# An Investigation of the Factors That Cause Poor Performance of State Corporations in Kenya

**Marangu Festus Mutegi [*], Dr. Ombui, K [**]**

[*] Student, Jomo Kenyatta University of Agriculture and Technology
[**] Lecturer, Jomo Kenyatta University of Agriculture and Technology

***Abstract-*** The performance of State Corporations has been a matter of on-going concern in an environment of resource scarcity and mounting needs. A number of policy issues and challenges afflict State Corporations in Kenya including lack of clarity on the role that State Corporations should play in the economy. This is compounded by the apparent differences in opinion in respect of the exact role of the state in the national development effort. There is also poor linkage of State Corporations activity with the national development goals and inadequate policy and policy coordination leading to poor definition of mandates, conflicts in mandates as well as fragmentation of mandates that facilitate the proliferation of poorly resourced State Corporations. The general objective of this study is to investigate the factors that cause poor performance of state corporations in Kenya. The specific objectives of the study were to examine the extent to which transparency has affected organizational performance of state corporations in Kenya, examine how accountability has affected organizational performance of state corporations in Kenya and determine the role played by leadership integrity in performance of state corporations in Kenya. The study used a descriptive survey design and a case study strategy. Data were analyzed using Microsoft Excel and the results presented by use of figures and tables. The study found that there is poor governance leading to resource loss and burdening the public purse, including a multitude of legal and institutional frameworks that generate multiple reporting and accountability lines, compounding the challenges of effectiveness of boards and CEOs. There is also an inadequate performance management framework that effectively links performance of State Corporations to national development goals and fails to adequately link individual performance to institutional performance. The study recommends that management in state corporations should provide quality leadership including good corporate governance principles like accountability and transparency and involve staff in decision making process so that they can contribute positively to their performance and productivity. The government can come up with friendly policies and incentives that would motivate staff in the public corporations. The executive team should be guided by principles of good ethical behaviour. Executives lead their teams based on these principles and communicate the ethical standards to employees and help all employees to maintain high standards of ethical behaviour. The management should create formal policies and procedures to allow the CEO and the staff to make better decisions. Once created, the policies and procedures should be made available to all staff. The government must be more serious in the fight against corruption in the state corporations. This is because the war on grand corruption has not been won using the law enforcement institutions because the process is a labyrinth and some of the investigators of this crime are themselves corrupt. People with high ethical standards should be appointed to head state corporations.

***Index Terms***- Accountability, Transparency, Leadership Integrity

## I. BACKGROUND OF THE STUDY

Organizational performance refers to the ability of an organization to measure its achievements by comparing the inflow and outflow of its financial ratios as a result of strategic management practices (Burnes, 2000). A number of management theories and techniques have been developed to improve the understanding and practice of management in organizations. The more significant of these include management by objectives, organizational development and operations research. In addition to this list, there is strategic planning and finally, risk management. In most cases, these theories and practices were initially developed and applied in large private and public sector organizational settings and attempts were subsequently made to transfer them to micro and small enterprises sector contexts. Such attempts met varying degrees of success (Nicholas and Abby, 2006).

A state-owned enterprise (SOE), state corporation or parastatal is a state-owned company that is legally entitled to undertake commercial activities on behalf of an owner government. Government-owned corporations are common with natural monopolies and infrastructure such as railways and telecommunications, natural resources and energy. State owned enterprises can be fully owned or partially owned by government. It is difficult to determine categorically what level of state ownership would qualify an entity to be considered as “state-owned”, since governments can also own regular stock, without implying any special interference.

State-owned enterprises (SOEs) have featured prominently in the development strategies of most countries in Africa. Far too many of these SOEs, and particularly those in infrastructure, energy, water and sewerage, telecommunications, transport, have a long history of poor performance. African governments, with and without donor involvement, failed to reform state owned firms using evolutionary methods (often termed “commercialization” or “corporatization”) short of ownership change. This failure gave rise to much more heavy reliance on private sector participation and ownership.

Performance management is concerned with encouraging behavior that leads to attainment of the organizational objectives. It creates shared understanding on how to improve performance by agreeing what need to be done and how achievement will be measured (Armstrong, 2006). Buytendijk (2009) argues that a good performance management system should focus on outcomes and not outputs. In public organizations, performance management is seen as a form of political communication (Lin & Lee, 2011). In a nutshell, performance management is a management tool that aims at aligning goals of the principal and the agent in a manner that creates a shared vision.

Performance management may be seen as a control mechanism employed by the top management to guide, control and monitor the actions of juniors to ensure that they contribute to the strategy of the organization (Mackie, 2008). An effective performance management should go beyond control and focus on performance improvement by encouraging learning. Early performance management systems were fairly simple and mainly focused on employee in ranking and comparing individuals with others (Cardy & Dobbin, 1986).

In the 1970s, most countries in Europe and Americas adopted the Japanese systems of Total Quality Management (TQM) with emphasis on teams rather than individuals as the focus of productivity improvement. In the 1980s and early 1990s, the 360 degree appraisal systems were introduced. More recently, the balanced score card performance management system that link individual targets with organizational strategy have been adopted by many organizations. Productivity improvement has been an on-going process and goes back to the beginning of civilization (International Society for Performance Improvement (ISPI), 2006). Measuring performance enhances performance both to the individual and the organization and encourages a culture of continuous improvement (Letsoalo, 2007). Mackie (2008) is of the opinion that the aim of performance management system is to introduce systematic controls and regulating activities of an organization to attain agreed objectives. Performance measurement in public service help in gaining public confidence that tax money are being used effectively (Chartered Institute of Management Accountants (CIMA), 2010). While performance management has existed for a long time, performance contracting was only introduced in the beginning of the nineties in the Belgian public sector. On the federal level, the use of contracts goes hand in hand with the creation of new autonomous enterprises. In this case the contract stipulates the compulsory public utility services they have to deliver and the conditions under which this has to be done. As the case of "the Post" shows, the performance contracts also allow for considerable autonomy in financial, human resource and internal organization management. On the regional level, however, practice is diverse. Performance contracts are embedded in an overall performance management strategy of the Flemish government.

A performance contract is an agreement between two parties that clearly specifies their mutual performance obligations. The parties to a performance contract are the superior entity in the government hierarchy who is responsible for public policy and monitors and evaluates performance and a subordinate entity in the same hierarchy whose performance is evaluated by the Principal responsible for implementation of public policies. Performance contracts are necessary in order to prevent confusion due to multiplicity of objectives and the vicious cycle of the "NOT ME" syndrome. It tends to improve the correlation between planning, implementation and coordination between various government agencies. It helps create a benchmark competition among public agencies and enterprises and creates an enabling public policy environment for other downstream reforms. It also provides a "fair" and "accurate" impression about public enterprise performance.

The use of performance contracts is pervasive in very diverse fields. Like with any policy instrument, it should be measured against expectations from the instruments. Therefore the performance contract is expected to result in performance improvement as it is spelt out in the contract. If managers achieve contractual performance obligations, performance has improved. The performance contracts were introduced as a management tool for measuring performance against negotiated performance targets (Kobia and Mohammed, 2006). They were a freely negotiated agreement between the government acting as the owner of an agency and the management of the agency. Although signed at the corporate level, the outcome also to a large extent reflected on the performance of the individual managers, especially the chief executive officers.

Traditionally, the shortcomings of the public sector were seen as organizational problems capable of solution by appropriate application of political will, powerful ideas and managerial will. The overriding concern with economic growth has led to a refocusing. Over the years, poor performance of the public sector, especially in the management of public resources has hindered the realization of sustainable economic growth. Some of the factors adversely affecting performance include: excessive regulations and controls, frequent political interference, poor management, outright mismanagement and bloated staff establishment. To improve performance, the Government has been undertaking a number of reform measures. The challenge of securing commitment for results is profound, particularly at this time when the rhetoric of public service performance improvement is as prevalent as the reality. This commitment takes a willingness to commit before hand, take responsibility for, to own and to accept praise and blame for delivery of services agreed upon in a performance contract.

Performance contracting tool is emerging as a very efficient and effective planning tool which bring to the fore various aspects of an organization, some of which are often ignored. Corporate planning and the itemization of annual work plans, adequately supported by budgetary provisions and delineation of lines in addition to levels of responsibility for performance as well as effective measurement is an effective tool for management of public resources. Performance contracting has provided an avenue for comparing public agencies through reliable benchmarks especially during the negotiation period where members of the independent team are drawn from different leading industry players. It has also offered the opportunity to achieve a high degree of accountability and transparency in performance target setting.

Performance contracting as a management tool was originally developed for private enterprises but has been adopted by the public sector (Lin & Lee, 2011). The private enterprise adopted performance contracting as they have limited resources and have to innovate to achieve higher performance. In addition, it is easy to measure performance in the private sector as their main measure is profitability while public sector has many and sometimes conflicting goals.

Performance contracting in the public service emerged with adoption of New Public Management (NPM) theory which originated from the Public–Choice theory (Gruening, 2001). The emergence of NMP was necessitated by three issues. The first was the global economic crises of the 1970s and 1980s that resulted from the unprecedented surge in oil prices. This eroded the ability of state to provide goods and services which had been extended to citizenry during times of abundance (Mutahaba, 2011). The second issue arose due tothe collapse of the centrally planned economic systems of what was then referred as the "Eastern Bloc". This led to most government reassessing the role of state in provision of public goods and services. There was broad consensus on the need to reduce the role of the state and allowing the private sector to take over the role of provision of services to the public (Mutahaba, 2011). Ayee (2008) argues that the emergence of neo-liberals in the United States and the West in general advocating for 'rolling back of state' had a big influence in the reforms that were initiated in public service from the 1980s to date. The ultimate goal of these reforms was raising the quality of service to citizens and promotion of social-economic growth (ECA, 2010).

The first practitioners of NPM emerged in United Kingdom (UK), New Zealand and Australia, the United States of America (USA) and eventually to the rest of the world (Gruening, 2001). According to Gruening (2001) and Mutahaba (2011), NPM was identified as having the following characteristics; outsourcing of non-core functions, budget cuts, user charges, separation of politics and administration, improved financial management, accountability, performance auditing, privatization, use of information technology and improved accounting.

France in the late 1960s was the first country to introduce PC as a performance improvement tool in the public service before it was adopted in Pakistan, Korea and later India. By 1990s, PC model had been adopted in management of public service in many countries (Kobia & Mohammed, 2006).

In performance contracting context, commitment is at two levels; top management and the level of employees. Top management commitment may be viewed from willingness to give energy and loyalty to implementation process. Expectancy theory by Victor Vroom says that employee commitment to organizational goals depends on the strength of expectation that doing so will be followed by favorable outcome and the value that the individual attach to the reward (Robbins, 1991). Buytendijk (2009) argues that unless performance management system gain acceptance through encouraging people to collaborate because they want to not because they have to, performance management system may actually lead to suboptimal performance by making figures look good only on paper.

A study on performance contracting in Finland by Uusikyla and Virtanen (1999) found that some of the benefits associated with its introduction were better coordination between state agencies themselves and between the agencies and the parent ministry as well as better linkage with planning and budgeting process. In Mauritius, Chittoo (2009) found that there is a very complex communication in the public service with each ministry jealously guarding its sphere of influence. This suggests that performance contracts in Africa may not have had meaningful impact on internal communication between institutions.

Larbi (2010) argues that the World Bank has been responsible for introduction of performance contracting in several developing countries. The focus of most reforms initiated by World Bank in public sector management was targeted at cost containment. Swaziland enacted The Public Enterprise Act of 1989 to focus on control of semi-autonomous state agencies sector following public outcry that they were a drain to the economy while Gambia placed strategic state corporations and departments under PC (Mutahaba, 2011 and Kobia & Mohammed, 2006). Ghana introduced Civil Service Performance Improvement Programme in 1996 in which staff were to engage their clients and agree on performance improvement programme which would then form the basis on performance agreement.

The government of Kenya launched the first phase of public sector reforms in 1993 focused on cost containment with staff right sizing and rationalization of government functions and structures. This phase was mainly driven by donors and creditors especially by World Bank under the Structural Adjustment Progamme (Lienert & Modi, 1997; and Kobia & Mohammed, 2006). In this phase, the following activities were undertaken; employment in public service was frozen, removal of 'ghost workers' through cleaning of payrolls, voluntary retirement, early retirement and retrenchment and removal of government guaranteed employment to new graduates were the main focus. The next phase focused on rationalization of government functions and structures to determine optimal structure and size in the civil service which was linked to budgetary limits (Lienert & Modi, 1997, Kobia &Mohammed, 2006 and Mutahaba, 2011). In 2003, the Government of Kenya formulated the Economic Recovery Strategy for Wealth and Employment Creation (ERWEC) covering the period 2003-2007. This policy document recognized performance contracting as a strategy in improving performance in the public service (Kobia & Mohammed, 2006). In 2001, the Government of Kenya launched a strategy for performance improvement in the public service whose aim was to increase productivity and improvement in service delivery underpinned by results based management orientation (Gatere, Keraro & Gakure, 2013).

The first attempt at performance contracting in the public service in Kenya was made in 1984 with Kenya Railways signing a performance contract while National Cereals and Produce Board signed in 1990. The initiative however floundered as there was no political will to see it through. A strategy paper recommending re-introduction of performance contracting in state corporations was presented to the cabinet in 1991 but this too did not take off (Kobia & Mohammed, 2006 and Mbua & Sarisar, 2013)

Based on lessons learnt after the failure of the first phase of implementation of public service reforms, the focus shifted from cost containment to productivity improvement and in addition, the processes was fully controlled by the public service itself unlike the first phase that was donor driven (Kobia & Mohammed, 2006). During the second phase, initiatives aimed at reducing corruption and reduce wastage were introduced

The Government of Kenya enacted the Ethics and Economic Crimes Act, 2003 that addressed issues of ethics and corruption in the service. This was closely followed by the enactment of the Public Procurement and Disposal Act, 2005 (Kogei, Magugui, Yano, Chepkemei & Chebet, 2013). The Government of Kenya then shifted its attention to measuring performance in the public service. The third and the current phase of reforms focused on improvement of service delivery rather than the processes. This led to the birth of performance contracting in the public service in Kenya (Mutahaba, 2011).

The fundamental problem of SOEs, in infrastructure as well as manufacturing, was multiple, ambiguous and conflicting objectives. That is, government owners decreed that SOEs operate in a commercial, efficient and profitable manner; and at the same time insisted that they provide goods and services at prices less than cost-covering levels, serve as generators of employment, receive their inputs from state-sanctioned suppliers, choose plant location on political rather than commercial criteria, hire their staff on the basis of who they were rather they what they knew, etc. The mixing of social with commercial objectives inevitably led to political interference in operational decisions to the detriment of managerial autonomy, commercial performance, and economic efficiency. SOE managers possessed autonomy in areas where they should have been closely monitored, on most matters of financial reporting, and they generally lacked decision-making power where it was needed concerning day-to-day operational matters.

a) People in managerial positions in state owned enterprises also need to be trained by consultants from non-governmental organizations to improve on their managerial skills. This will help maintain a focused, long term vision of the SOE's mission and purpose, and aid decisions about the allocation of human and financial resources. It is a "disciplined process for making key decisions and agreeing on actions that will shape and guide what the SOE is, what it does, and why it does it." It is therefore vital to ensure the human factor in the SOEs is well equipped and processes and procedures all working to enhance their capacities. The management of SOEs should ensure that the human resource is properly developed in order to enable them to be effective in their work.

The public sector consists of the general government and all public corporations including the Central Bank (OECD, 2006). ILO (2009) estimates the world share of public employment in total world employment at around 30% depending on the levels of economic developments and the role played by the state in the production of goods and services. In the developed countries, the share of public employments is close to 22 percent of total employment and in most of OECD Countries, the size of public sector employment today represents between 5% and 28% of the workforce respectively. The figure is around 40% in countries in transition, and varies from 8 to 30 percent in developing countries (ILO, 2009).

In Africa, the public sector has been the major employer with a bloated workforce, often employed on non-economic considerations, which was widely cited as a source of public sector inefficiency (Odhiambo, 2009). However the structural adjustments programmes of the 1980s saw the introduction of several reforms in the public management which led to a decline of public service workforce (ILO, 2006).

## II. STATEMENT OF THE PROBLEM

Dr. Ciano devised strategic plans and faithfully adhered to these linear plans. This style of strategic management planning and adherence added little value where organizational strategies are designed to be used as detailed blueprints for managers. After a few years in operation and showing positive signs of operation, the Uchumi Supermarket leadership decided to follow a regional expansion strategy. It expanded its Kenyan market and ventured into other countries within the East African region. This regional strategy of expansion saw Uchumi Supermarket having problems of liquidity. Its regional strategy focused on serving the market using a unified strategy across all divisions of business units with managers having no authority or responsibility to think independently.

In June 2015, Uchumi fired its chief executive officer Dr. Jonathan Ciano for "misconduct and gross negligence". Every year since Dr. Ciano came to the leadership of Uchumi, the external auditors had always given Uchumi a clean bill of health. The events that followed cast doubts on the honesty, ethics, professionalism and the qualifications of the auditors.

b) In July 2015, the company hired a Nairobi-based consulting firm to probe employee theft at the retail chain. In August 2015, a new CEO, Dr. Julius Kipng'etich, was hired. In October 2015, the store chain closed down all its stores in Uganda and Tanzania, citing unprofitability. Its decision to halt the expansion plans was reached after the firm said the strategy had been undertaken without proper funding. Uchumi Supermarkets has embarked on a cost-cutting exercise that will include closing down branches and laying off staff. Most of the stores to be closed will be in Tanzania and Uganda. In the process, 900 former employees were laid off in both counties, of whom 400 were in Uganda.

Uchumi Supermarket operated on the basis of cross functional action, plan fulfillment, customer orientation, those on top deciding what is to be done and central staff functions besides focusing on conventional mass market which had no product differentiation or value addition effort. It focused on a homogeneous market and ignoring a segment of a sizeable heterogeneous market that required high value differentiated products to meet their unique needs. I think the leadership of Uchumi failed to recognize that human beings within an organization have their own goals, aspirations, likes and dislikes and that their feelings considerably influence their performance.
Towards this end, this study aimed at filling the existing knowledge gap by covering the those factors that cause poor performance of state corporations in Kenya. This is because although there is comprehensive literature review on political interference on state corporations in Kenya, there is need for more studies on why state corporations do not perform optimally. This study therefore tries to shed some light on causes of poor performance of state corporations and would help the government address these factors and therefore the state corporations improve on performance.

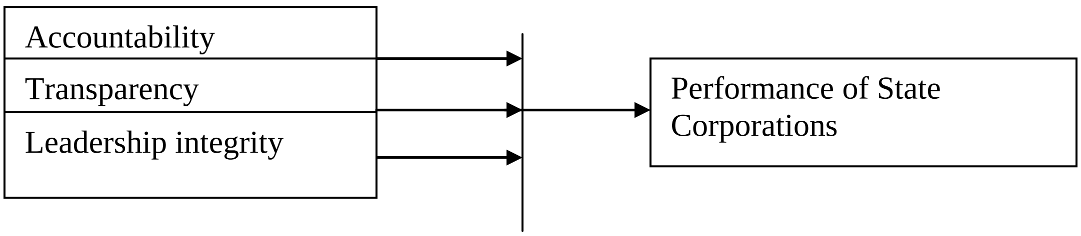
**OBJECTIVES OF THE STUDY**

The objectives of this study were to:

i. Examine the extent to which transparency has affected organizational performance of state corporations in Kenya.
ii. Examine how accountability has affected organizational performance of state corporations in Kenya.
iii. Determine the role played by leadership integrity in performance of state corporations in Kenya.

**CONCEPTUAL FRAMEWORK**

A conceptual framework of the study was developed from the research objectives and is represented in the figure below.




**Independent variables** **Dependent variables**

**Determinants of Performance in Public Corporations**

## III. RESEARCH METHODOLOGY

The study adopted a descriptive research design to examine the influence of resources in public primary schools on integration of learners with hearing impairments. According to Franklin (2012), a descriptive survey is intended to produce information about aspects of education that interest policy makers and educators. The design was appropriate because the researcher was interested in showing the factors that cause poor performance of state corporations in Kenya.

The study was conducted in Nairobi City in Nairobi County. The location was selected because it was convenient to the researcher and the researcher wished to investigate the factors that cause poor performance of the state-owned corporations. The researcher used Uchumi Supermarkets as the case study. Although Uchumi is spread in many counties, the researcher targeted five (5) branches of Uchumi Supermarkets.

The target population is the unit under study of which was used for the study. The study targeted Uchumi Supermarkets within Nairobi. The population of the five branches is 250 employees consisting of managers, assistant managers and supervisors. The researcher focused on the three branches the sample collected from each branch and then compiled them according to the distributed target which is managers, assistant managers and supervisors. The branches were Westlands Branch, Sarit Centre Branch, Mombasa Road Branch, Aga Khan Walk Branch and Koinange Street Branch. The distribution of the target population will then will be distributed as follows:

The sample size for this study consisted of the five (5) Uchumi Supermarkets branches as said in the population of the study. To make the study manageable as well representative, the researcher used a census for all the 5 branch managers and the 5 assistant branch managers because this number represented the total population in this category. The others who were picked from the category of supervisors and cashiers were selected randomly from each branch making their number 120. Therefore, the sample size was a total of 130 drawn from branch managers, assistant branch managers and supervisors/cashiers, making the sample 52% of the population.

The researcher used self-administered questionnaires on the staff. According to Kombo and Tromp (2006), a questionnaire is a research instrument that gathers data over a large sample. This method is appropriate for the study as the method can reach many people within a short time. The questionnaire also availed to the researcher an opportunity to establish rapport, explain the purpose of the study and explain the meaning of items that were not clear. Through the use of questionnaires, the researcher was able to reach a wide geographic coverage. Anonymity helped to produce more candid answers than it is possible in other methods. The questionnaires also gave respondents freedom to express their views or opinions and make suggestions.

The researcher administered the questionnaire to the staff of Uchumi Supermarkets through the head of human resources. The completed questionnaires were be collected at the agreed time. The questionnaires had both closed ended and open ended questions. The closed ended questions had pre-determined responses where the respondents selected the option they deemed appropriate. The open ended questions allowed the respondents to give their own opinions.

Data was coded into meaningful categories so as to see any emerging patterns and determine any relationship or variations between the results and the research objectives of the study. In order to analyze the data, the researcher also included editing and data entry. A computer package, Microsoft Excel, was used to facilitate the data analysis. After analysis, the data findings were be presented using descriptive statistics methods namely, percentages and frequencies. Tables, pie charts and bar graphs were also be used to present the results.

## IV. ANALYSIS, INTERPRETATION AND PRESENTATION

**Accountability and Performance**

The researcher sought to find out from the respondents to what extent they thought accountability had on performance. Table 4.5 illustrates this.

**Table 1 - Accountability and Performance**

| Accountability and Performance | Not at all | Small Extent | Moderate Extent | Large Extent | Very Large Extent |
|---|---|---|---|---|---|
| Improved Financial Performance | 0 | 1% | 13% | 39% | 47% |
| Improved Financial Position | 7% | 2% | 17% | 28% | 46% |
| Increased Productivity (Yield) | 1% | 1% | 7% | 33% | 58% |
| Improved Staff Motivation | 11 % | 5% | 25% | 25% | 34% |
| Higher Quality Product/Service | 0 | 0 | 11% | 46% | 43% |
| Improved Customer Satisfaction | 0 | 0 | 3% | 33% | 64% |
| Advanced Social Responsibilities | 16 % | 11% | 4% | 31% | 38% |
| Developed Product Innovation | 2% | 10% | 13% | 31% | 44% |
| Cost Reduced | 3% | 11% | 13% | 19% | 54% |

**Source: Research Data (2016)**

On the question of employing accountability in the organization, the researcher found out that 47% and 39% indicated that accountability improved financial performance to a very large extent and large extent respectively, 13% and 1% to a moderate and less extent respectively. With regard to improved financial position, 46% and 28% did it to a very large extent and large extent, 17% to a moderate extent, 2% to a less extent and 7% indicated that it did not. With regard to cost reduction 54% and 19% agreed that it did so to a very large and large extent respectively, 13% to a moderate extent and 11% to a less extent. Only 3% did not agree to cost reduction after employing accountability. This indicates that most of the respondents agree that employment of accountability improves the financial performance of the enterprise.

On product innovation, 45%, 31% and 13% indicated that it facilitated to a very large, large and moderate extent respectively. 10% reported that it affected it to a less extent. Only 2% indicated that it had no effect on product innovation. As to quality of products/services, 43% and 46% indicated that it led to higher quality by a very large and large extent and 11% to a moderate extent. On whether it increased productivity (yield), 58% reported that it did to a very large extent, 33% to a large extent whereas 7% affected it moderately. Ansoff (1990) highlights that effective strategy implementation has an effect of improving the quality of a product/service.

With regard to staff motivation, 34% and 25% of the respondents reported that employing strategic management process resulted in improved staff motivation to a very large and large extent respectively. Another 25% of the respondents stated that accountability improved staff motivation to a moderate extent, 5% to a less extent but 11% did not agree that it improved staff motivation at all.

With regard to it advanced social responsibilities, 38% and 31% indicated that it did to very large and large extent respectively whereas 31% and 4% indicated that it did it to a moderate and less extent respectively. Only 16% reported that it did not advance social responsibilities.

As to whether accountability had an effect on customer satisfaction, 64% and 33% of the respondents indicated that there was improvement in customer satisfaction to a very large extent and large extent respectively. Only 3% noted that the process improved customer satisfaction to a moderate extent. Stacy (2000) states that customer satisfaction is a major component to any organization's well-being and should be incorporated in strategy development.

**Applicability of Transparency Attributes to Performance and Productivity**

The study sought to find out what the following transparency attributes have performance and productivity of state corporations. The responses are as indicated hereunder:

**Table 2 – Applicability of Transparency Attributes**

| Attributes | Strongly Disagree | Disagree | Agree | Strongly Agree |
|---|---|---|---|---|
| Lack of procedures (clarity and abuse) | - | - | 62% | 38% |
| Poor command chain (governance) | 43% | 57% | - | - |
| Poor institutional policy frameworks and infrastructure | - | - | 45% | 55% |
| Weak human resource and institutional capacity | - | - | 37% | 63% |
| Low technology skills and adoption | 43% | 57% | - | - |

| | | | | |
|---|---|---|---|---|
| (No training) | | | | |
| Staff are involved in decision making | - | - | 16% | 84% |
| There is some degree of corruption (government officials) | - | - | 52% | 48% |
| Responsibility for ones actions (Poor link on individual to institutional performance) | - | 62% | 38% | |

**Source: Research Data (2016)**

The researcher found out that all the respondents, 100%, agreed that lack of procedures (clarity and abuse) affected performance of state corporations with 62% of the respondents agreeing and 38% strongly agreeing that this affects performance.

On the poor command chain, the respondents did not see the applicability of this attribute on performance with 43% of the respondents strongly disagreeing and 57% disagreeing. This could mean that the employees were not influenced by the chain of command in the organization, and probably other factors were more important.

With regard to poor institutional policy frameworks and infrastructure 45% of the respondents agreed and 55% strongly agreed that this affects performance of state corporations. This is because with poor policy frameworks, the performance of any organization cannot be high. This is the same case with weak human resource and institutional capacity where 37% of the respondents agreed and 63% of the respondents strongly agreed that they affected performance.

On corruption as an attribute affecting the productivity of the corporation, 48% of the respondents strongly agreed that it was an attribute affecting the productivity while 52% of the respondents agreed that corruption affected the productivity. This could mean that if there was no corruption and kickbacks, the public corporations could do well and growth of the sector would be realized. Lewis (2014) says that corruption is one of the species of immorality.

On low technology skills and adoption 43% of the respondents strongly disagreed while 57% of the respondents disagreed that low technological skills and adoption was an attribute that affected the products. This shows that the public corporations have personnel who are well versed in technology but other factors contributed into their skills adoption. Therefore this attribute was not a factor any more.

If staff are involved in decision making, this would affect performance as indicated by all the respondents who say that this affected performance. It can be concluded that staff would like to be involved in decision making so that they can back those decisions as their own. This is in contrast with the factor of responsible for ones actions where 62% of the respondents disagreed that it affected performance while 38% agreed that it affected performance. The researcher found out that with freedom to manage, performance contracts became an important tool to ensure that managers were accountable for their responsibilities (OECD, 1999)

**The Influence that Factors Have on Productivity**

The researcher sought to find out what influence these factors have on productivity of operations in the public corporations in Kenya.

**Table 3 - Influence that Factors have on Productivity**

| **Factors** | **Very much** | **Much** | **Moderate** | **Not at all** |
|---|---|---|---|---|
| Disciplined financial management | 66% | 34% | - | - |
| Availability of market/customers | 55% | 45% | - | - |
| Location/accessibility of the business | 13% | 26% | 50% | 11% |
| Skilled workforce | 32% | 68% | - | - |
| Good business networking | 30% | 54% | 16% | - |
| Selling variety of products/services | 43% | 57% | - | - |
| Poor marketing | 28% | 47% | 25% | - |
| Focusing on market trends | 38% | 62% | - | - |
| Limited use of technology | 71% | 29% | - | - |

**Source: Research Data (2016)**

On the question on the influence of disciplined financial management has on productivity, 66% of the respondents indicated that disciplined financial management influenced productivity very much and 34% of the respondents indicated that it influenced productivity much. This is indicative that since public corporations run on finances, it was necessary to have disciplined financial management.

On whether availability of the market or customers influenced productivity, majority of the respondents, 55%, indicated that productivity is very much influenced by the market/customers and 45% of the respondents indicated that productivity was influenced much by availability of the market or customers.

The researcher also sought to know if location/accessibility of the business influenced productivity. Half of the respondents, 50%, indicated that location and accessibility of the business only influenced productivity moderately. 26% of the respondents reported that location/accessibility of the business influenced productivity much while 13% of the respondents said that it influenced productivity very much. Only 11% of the respondents indicated that the location or accessibility of the business did not influence productivity at all.

On skilled workforce influencing productivity and growth, majority of the respondents, 68% indicated that skilled workforce influenced productivity and growth much while the remaining 32% of the respondents said that skilled workforce influenced productivity and growth very much. This is one attribute where all the respondents were positive about the influence of skilled workforce. It can therefore be construed that productivity and growth are very much dependent on qualified people.

The researcher also sought to find out if good business networking influenced productivity and growth. The results indicated that majority of the respondents, 54%, reported that good business networking influenced productivity and growth much, 30% of the respondents reported that productivity and growth are influenced very much while 16% of the respondents indicated that good business networking influenced productivity and growth moderately. The importance of good business networking can be seen from these responses.

On whether selling variety of products/services influenced productivity, 57% of the respondents indicated that productivity is influenced much by sale of variety of products and 43% of the respondents indicated that productivity was influenced very much by sale of variety of products. This also shows that the more the products variety a public corporation can offer to its clientele, the higher the productivity.

The researcher also sought to find out if poor marketing had an influence on productivity. 28% of the respondents reported that marketing influenced productivity very much, 47% of the respondents said marketing influenced productivity much while 25% of the respondents indicated that marketing influenced productivity moderately.

On whether focusing on market trends influenced productivity, 62% of the respondents indicated that it influenced productivity much while the remaining 32% indicated that it influenced productivity very much. The importance of the market trends can be seen from these responses.

With regard to the limited use of technology and farm mechanization influencing productivity, 71% of the respondents reported that availability of capital influenced productivity very much and 29% of the respondents indicated that capital influence productivity much. All respondents were agreeable on the positive relationship of capital and productivity.

**Leadership Integrity and Organizational Performance**

This information sought to find out the extent to which leadership integrity enhanced consistency of performance, whether it allowed acceptability of organizational policies by the various stakeholders and whether it ensured proper planning in organization. Additionally, effectiveness of management was also put into consideration. Moreover, the researcher examined the ability of leadership integrity to facilitate integration of long-range and mid-range goals.

**Table 4 – Leadership Integrity and Organizational Performance**

| Relationship between Leadership Integrity and organizational performance | Not at all | Less Extent | Moderate Extent | Large Extent | Very Large Extent |
|---|---|---|---|---|---|
| Enhances Consistency of Performance | 0 | 1% | 9% | 38% | 52% |
| Allows Acceptability of organizational policies | 7% | 46% | 28% | 17% | 2% |
| Ensures Proper planning | 0 | 0 | 6% | 16% | 78% |
| Improves Effectiveness of Management | 1% | 1% | 13% | 34% | 51% |
| Enhances Integration of Long-Range and Mid-Range Goals | 0 | 8% | 28% | 30% | 34% |

**Source: Research Data (2016)**

With regard to performance, 52% of the respondents indicated that the relationship enhanced consistency of performance to a very large extent. Another 38% indicated that the relationship enhanced consistency of performance to a large extent and 9% indicated that it enhances consistency of performance to a moderate extent. Only 1% reported that the strategic management process enhanced consistency of performance to a less extent.

On whether leadership integrity allows acceptability of organizational policies, 7% of the respondents indicated that it did not allow at all. Another 46% of the respondents indicated that the process allowed acceptance of organizational policies to a less extent. 28% of the respondents reported that employment of leadership integrity allowed acceptability to a moderate extent whereas 17% and 2% indicated that it allowed acceptability to a large extent and a very large extent respectively.

On proper planning, 78% of the respondents indicated that the process of strategic management ensured proper planning to a very large extent. Another 16% indicated that the employment of strategic management process ensured proper planning to a large extent and 6% indicated that the process ensured proper planning to a moderate extent.

Enhancing integration of long range and mid range goals shows 34% of respondents reporting leadership integrity facilitates integration of both the long-range and the medium-range goals to a very large extent. Another 30% of the respondents indicated that the relationship enabled the integration to a large extent and 28% reported that it enabled integration to a moderate extent. Only 8% of the respondents reported that the process of leadership integrity enabled integration of long range and mid range goals to a less extent. No respondent indicated that there was no relationship between the strategic management process and organizational performance in relation to enabling integration of long range and mid range goals.

Majority of respondents were of the opinion that, leadership integrity ensures proper planning in an organization. Other factors which were highly enhanced by leadership integrity were consistency of performance and effectiveness of management. On the other hand, this could mean that organizations that have ethical, transparent and accountable leaders have proper planning of activities and hence consistency of performance. The above is supported by Rodgers, Hunter and Rogers (1993) who say that effective program implementation depends on the level of top management commitment - the stronger the commitment, the greater the potential for program success. This information is illustrated in the Table 4.

**Extent to which Measures would Enhance Effectiveness of Operations**

The researcher sought to find out the extent to which several measures (factors) affected enhancement of effectiveness of operations in public corporations. The researcher considered measures like risk management, liquidity management, resource management and planning. Additionally, effectiveness of management was also put into consideration. Moreover, the researcher examined the effect of less government interference in enhancing effectiveness of operations in public corporations.

**Table 5 - Measures Enhancing Effectiveness of Operations**

| Factors | Very large extent | Large Extent | Moderately | Less extent | Not at all |
|---|---|---|---|---|---|
| Risk management | 89% | 11% | - | - | - |
| Liquidity management | 83% | 17% | - | - | - |
| Consistency of performance | 42% | 58% | - | - | - |
| Resource management | 30% | 70% | - | - | - |
| Proper planning | 86% | 14% | - | - | - |
| Effectiveness of management | 78% | 22% | - | - | - |
| Less Government interference | 57% | 43% | - | - | - |

The researcher sought to find out if risk management and liquidity management could affect effectiveness of operations. The researcher also sought to find out whether consistency of performance was an issue in effectiveness of operations. Resource management was also taken into consideration as part of effectiveness and whether proper planning in organization ensured good performance. Additionally, effectiveness of management was also put into consideration. Moreover, the researcher examined the part played by government in enhancing effectiveness of operations.

With regard to risk management, 89% of the respondents indicated that it enhanced effectiveness of operations to a very large extent. Another 11% of the respondents indicated that risk management enhanced effectiveness of operations to a large extent. None of the respondents reported that risk management does not affect enhancement of effectiveness of operations.

On whether the liquidity management resulted in enhancement of effectiveness of operations, 83% of the respondents indicated that it enhanced effectiveness of operations to a very large extent. Another 17% of the respondents indicated that liquidity management affected effectiveness of operations to a large extent. No respondent indicated that liquidity management affected effectiveness of operations either to a moderate extent, less extent or no extent at all. This shows that majority of the respondents agree that in a public corporations, liquidity management is crucial for effectiveness of operations.

With regard to consistency of performance, 58% of the respondents indicated that it enhanced effectiveness of operations to a large extent while 42% of the respondents indicated that it enhanced effectiveness of operations to a very large extent. It can therefore be construed that consistency of performance is very important in enhancing effectiveness as indicated by the responses of the respondents.

On resource management and enhancement of effectiveness of operations in public corporations, 70% of the respondents reported that it enhanced effectiveness of operations to a large extent, and 30% indicated that it enhanced effectiveness of operations to a very large extent. This also shows that proper resource management resulted in enhancement of effectiveness of operations as per the responses of the respondents.

The researcher also sought to find out if proper planning resulted in enhancement of effectiveness of operations. 86% of the respondents indicated that proper planning resulted in enhancement of effectiveness of operations to a very large extent. Another 14% reported that proper planning resulted in enhancement of effectiveness of operations to a large extent. According to Greenley (2004), proper planning is vital to attainment of organizational objectives.

With regard to effectiveness of management, 78% of the respondents indicated that it resulted in enhancement of effectiveness of operations in a public corporation to a very large extent while 22% indicated that effectiveness of management resulted in enhancement of operations to a large extent. It can therefore be construed that improvement of effectiveness of management resulted in effectiveness of operations in public corporations.

The researcher also wanted to find out if less government interference resulted in effectiveness of operations. 57% of the respondents reported that less government interference resulted in enhancement of effectiveness of operations to a very large extent while 43% of the respondents indicated that it resulted in enhancement of effectiveness of operations to a large extent.

The importance of government interference in business cannot be ignored and indicated by the responses. This is supported by the Government of the Republic of Kenya (GOK, 2008) which in 2008, extended to all civil servants and all officers in the local authorities the performance appraisal system with the overall objective of being to manage and improve performance of the civil service and local authorities by enabling a higher level of staff participation and involvement in planning, delivery and evaluation of work performance.

Going by the responses received, majority of respondents were of the opinion that all the factors indicated above were crucial to enhancement of effectiveness of operations in public corporations. This information is illustrated in Table 5.

## V. CONCLUSIONS

c) There is grand corruption in state corporations which is like slow biological warfare or radiation. The effects of corruption usually become apparent in the long run. The corporations then become dysfunctional and have to be salvaged by the government.

There is poor governance leading to resource loss and burdening the public purse, including a multitude of legal and institutional frameworks that generate multiple reporting and accountability lines, compounding the challenges of effectiveness of boards and CEOs. It is also clear that some state corporation Boards are weak and ineffective leading to failure to provide strategic direction. Weak human resource and institutional capacity to attract and retain the skill sets needed to drive performance.

This study concludes that there is an inadequate performance management framework that effectively links performance of state corporations to national development goals and fails to adequately link individual performance to institutional performance.

This research concludes that public corporations that lack proper risk management, liquidity management, have poor resource management, lack of proper planning and effective management and this results in ineffectiveness of performance. It can also be concluded that consistency of performance, organization culture, motivation and communication were very important in enhancing effectiveness of performance of public corporations.

## VI. RECOMMENDATIONS

In the light of the findings and conclusions of the study, the following recommendations have been made:

Good governance, quality leadership including good corporate governance principles and involvement of staff in decision making process may contribute positively to the performance and productivity of state corporations. To improve effectiveness of performance, improving financial infrastructure is a government undertaking because the legal and regulatory framework for state corporations is set by the government. The government can come up with friendly policies and incentives that would motivate staff in the public corporations.

It is imperative on the state corporations to improve their operations through proper risk management, sound liquidity management, good resource management, proper planning and effective management. Consistency of performance, organization culture and communication are also vital in the improvement of an organizational performance.

Some state corporations must improve their management skills in the areas of financial management. Transactional costs may be high or low depending on performance efficiency of staff. The institutions must ensure proper planning in order to keep the operational costs as low as possible in order to enjoy some economic gain in its operations. Without proper resource management, motivation of staff and proper communication effectiveness of performance cannot be achieved.

State corporations must comply with a wide range of additional regulatory requirements and meet accepted standards of corporate governance including transparency, accountability and needing to make announcements about new developments to all concerned stakeholders.

The executive team should be guided by principles of good ethical behaviour. Executives lead their teams based on these principles and communicate the ethical standards to employees and help every associate to maintain high standards of ethical behaviour. The management should create formal policies and procedures to allow the CEO and the staff to make better decisions. Once created, the policies and procedures should be made available to all staff.

The government must be more serious in the fight against corruption in the state corporations. This is because the war on grand corruption has not been won using the law enforcement institutions because the process is a labyrinth and some of the investigators of this crime are themselves corrupt. People with high ethical standards should be appointed to head state corporations.

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## AUTHORS

**First Author –** Marangu Festus Mutegi, Student, Jomo Kenyatta University of Agriculture and Technology
**Second Author –** Dr. Ombui, K. Adjunct Lecturer, Jomo Kenyatta University of Agriculture and Technology