i * MI + \varepsilon_{2i} \dots\dots 3.2$$

$$SD_i = \alpha_3 + \beta_{31}PMP_i + \beta_{32}PMS_i + \beta_{33}FM_i + \beta_{34}MI_i + \phi_2 PMS_i * MI + \varepsilon_{3i} \dots\dots 3.3$$

$$SD_i = \alpha_4 + \beta_{41}PMP_i + \beta_{42}PMS_i + \beta_{43}FM_i + \beta_{44}MI_i + \phi_2 FM_i * MI + \varepsilon_{4i} \dots\dots 3.4$$

Where SD_i refers to service delivery for sector i

PMP_i performance management planning

PMS_i performance management system

FM_i Feedback mechanism

ε_{ji} is the error term

3.7 Description and Measurement of Variables

Table 3.2: Description and Measurement of Variables

Variable	Type of Variable	Indicators	Unit of Measurement
Enhanced service delivery of State Organizations in Kenya	Dependent	<ul style="list-style-type: none"> • Customer Satisfaction • Employee Satisfaction 	Ordinal Scale
Performance management Planning	Independent	Policy development Organizational and Individual Goal Setting	Ordinal scale
Performance management system	Independent	Performance Management processes Performance appraisal processes	Ordinal Scale
Feedback Mechanisms	Independent	Efficiency of communication	Ordinal scale
Management innovation	Moderating variable	Policy innovation Management information system	Ordinal scale

3.8 Reliability and validity

Mugenda and Mugenda (2003) asserted that reliability guarantees a high level of predictability or volatility; as a result, it entails checking the instrument multiple times for items' clarity and vagueness. This was utilized for screening to identify any significant issues that the survey questionnaire would likely cause.

Validity is the extent to which the insights gained from analyzing data correspond with the actual nature of the subject under investigation. By assessing the pertinent items in the questionnaire and evaluating their clarity and purposefulness concerning all specified objectives, the study ultimately achieved its general objective.

The Cronbach Alpha test was used to test the reliability and validity of the data-collecting instrument. This test is used to check for internal consistency of the questionnaire items used to measure each variable. Cronbach Alpha values for items included in a study should not be lower than 0.7 (Mugenda & Mugenda 2003). In every section, ordinal questions that were not strongly contributing to alpha, those that were too similar, and those whose content was not critical, were eliminated.

3.9 Data Analysis Procedure

Data analysis was conducted in two phases. The first phase was descriptive statistical analysis where the averages, proportion and dispersion of the variables were evaluated. This was done to discern the demographic statistics and distribution of the key variables. In addition, reliability tests were performed on key study variables to evaluate the reliability of the variables. Descriptive analysis was presented in graphs and tabulation of descriptive and frequency distribution for ease of interpretation.

The second phase included inferential analysis. Multiple regression models were employed and tabulated. The following diagnostic tests were conducted. First, the error term was evaluated for randomness and normality checks. Thereafter, Breusch-Pagan test was used to test for heteroscedasticity. The Ramsey-reset test was used to test model specifications and variance inflation factor was used to test for multicollinearity.

To address the first three objectives the direct effects of performance management variables and management innovation on service delivery in state organizations will be estimated using equation 3.1 where the significance of the coefficients (β_{1i}).

According to Walker (2011) moderating effect is observed if the introduction of a third variable (management innovation) influences the relationship between a dependent variable and another independent variable. To this end, Interactive variables were introduced in equations 3.2 through 3.4. The criteria explained in Table 3.3 will be used to evaluate the moderating effect by comparing the results from equations 3.1 and equations 3.2.

Table 3.3: Criteria of Evaluating Moderation effect

Criteria	Decision
If β_{j1} and β_{j4} $j = 1,2$ are significant in Equation 3.1 and 3.2 but ϕ_1 is not significant in Equation 3.2	No moderation effect
If β_{j1} and β_{j4} $j = 1,2$ are significant in Equation 3.1 and 3.2 and ϕ_1 is significant in Equation 3.2	PMP is partially moderated by MI
If β_{11} and β_{j4} $j = 1,2$ are significant in Equation 3.1 but β_{21} is not significant in equation 3.2 and ϕ_1 is significant	PMP is fully moderated by MI

The same procedure will be used to evaluate the moderating effect of PMS (comparison of equations 3.1 and 3.3) and FM (comparison of equations 3.1 and 3.4)

3.10 Ethical Considerations

Before beginning the fieldwork, the research was submitted to the Strathmore University Institutional Ethics Review Committee (SU-IERC), which is accredited for review to obtain ethical clearance, which was obtained, (**REF: SU-ISERC 2368/24**) before the same was considered by NACOSTI for issuance of inquiry license (**License No: NACOSTI/P/24/40426**)

During fieldwork, the data collection assistants informed the respondents about the voluntary nature of the study, emphasizing their freedom to withdraw at any time. They used approved informed consent forms and tools to secure respondents' approval for participating in the study. Additionally, participants were briefed on their rights, including the option to withdraw at any stage and decline to answer any questions they found uncomfortable.

The respondents were assured of confidentiality, anonymity, and protection during data collection. Respondents were also made aware of the value of participating in the research and that the information gathered will only be used for purposes of service delivery improvement in State Organizations in Kenya and draw lessons for future policy action.

The findings and recommendations of this study will be shared with the Public Service Commission (PSC) and Strathmore University Library to inform the level of implementation of the performance management framework for enhancing service delivery of Commercial State Organizations in Kenya.

Finally, the rights of all participants were respected and all sources and authors' work used in the study to avoid plagiarism.



CHAPTER FOUR

RESEARCH FINDINGS

4.1. Introduction

This chapter presents the study's research findings based on primary data collected from selected public officials sampled from 71 State Corporations in Kenya. Data was collected using the data collection tool herein attached. Descriptive statistics were analyzed where each of the latent variables utilized in the analysis were evaluated to explain the validity and reliability. Thereafter, the estimated results, inferential statistics, and post estimation analysis are presented.

4.2. Demographic Characteristics

Descriptive statistics featured the demographic profile of the respondents to evaluate the composition of the participants. A total of 71 State Owned Corporations were selected for sampling but only 66 respondents answered the questionnaire achieving a response rate of 93%. Some of the reasons that led to non-response included respondent availability and non-response bias by 5 organizations, which refused to participate. Out of 66 questionnaires, 8 were excluded due to participants' failure to answer key questionnaire items. For logistical and financial reasons, most of the sampled corporations were based in Nairobi and Mombasa Counties. Table 4.1 provides the relevant details regarding the demographic characteristics of the respondents.

Table 4.1: Demographic Characteristics

Variable	Proportion	Standard Deviation
Designation		
Operations Manager	29.3%	5.97%
Other personnel	25.9%	5.75%
Human Resource	44.8%	6.5%

Gender		
Male	46.55%	6.5%
Female	53.44%	6.5%
Tenure		
Less than 5 years	24.13%	5.6%
5 to 10 years	24.13%	5.6%
11-16 years	31.03%	6.1%
41-50 years	20.69%	5.3%
Education		
Certificate	1.7%	1.7%
Diploma	25.8%	5.7%
Bachelor's Degree	41.4%	6.5%
Master's Degree	18.96%	5.1%
PhD	12.07%	4.3%

Source: Author

Table 4.1 depicts the demographic of the respondents across gender, designation and the level of education. Firstly, all respondents' occupations were directly involved with various departments that were deemed relevant to the theme of the study. The respondents were balanced across gender with 46.55 percent of all respondents being male while 53.46 percent were female. Most of the respondents had either a basic degree (41.4%) or a postgraduate degree (31.03%). Evaluation of tenure of the respondents shows that the distribution was uniform over the categories identified in Table 4.1.

4.3. Descriptive Statistics

Descriptive analysis included evaluation of the distribution of the sample across various public sectors and the results are presented in Figure 4.1

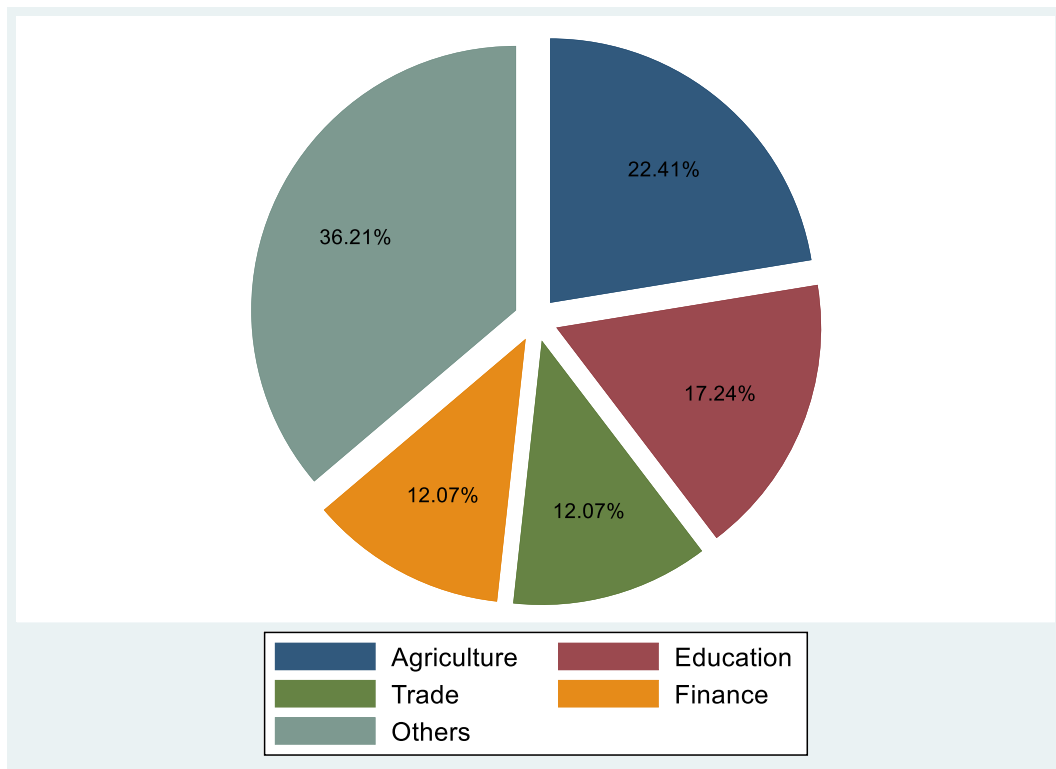


Figure 4.1: Distribution of Sampled State Organizations Across Sectors

Source: Author

Figure 4.1 illustrates the distribution of sampled organizations across specified public sectors. 22.41 percent belong to the agricultural sector, while the remaining are categorized under Education sector (17.24 percent) finance (12.07 percent) and Trade (12.07 percent). Additionally, 36.21 percent of the sampled organizations operate in other sectors, including the blue economy, transport, water, energy, sports, gender, and culture.

Therefore, it is safe to argue that the sample is, to a reasonable degree, well balanced across gender, public sector, personnel designation and departments (Woldridge, 2016). The results further indicated that most of the sampled organizations operate in the agricultural and education sectors. This focus was deemed appropriate, as these sectors are among the most strategic for realization of the goals articulated in Kenya’s Vision 2030 blueprint. Additionally, a significant number of financial regulators were included in the sample, given that financial stability is considered a critical component in attaining development objectives.

The study variables, namely Performance management planning (PMP), Performance management systems (PMS), feedback Mechanism (FM), Management innovation

(MI) and Efficiency in Service Delivery (ESD) were qualitative in nature but were measured using an ordinal scale. Using a systematically designed questionnaire that captures different aspects of the Performance management Indicator and efficiency in service delivery (Bollen, 2002).

Each of these variables was estimated from eight questionnaire items, which were ranked using a 5-point Likert scale. The value of each variable was estimated as the sum of the respective questionnaire items (see Tables 1A through Table 5A in the appendix). The 5-point Likert scale ranged from 0, representing 'Strongly Disagree,' to 4, representing 'Strongly Agree. Table 4.2 presents the descriptive statistical analysis for the dependent and independent variables and captures the sample size, Mean score, Standard deviation, the minimum and maximum scores.

Table 4.2: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Management Planning	58	1.66	0.61	.88	3.5
Management Systems	58	2.29	0.69	.78	3.11
Feedback Mechanism	58	2.69	0.65	.75	3.75
Management Innovation	58	2.06	0.69	1.13	3.75
Efficiency in Service Delivery	58	3.13	0.50	.88	3.88

Source: Author

The results in Table 4.2 show that the dependent variable had a mean of 3.13 which means that the respondents typically showed that efficiency ranking was above average. Further analysis shows that the minimum rank of Efficiency in Service delivery scores (ESD) was less than a unit which may not only be construed as a bias but may also be an indication of the presence of outliers.

The rank of performance management planning (PMP) averaged 1.66 with a minimum score of approximately 0.88 and maximum estimate of 3.5. This implies that respondents generally 'disagreed' with the positively phrased questionnaire items that evaluated different aspects of policy formulation and dissemination. Evaluations of the other three independent variables showed that the average score ranged between 2 and 2.7, which implied that the responses were centered on the average, or neutral, scores.

Parsons's correlation analysis was conducted to assess the degree of linear association between the variables and the results were presented in Table 4.3.

Table 4.3: Pearson's Correlations Matrix

Variables	PMP	PMS	FM	MI	ESD
PMP	1.000				
PMS	0.196	1.000			
FM	-0.092	0.507	1.000		
MI	-0.078	-0.030	0.212	1.000	
ESD	0.025	0.412	0.550	0.356	1.000

Source: Author

Pearson correlation coefficients, in absolute terms, ranged from 0.025 to 0.507 which indicates that high level of association was not established of the This may be an indication that the variables uniquely capture distinct and broad aspects of performance management. Notably, Management Systems (PMS), feedback mechanism (FM) and Management Innovation (MI) had a relatively strong and positive linear association with efficiency in service delivery scores. However, management planning has a relatively weak correlation with all variables. This supports the supposition that enhancement in performance management processes within the organization may be associated with efficiency in service delivery in both private and public institutions.

The Cronbach alpha test was conducted to evaluate the reliability and validity of the latent variables. In other words, whether the items induced to capture different dimensions of the variables were internal consistent of the questions Mugenda & Mugenda, 2003; Wooldridge, 2016). Table 4.4 shows Cronbach's Alpha test results.

Table 4.4: Reliability and Validity of the Variables

Latent variable	Inter-Item Covariance	No. of Items in the Scale	Scale Reliability Coefficient
Management Planning Scores	0.295	8	0.789
Management System Scores	0.45	9	0.815
Feedback Mechanism Scores	0.395	8	0.826
Management Innovation Scores	0.436	8	0.807
Eff. In Service Delivery Scores	0.19	8	0.77

Table 4.4 estimates shows that the scale reliability coefficients for PMP, PMS, FM, MI and ESD scores were 0.789, 0.815, 0.826, 0.807 and 0.77 respectively. This was greater than the threshold of 0.7 and therefore confirms that the questionnaire items in sections D, E, F, G and H were internally consistent.

In summary, the evaluation of descriptive statistics, correlation analysis, and Cronbach’s alpha reliability test revealed the following key findings. First, the sample effectively captured diverse aspects, including gender balance, occupation, and sector representation. The items used to measure the latent variables were adequate, comprehensive, meaningful, and valid. Lastly, Cronbach’s alpha results confirmed the reliability of the variables, indicating their suitability for inferential analysis (Wooldridge, 2016).

4.4. Inferential Analysis

This section presented inferential analysis that was used to assess the study objectives. To address the general objective, the study sought to find out the factors that determine efficiency in service delivery. Regression models were used where four equations specified in section 3.5 were estimated. Diagnostic analysis, strength of the models, and significance of the coefficients were evaluated and used to select the most parsimonious models as shown in Table 4.5.

Table 4.5: Comparison of Linear & Interactive Models Estimates

Dep. variable: ESD	Linear/Basic Model	Interactive Model
Management Systems Scores	0.143 (1.57)	0.619** (2.36)
Management Innovation Scores	0.205*** (3.46)	0.755*** (2.71)
Feedback Mechanism Scores	0.290*** (3.04)	0.255*** (2.80)
Performance Management Planning	0.0273 (0.31)	-0.0045 (-0.06)
Interactive term: PMS_MI		-0.0261** (-2.15)
Constant Term	12.12*** (3.73)	3.26*** (-6.45)
Observations	58	58

Adjusted R^2	0.357	0.400
Heteroskedasticity Test: BP test	20.34 (0.000)	20.84 (0.000)
Specification Test: Ramsey Reset	2.98 (0.04)	1.91 (0.14)
Multicollinearity Test: VIF	1.29	9.96

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4.5 shows the results of the regression estimation that was selected for analysis. An evaluation of diagnostic tests analysis was conducted to ascertain the reliability and consistency of the results. Presence of heteroskedasticity was assessed using Breusch-pagan statistics. The BP statistic of 20.34 in the basic model and 20.84 in the interactive model show that the null hypothesis of homoscedastic (constant) variance could not be rejected in both models, therefore both models suffered from heteroskedasticity. Given the presence of heteroskedasticity, robust standard errors were estimated and used to evaluate the significance of the coefficients.

The variance Inflation factor scores was 1.29 in the basic model and 9.96 in the interactive model presented in Table 4.5. Since the VIF statistics were less than 10, the level of multicollinearity was deemed tolerable. Lastly, model specification was tested using the Ramsey RESET test. The statistical estimates for the test were 2.98 and 1.91 with p-values of 0.04 and 0.14 in the basic and interactive regression models respectively. This implied that the null hypothesis that stated that the model had no omitted variables could not be rejected in the interactive models. Diagnostic checks show that the models presented in Table 4.5 passed the tests and could be used for analysis. In addition, adding the interactive term improved the model (Wooldridge, 2016). The succeeding sections present the study findings organized based on each of the study objectives.

4.4.1: Effect of Management Planning on Efficiency in Service delivery

The first objective evaluated the effect of Management Planning (MP) on Efficiency in service delivery (ESD) among state organizations in Kenya. The regression models presented in Table 4.5 were used for analysis by analyzing the coefficient of Management planning. The results show that the coefficient of management planning in the linear/basic model and interactive model were 0.0273 and - 0.0045 with a

standard error of 0.026 in the effectiveness Model and 0.18 with standard error 0.31 and -0.06 respectively. The coefficients were insignificant at 10 percent level, implying that management planning was insignificant in both models.

Insignificance of management planning implies a disconnect between policy directive and policy implementation at the organizational level. Policies are often formulated at the national level and often focus on long-term goals that align to economic development. Inadequacy in policy interpretation may fail to drive efficiently in service delivery if management and departments heads do not fully understand or internalize to broader strategic goals. Furthermore, the misalignment between broader strategic government objectives and management planning at organizational level may be influenced by organizational values, bureaucracy, internal culture, beliefs, and priorities that guide day-to-day decision-making may also affect how the organization reacts to new directives from the policymakers (Christensen, 2020; Noto & Noto, 2019).

Respondents were asked to explain some of the challenges that led to the non-implementation of government policies. Many respondents expressed concern that certain policies are overly optimistic, given the capacity, logistical, and operational challenges faced by organizations. This issue stems largely from political pressure, where regimes make promises with unrealistic timelines to appeal to voters. For example, some respondents opined that election promises often result in disorganization because politicians frequently pledge to achieve specific goals within a short timeframe, such as 100 days. However, many organizations lack the necessary capacity to deliver such rapid results. In most cases respondents held that pressure from the government to implement rushed policies often results in policies superficial solutions that address symptoms rather than root causes and ultimately fail to achieve desired outcomes.

Another important outcome of qualitative analysis from respondents' opinion is misalignment between the budget provision and policy targets. Respondents opined that not only do political leaders often make ambitious promises that create unrealistic expectations. The problem is further compounded by a misalignment between policy targets and budget cycles. Many road-side policies are often proclaimed without clear financial backing, and when budget cycles do not correspond with policy timelines,

implementation stalls. These results in underfunded initiatives, fragmented execution, and, ultimately, policy failure.

Kenya has been grappled with rising debt obligations and fiscal deficits over the last 5 years. This has forced the existing government to adopt austerity measures by implementing high level of taxes to an otherwise overtaxed working population and focusing on debt servicing. The situation has led to limited fiscal space for pursuance of developmental agenda and the introduction of new policy initiatives. As a result, capital intensive policies such as infrastructure projects, industrialization initiatives and social welfare programs have been overtly affected (Okoa Uchumi, 2025, World Bank, 2013).

The 2025 Parliamentary budget committee noted that misalignment between policy initiatives and funding often occur because Kenya follows an annual budget cycle, and policy initiatives often require multi-year funding commitments. To this end, annual revision budgets often overlook long-term policy initiatives leading to delays, budget cuts, or even cancellations. In addition, the report cited those changes in political regimes more often lead to complete overhaul in economic priorities promoting reallocation of resources, further disrupting policy implementation (World Bank, 2013; Parliamentary Service Commission, 2025).

For state-owned organizations, lack of commitment and financial uncertainty often cause lack of implementation and stalled projects. This often is one of the major factors that cause due to operational inefficiencies and an inability to meet existing service delivery targets. Majority of State-owned organizations rely on budgetary allocation to perform their mandates, but when government funding is cut or delayed, they often strain to implement policies. Furthermore, allocation of the scarce government resources among competing government agencies means that some programs receive preferential funding while others are shelved (World Bank, 2013; Republic of Kenya, 2025).

Policies should be formulated with careful consideration of their feasibility, societal impact, and budgetary constraints. This approach fosters long-term planning and effectively links policy directives with fiscal capacity over a multi-year period. Additionally, the government and line ministries should establish a representative

planning committee comprising all key stakeholders to ensure that policy objectives align with realistic budget projections, enhancing both implementation efficiency and accountability. (World Bank, 2013; Parliamentary Service Commission, 2025).

4.4.2: Effect of Management System on Efficiency in Service delivery

The second objective assessed the effect of the performance management system on efficiency of service delivery. The regression models presented in Table 4.5 were used for analysis by evaluating the coefficient of management systems in both models. The results show that the coefficients of the management system in the linear/basic model and interactive model were 0.143 and 0.619 with a standard error of 1.57 and 2.26 respectively. The result affirm that Performance management system has a positive effect on efficiency in public service delivery. This implies that improvement of management systems drives efficiency in public service delivery when innovative processes are introduced. This reinforces the need for a systemized approach such that result-based management approaches that emphasize accountability, monitoring and evaluation, and employee engagement are critical to efficiency in service delivery among public organizations.

These results confirm that a vigorous performance management system provides a clear linkage from individual employee's tasks and responsibilities, their performance to intermediate targets and outcomes and ultimately to the overall organizational goals. When employees clearly understand what is expected of them and individual effort contribute to the overall mission, they are more likely to be productive. Respondents were asked to identify challenges that impede PMS in their respective organizations. The majority opined that they somewhat failed to see how their individual contributions impacted the organization. Additionally, respondents cited a lack of management responsiveness to their views and suggestions regarding system and process improvements. Some employees expressed that their input felt negligible, believing that their roles and responsibilities could be performed by anyone, regardless of their presence.

Achievement of coherence and goal congruence from a personnel perspective is a constant challenge for both public and private organizations. According to Locke and Latham (2019) it is critical to ensure that PMS align individual employee goals with

the overall strategic objectives to build an organizational culture that promotes a sense of shared purpose and builds a culture of collaboration.

Another important issue that limits the effectiveness of the Performance Management System (PMS) is the presence of a “silo mentality”, where certain divisions or departments prioritize their own interests over organizational goals. Respondents asserted that the notion of other departments ‘feeling more essential than others’ creates a divided work environment. Additionally, some respondents highlighted that the silo mentality fosters an "us vs. them" culture, where departments become territorial and cautious to share critical resources and information. As a result, cross-departmental initiatives face resistance, making it hard to effect reforms, streamline management processes, or improve the effectiveness of PMS across divisions. Some essential divisions or departments are often not involved in the decision-making process that affects their departments. This results in the shifting of blame when certain programs or tasks are not implemented (Koech & Namusonge, 2012; Korir & Bengat, 2015).

Several respondents noted that restricted information flow within the departments is also a major issue that hinders the effectiveness of PMS. It was noted that some managers opt to withhold critical data, resources, and insights rather than sharing across teams. Lack of transparency leads to incompetence, duplication of efforts, and misalignment between overall departmental performance and organizational expectations. A significant number of respondents opined that creation of an environment where transparency, trust and collaboration are promoted may go a long way in achieving cohesion within and across departments and advance overall organizational performance (Noto & Noto, 2019). Frequent changes in organizational structure, strategy, or leadership can create uncertainty and confusion, making it difficult to maintain coherence and goal congruence.

Glas and Essig (2018) explained that elimination of ‘silo mentality’ can be fostered by strong leadership that emphasizes on a culture of teamwork and shared responsibility. Without these changes, PMS will continue to be hindered by departmental divisions and a lack of organizational cohesion.

4.4.3: Effect of Feedback Mechanism on Efficiency in Service Delivery

The third objective examined the effect of feedback mechanism on efficiency in service delivery. The results in Table 4.5 were used for analysis. The results show that the coefficients of the feedback mechanism in the linear/basic model and interactive model were 0.299 and 0.255 with a standard error of 3.04 and 2.8 respectively. This implies that improvement of feedback mechanism has a positive effect on efficiency in public service delivery.

It is important to note that a significant number of respondents expressed dissatisfaction with the formulation and implementation of the performance appraisal system. Several respondents opined that the performance appraisal provided by management were overly optimistic and punitive rather than progressive. They viewed the appraisal tool as a means that is used by management to discipline employees rather than to provide constructive feedback, and a mechanism that encourages career growth and improvement (Pertersen, 2020; Okello & Wamwayi, 2022).

Additionally, some respondents noted that their tasks and daily duties were not adequately reflected in the performance assessment, leading to unfair evaluations. In some cases, respondents held the view that they were evaluated on key performance indicators (KPIs) that are not aligned with their roles, making it impossible for hardworking employees to achieve positive ratings despite fulfilling their core responsibilities. This disconnect reduces the credibility of the appraisal process and erodes employee trust in the system.

Another major concern by a significant number of respondents was the complex nature of the document. They described the evaluation process as an exercise that requires excessive documentation and the evaluation criteria as complex and one that requires self-justification. Furthermore, the measurement indices were perceived as unrealistic, with employees stating that the targets set were often set too high and did not reflect the current working environment, such as workload distribution and resource availability within the department (Noto, 2019)

According to Omboi (2011) setting performance targets is unattainable is counterproductive as it makes employees feel demotivated and disengaged since their efforts are not recognized and rewarded. Respondents' views on improvement

emphasized the need for a fairer, transparent and participatory appraisal process. They recommended that performance evaluations should be tailored to fit individual roles and involve challenging but achievable targets. They also recommend management to conduct evaluation processes and provide honest feedback to individual employees, which means fostering employee growth.

Another important view that was echoed in by a significant number of respondents was the need to involve various stakeholders' views in performance management. Respondents in senior positions held that state organizations providing social services should have an effective platform that continuously and effectively gather feedback from suppliers and consumers of their services (Riany, 2021).

This view was echoed in organizations that offer critical services like healthcare, education, and social protection. It was noted that organizational goals that are solely based on internal views often failed to achieve the intended goals because of resistance from the consumers of the services. To this end, meaningful assessments of social protection programs should integrate the experiences and satisfaction levels of external stakeholders, including suppliers, citizens and other partner organizations. Without accommodating feedback from the public, state organizations risk implementing programs that may not fully address the needs of the communities (Verbeeten, 2008; Schuler, 1992).

Establishing effective communication channels between management and employees is vital in decision-making, accountability, and service optimization in public sector organizations. Feedback mechanisms can help organizations identify bottlenecks, inefficiencies, and provide a problem-solving platform between employees and management. This enhances efficiency in service delivery by creating a conducive work environment that fosters transparency, trust, and collaboration (Verbeeten, 2008; Schuler, 1992; Riany, 2021).

In addition, creating open and real-time communication channels between the organization and external stakeholders is key in enhancing efficiency in service delivery, especially in the public sector. Public organizations that emphasize public participation can easily identify areas for improvement, streamline processes, and align their services more closely with stakeholder needs. To this end, the organization should ensure that the performance appraisal criteria is transformed from a punitive to

progressive platform by ensuring that the system focuses on growth and developmental aspects, captures the actual tasks and responsibilities and introduce a 360-degree feedback mechanism (Sari & Basri, 2015; Riany, 2021).

In addition, feedback mechanism should open room for engagement with key stakeholders not only helps with the improvement of the quality and the efficiency in service delivery but also helps in identifying the policy gaps and challenges that society faces. This ensures that state organization remains responsive and adaptable in a dynamic environment, thereby driving innovative changes and ultimately facilitates efficiency in service delivery (Cui, 2022; Locke & Latham, 2019).

4.4.4: Moderating Effect of Management Innovation on Performance Management

The fourth objective sought to assess the extent to which management innovation processes moderate the relationship between performance management indicators and efficiency in service delivery. Equations 3.1 through 3.4 were estimated and the results presented in Table 4.5. Preliminary analysis included selection of the most appropriate model for analysis. Evaluation of the Interactive models that include incorporates an interactive term between management planning and management innovation scores and feedback mechanism and management innovation (see table 6A in the appendix) revealed that inclusion of the interactive terms did not improve the model's predictive power when compared to the basic model. In addition, the interactive terms were insignificant and therefore excluded from analysis (Wooldridge, 2016).

Review of the diagnostics of both models showed that incorporation of interactive model presented in Table 4.5 improved the model making the estimates consistent. Additionally, the Adjusted R-Squared statistics for linear model and Interactive model were 0.357 and 0.40 respectively. According to Bollen (2002), R-squared values ranging from 20% to 50% are considered acceptable, tailored to the specific research question and ecological context.

Therefore, an adjusted R-squared between 37% and 40% can be deemed acceptable, especially in fields dealing with complex variables.

This implied that 35.7 percent of variations in Efficiency in service delivery scores were explained by the independent variables in the linear equation. Inclusion of the

interactive term improved the model and explained 40 percent of variation of efficiency in service delivery scores of State-owned organizations (Wooldridge, 2016). The results showed that the coefficients of the management innovation in the linear/basic model and interactive model were 0.205 and 0.755 with a standard error of 3.46 and 2.71 respectively. This means that coefficient management innovation was significant in both models proving that innovation is independent. Further analysis shows that the coefficient of the interactive term between innovation and management systems ($MS*MI$) is -0.0261 which is significant and negative. These findings confirm that management innovation (MI) moderates the relationship between management system (MS) and efficiency in service delivery (Bloch & Bugge 2013; Cerne et al., 2023).

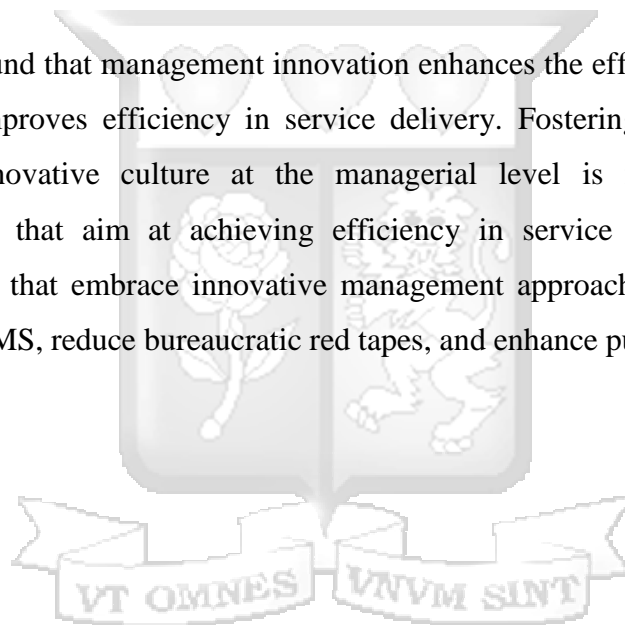
Sari and Basri (2015) explained moderation occur when a variable -in this case management innovation- influences the strength or direction of the relationship between an independent variable (PMS) and a dependent variable (service delivery efficiency). In public organization conventional PMS frameworks are often characterized by rigid processes, bureaucratic compliance systems, and often ineffective standardized procedures. Over time, these systems can become inefficient by limiting their ability to adapt to the demands of service delivery in the modern setting.

Management Innovation therefore provides an essential avenue for introducing new ways of implementing PMS, which are more dynamic more responsive and adaptable. Innovation may include data-driven decision-making, digital transformation, employee empowerment, process automation, and stakeholder collaboration (Walker, et al., 2011, Śledzik, 2013).

Respondents were of the view that management have focused more on introducing new systems that focus on performance monitoring. A significant number of respondents felt that new systems are too focused on tracking employee movement and activities rather than measuring meaningful contributions to organizational goals. Employee monitoring systems such as biometric attendance, CCTV systems, and rigid reporting structures, often create a culture of control rather than empowerment (Sapru, 2020; Cerne et al., 2023).

Paradigm Shift from an employee monitoring approach to a productivity-focused approach is a long-term oriented approach that enhances the effectiveness of performance management systems rather than hinder service delivery. Management innovation can play a critical role in introducing more dynamic and adoptive performance indicators and facilitate collaborative decision-making to allow frontline personnel in key departments contribute to the process improvements based on real-time service challenges that they face daily. In addition, modern systems can provide a platform for customer complaints, suggestions and views are directly integrated and utilized in enhancement service delivery. This will not only foster unity of purpose within the organization but will also ensure that state organizations' outcomes align with public needs (Rabede, 2013; Pertersen, 2020; Cerne et al., 2023).

The study found that management innovation enhances the effectiveness of PMS and ultimately improves efficiency in service delivery. Fostering an environment that promotes innovative culture at the managerial level is fundamental for state organizations that aim at achieving efficiency in service delivery. State-owned organizations that embrace innovative management approaches can release greater value from PMS, reduce bureaucratic red tapes, and enhance public service outcomes.



CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary

This study sought to investigate how performance management framework enhances productivity and service delivery in state-owned organizations In Kenya. Unlike private organizations, public organizations are more complex to the extent that they are affected by political, communal and social environment. The need to critically investigate performance management framework is necessitated by the fact that state-owned organizations play a crucial role in the provision of essential services that promote equality, and wealth distribution among others.

Review of public sector performance reports shows that the majority of SOEs in Kenya face significant challenges. Evaluation of Performance management reports (2024) up to 49 percent of the corporations were rated as ‘Good’ or ‘Fair’ scores that fall short of desired results as per the standards set by the National Treasury review committee. Despite their vital contribution to the economy, it is unclear whether the performance management framework of state-owned organizations enhances efficiency in service delivery. The general objective of the study is to assess the level of implementation of a performance management framework for enhancing service delivery of State Organizations in Kenya and draw lessons for future policy action.

Objective 1: The study evaluated the impact of Management Planning on Efficiency in Service Delivery among state organizations in Kenya, revealing that MP had an insignificant effect, as indicated by regression coefficients of 0.0273 and -0.0045 in the linear and interactive models, respectively. This insignificance highlights a disconnect between policy formulation and implementation, often due to inadequate interpretation of national-level policies by organizational management, misaligned priorities, and bureaucratic challenges. Respondents identified additional barriers, including unrealistic policy timelines driven by political pressure, misalignment between budget cycles and policy targets, and insufficient funding, which often result in fragmented execution and policy failure. Kenya’s fiscal constraints, exacerbated by rising debt and austerity measures, further limit the implementation of capital-intensive

policies. To address these issues, the study recommends adopting the Medium-Term Expenditure Framework (MTEF) for long-term planning, ensuring realistic budget allocations, and establishing inclusive planning committees to align policy objectives with fiscal capacity and enhance accountability

Objective 2: The study assessed the impact of Performance Management Systems (PMS) on the efficiency of service delivery in public organizations, revealing a positive relationship, as indicated by regression coefficients of 0.143 and 0.619 in the linear and interactive models, respectively. These findings underscore that well-structured PMS, which incorporate accountability, monitoring, evaluation, and employee engagement, significantly enhance service delivery efficiency. However, challenges such as employees' inability to see the impact of their contributions, lack of management responsiveness to employee input, and a pervasive silo mentality hinder PMS effectiveness. This mentality fosters departmental divisions, resistance to collaboration, and restricted information flow, leading to inefficiencies and misaligned goals. To address these issues, the study emphasizes the need for strong leadership to promote transparency, teamwork, and shared responsibility, ensuring that individual and departmental objectives align with broader organizational goals. By fostering a cohesive and collaborative work environment, public organizations can overcome barriers to PMS effectiveness and improve overall service delivery.

Objective 3: The study examined the effect of feedback mechanisms on efficiency in service delivery, revealing a positive relationship, as indicated by regression coefficients of 0.299 and 0.255 in the linear and interactive models, respectively. However, respondents expressed dissatisfaction with the current performance appraisal system, citing its punitive nature, lack of alignment with actual roles, and overly complex documentation processes. Many felt that unrealistic performance targets and inadequate feedback undermined employee motivation and trust. To address these issues, respondents recommended a more transparent, participatory, and role-specific appraisal system that incorporates achievable targets and constructive feedback to foster employee growth. Additionally, the study highlighted the importance of integrating external stakeholder feedback, particularly in sectors like healthcare and education, to ensure programs align with community needs. Establishing open communication channels between management, employees, and external stakeholders was identified as critical for identifying inefficiencies, improving

service delivery, and fostering innovation. By transforming feedback mechanisms into progressive tools that emphasize collaboration and responsiveness, public organizations can enhance efficiency and adapt to dynamic societal demands.

Objective 4: The study assessed the moderating role of management innovation (MI) in the relationship between performance management systems (PMS) and efficiency in service delivery (ESD). Analysis revealed that incorporating interactive terms between management innovation and performance indicators did not significantly improve the model's predictive power, as the terms were statistically insignificant. However, the adjusted R-squared values of 0.357 for the linear model and 0.40 for the interactive model indicated that 35.7% and 40% of variations in ESD were explained by the independent variables, respectively, which is considered acceptable in complex research contexts. The coefficients for management innovation (0.205 in the linear model and 0.755 in the interactive model) were significant, confirming its independent impact. Additionally, the negative and significant coefficient of the interaction term (-0.0261) between innovation and management systems suggested that MI moderates the relationship between PMS and ESD. Management innovation introduces dynamic, adaptive processes such as data-driven decision-making, digital transformation, and stakeholder collaboration, which enhance traditional, rigid PMS frameworks. Respondents highlighted that current systems often focus on employee monitoring rather than productivity, creating a culture of control. Shifting to a productivity-focused approach, supported by innovation, can improve service delivery by fostering collaboration, empowering employees, and integrating real-time feedback from stakeholders. The study concludes that fostering an innovative managerial culture is essential for state organizations to reduce bureaucracy, enhance PMS effectiveness, and achieve greater efficiency in public service delivery.

5.2 Conclusion

The study findings were discussed in two major categories: descriptive analysis and inferential analysis. Descriptive analysis, correlation analysis, revealed the following key findings. First, the sample effectively captured diverse aspects, including gender balance, occupation, and sector representation. The items used to measure the latent variables were adequate, comprehensive, meaningful, and valid. Lastly, Cronbach's alpha results confirmed the reliability of the variables, indicating their suitability for

inferential analysis. Inferential analysis was presented thematically based on each objective. The first objective evaluated the effect of Management Planning (MP) on Efficiency in service delivery (ESD) among state organizations in Kenya. The results show that the coefficients were insignificant at 10 percent level, implying that management planning was insignificant in both models. These results reveal that policy interpretation may fail to drive efficiently in service delivery because state-owned organizations do not fully understand or internalize to broader strategic goals.

Some of the reasons cited include, Introduction of unrealistic policies fueled by political pressure, where regimes make promises with unrealistic timelines to appeal to voters. In addition, misalignment between policy initiatives and funding often occur because Kenya follows an annual budget cycle. The study findings further show that changes in political regimes more often lead to complete overhaul in economic priorities promoting reallocation of resources, further disrupting policy implementation.

The second objective assessed the effect of performance management system on the efficiency of service delivery. The result affirms that the Performance management system has a positive effect on efficiency in public service delivery. This implies that improvement of management systems drives efficiency in public service delivery when innovative processes are introduced. Several respondents noted that restricted information flow within the departments is also a major issue that hinders the effectiveness of PMS. Lack of transparency leads to incompetence, duplication of efforts, and misalignment between overall departmental performance and organizational expectations. In addition, the study demonstrated that presence of 'silo mentality' across divisions and departments creates an "us vs. them" culture.

Elimination of 'silo mentality' can be fostered by strong leadership that emphasizes a culture of teamwork and shared responsibility. In addition, there is a need for reinforcement of a systemized approach that focuses on result-based management approaches. This will enhance accountability, monitoring and evaluation, and employee engagement are critical to efficiency in service delivery among public organizations.

The third objective assessed the effect of feedback mechanisms on efficiency of service delivery. The result affirms that feedback mechanisms have a positive effect on efficiency in public service delivery. This implies that improvement of management systems drives efficiency in public service delivery when innovative processes are introduced. The respondents noted that the appraisal systems utilized to evaluate performance did not adequately reflect in the performance assessment, leading to unfair evaluations.

In addition, the complex nature of the document and unrealistic targets did not reflect the current working environment, such as workload distribution and resource availability within the department. Another important revelation was the need to involve various stakeholders' views to effectively gather feedback from suppliers and consumers of their services. The study findings showed that adequate feedback mechanisms can help organizations identify bottlenecks, inefficiencies, and provide a problem-solving platform between employees and management. This enhances efficiency in service delivery by creating a conducive work environment that fosters transparency, trust, and collaboration.

The fourth objective examined the moderating effect of management innovation on the relationship between performance management and efficiency in service delivery. The findings confirm that management innovation (MI) moderates the relationship between management system (MS) and efficiency in service delivery. Moderation occurs when a variable influences the strength or direction of the relationship between an independent variable (PMS) and a dependent variable (efficiency of service delivery). In public organization conventional PMS frameworks are often characterized by rigid processes, bureaucratic compliance systems, and often ineffective standardized procedures. Over time, these systems can become inefficient by limiting their ability to adapt to the demands of service delivery in the modern setting. Management Innovation therefore provides an essential avenue for introducing new ways of implementing PMS, which are more dynamic more responsive and adaptable.

5.3 Policy Recommendations

The following recommendations were drawn from the study findings: First, the findings revealed that there exists a disconnect between government objectives and management planning at organizational level. Policies should be formulated with careful consideration of their feasibility, societal impact, and budgetary constraints.

Objective 1: The study recommended that the government should, through the parliament, enact laws that strengthen the utilization of the Medium-Term Expenditure Framework (MTEF) rather than introducing ad hoc policies, while ensuring clear budgetary allocations to support the successful implementation of projects. Additionally, line ministries of the government should establish a representative planning committee comprising all key stakeholders to ensure that policy objectives align with realistic budget projections, enhancing both implementation efficiency and accountability at the organizational level.

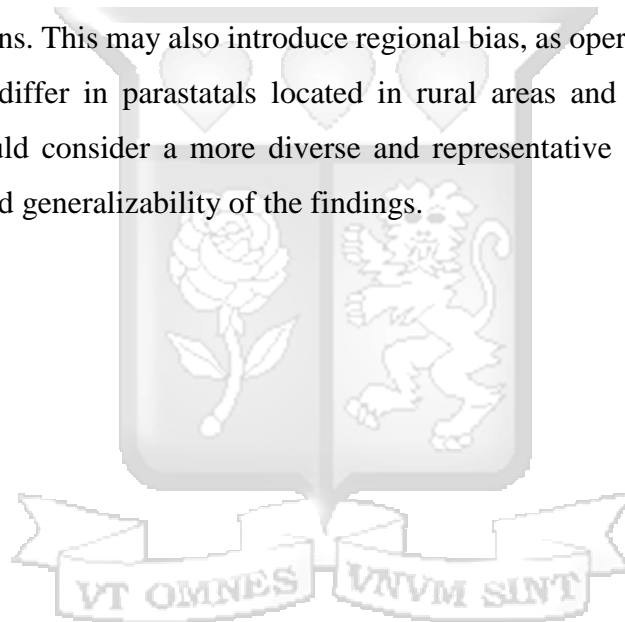
Objective 2: The study revealed that management systems have a significant effect on the efficiency of service delivery. However, silo mentality and lack of transparency hinder Performance management systems. To this end, the study recommended that state organizations should focus on how policy directives are executed, monitored, and improved over time. This can be achieved by creating result-oriented systems that foster transparency, information dissemination, teamwork and collaboration.

Objective 3: The study findings show that feedback mechanisms play a significant role in the improvement of service delivery in public organizations. However, it was revealed that appraisal criteria used by public organizations were punitive rather than progressive. In addition, the need to engage with consumer suppliers and other stakeholders also echoed. To this end, it was recommended that the appraisal criteria should be aligned to the tasks and responsibilities and provide room for career growth and development. In addition, feedback mechanism platforms should aim at creating a conducive work environment that fosters transparency, trust, and collaboration. In addition, organizations should strengthen external feedback mechanisms as a means of identification of bottlenecks, inefficiencies, and provide a problem-solving platform between the organization and external stakeholders.

Objective 4: The study revealed that management innovation strengthened the relationship between performance management systems and efficiency in service delivery. Therefore, the study recommended that State-owned organizations embrace innovative management approaches to reduce bureaucratic red tapes, operational inefficiencies and enhance public service outcomes.

5.4 Limitation of the Study

Notwithstanding its contributions, there are a few limitations worth considering. First, the sample comprised only 66 state corporations out of over 300 in Kenya. This may restrict the generalizability of the findings across all public sector organizations. Secondly, due to financial constraints, the majority of the SOEs sampled were Nairobi and its environs. This may also introduce regional bias, as operational dynamics could significantly differ in parastatals located in rural areas and other counties. Future research should consider a more diverse and representative sample to enhance the robustness and generalizability of the findings.



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APPENDIX

Appendix 1: Questionnaire

SECTION I: GENERAL INFORMATION

Greetings, I am a Masters student in Strathmore Business School. I am conducting a survey to assess the level of Implementation of the Performance Management Framework in enhancing the service provision of Commercial Organizations in Kenya. Respondents are encouraged to answer the questions honestly. All of the answers you give will be confidential and only be used for this survey.

A. RESPONDENT INFORMATION (Please tick where appropriate)

1. Gender: [A] Male [B] Female

2. What is your highest level of education?

[a] Certificate []

[b] Diploma []

[c] Bachelor's degree []

[c] Master's degree []

[d] PhD []

3. What is your Designation?

[a] Operations Manager []

[b] Human resource Manager []

[c] Other Personnel []

B. ORGANIZATION INFORMATION

4. How long has your organization been in operation?

[A] Less than 5 years

[B] 6 - 10 years

[C] 11- 15 years

[D] 16 – 20 years

[E] Over 21 years

5. Does your organization have a performance/employee management framework?

Yes

No

If yes, kindly proceed to part 2

SECTION II: PERFORMANCE MANAGEMENT PLANNING

Performance management planning refers to the policy development process that range from policy formulation, interpretation, enactment and goal setting by the organization.

Kindly indicate to what extent you agree with the following statements concerning performance management planning in your corporation in the table below. Use a scale of 0-4 where (0= Strongly Disagree; 1= Disagree; 2= Neutral; 3= Agree; 4= Strongly Agree)

No	Statements	0	1	2	3	4
1	There is a clearly policy agenda and guide from the government.					
2	The organization participates in policy initiation, development and implementation					
2	The organization emphasize on stakeholders consultation in policy development					
3	The organization emphasize on evidence-based and research driven policy development					
4	The organization has efficient policy planning and implementation structures.					
5	The organization ensures that policy objectives are aligned with broader strategic goals and priorities					
6	The organization set clear Performance Goals and Objectives aligned with the strategic objectives					
7	Adequate resources are allocated to policy development, planning, and implementation process					

What are the key challenges to policy planning and implementation does your organization face?

.....

What improvements should be made to the policy development and implementation process?

.....

SECTION III: PERFORMANCE MANAGEMENT SYSTEM

Performance management system refers to a structured framework or process implemented by organizations to effectively manage and enhance the performance of their employees.

To what extent do you agree with the following statements concerning the Performance management system your corporation? Use a scale of 0-4 where (0= Strongly Disagree; 1= Disagree; 2= Neutral; 3= Agree; 4= Strongly Agree)

No	Statements	0	1	2	3	4
1	The organizations align targets and performance measurements with organizational goals					

2	The organization has a clear mechanism of comparing outcomes to expected targets					
3	Performance targets are aligned with set targets and outcomes					
4	Performance appraisals are aligned with employees' task accomplishment and target achievement					
5	Performance reviews are based on predefined criteria and standards.					
6	Performance targets are challenging but attainable					
7	The performance evaluation process is designed to minimize bias and discrimination.					
8	The staff clearly understand what is expected and required with regards to their performance targets					
9	Individual development plans are created to address skill gaps and career aspirations through training and development opportunities.					

What are the key challenges to performance management system does your organization face?

.....

.....

What improvements should be made to improve the performance management system?

.....

.....



SECTION IV: FEEDBACK MECHANISM

Feedback mechanism refers to a structured process within an organization that facilitates the exchange of information, opinions, views, and perspectives between employees and management

To what extent do you agree with the following statements concerning the organization's feedback mechanism? Use a scale of 0-4 where (0= Strongly Disagree; 1= Disagree; 2= Neutral; 3= Agree; 4= Strongly Agree)

No	Statements	0	1	2	3	4
1	The organization has an effective policy communication plan					
2	Communication and reporting channels are clear and effective					
3	Performance reviews are conducted at scheduled intervals (e.g., annually, quarterly).					
4	There is a provision of feedback and support to employees upon evaluation/appraisal in the corporation.					
5	Constructive feedback is provided to employees on their performance.					
6	Progress toward performance goals is regularly tracked and discussed, allowing for adjustments as needed.					
7	Open and transparent communication exists about the performance management process and expectations.					
8	Feedback from employees are collected, analyzed, and used for decision-making.					

What are the key challenges to feedback channel does your organization face?

.....

.....

What improvements should be made to improve feedback channels?

.....

.....

SECTION V: MANAGEMENT INNOVATION

Management innovation refers to the development of new approaches, practices, or strategies in the way organizations are managed or operated to improve productivity, product development and/or efficiency and effectiveness in service delivery

To what extent do you agree with the following statements concerning the management innovation in your organization? Use a scale of 0-4 where (0= Strongly Disagree; 1= Disagree; 2= Neutral; 3= Agree; 4= Strongly Agree)

No	Statements	0	1	2	3	4
1	The organization is proficient in solving organizational problems					
2	The organization has a good track record when it comes to managing crisis					
3	The organization's management information system is current and operates efficiently					
4	The management information system adapts dynamically to meet the evolving needs of the organization					
5	The organization consistently implements administrative reforms to enhance its planning and budgeting procedures					
6	The organization's monitoring and evaluation systems catalyze product/service innovation					
7	The organization consistently implements reforms to improve quality assurance					
8	The organization consistently implements reforms to improve employee productivity and management processes					

What are the key challenges to feedback channels does your organization faces?

.....

.....

What improvements should be made to improve feedback channels?

.....

.....

SECTION VI: EFFICIENCY IN SERVICE DELIVERY

Service delivery captures the organization’s ability to deliver services as expected or based on the policy objectives, goals, and targets

To what extent do you agree with the following statements concerning the service delivery in your organization? Use a scale of 0-4 where (0= Strongly Disagree; 1= Disagree; 2= Neutral; 3= Agree; 4= Strongly Agree)

No	Statements	0	1	2	3	4
1	The organization has decreased operational costs associated with delivering services					
2	Quality of Product and service delivery has significantly improved over the last five years					
3	The organization has Increased individual productivity and teamwork.					
4	Over the past five years, the organization has achieved elevated levels of employee engagement and job satisfaction					
5	There is consistent improvement achievement of performance goals and targets set within the framework.					
6	Reduced turnaround times in delivering products or services to customers and improved efficiency in meeting customer demands.					
7	The government has rated the organization as one of the highest-performing entities among all state organization					
8	The scope and coverage of service delivery has increased by at least 30 percent in the past five years.					

What are the key challenges to service delivery that your organization faces?

.....

.....

What improvements should be made to service delivery?

.....

.....

THANK YOU FOR YOUR COOPERATION

Appendix 2: Institutional Ethical Review Letter



16th September 2024

Mr Kinagwi Thurania,
tkinagwi@gmail.com

Dear Mr Kinagwi,

RE: Assessment of Performance Management Framework in Enhancing Service Delivery among State Organizations in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2368/24**. The approval period is from **16th September 2024 to 15th September 2025**.

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 SU-ISERC.
- 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 SU-ISERC 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 SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.


Before 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 obtain other clearances needed.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ambrose Rachier".

Mr Ambrose Rachier,
Chairperson; SU-ISERC

Appendix 3: NACOSTI Research Permit



REPUBLIC OF KENYA
National Commission for Science, Technology and Innovation

Ref No: 310504

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issue: 28/September/2024

RESEARCH LICENSE




This is to Certify that Mr.. Thurairia Kinagwi of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Mombasa, Nairobi on the topic: ASSESSMENT OF PERFORMANCE MANAGEMENT FRAMEWORK IN ENHANCING SERVICE DELIVERY AMONG STATE ORGANIZATIONS IN KENYA, for the period ending : 28/September/2025.

License No: NACOSTI/P/24/40426

Applicant Identification Number: 310504

Director General
Walter Kimani
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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