The Influence of Staff Performance Review on Performance of State Corporations in Kenya.

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Abstract- Performance management is a growing field in the public and private sector globally. This study sought to ascertain the influence of staff performance review on performance of State Corporations in Kenya. The correlation results show that staff performance review is related to performance of State Corporations ($r = -0.463$, $p < 0.05$). The construct for the dependent variable also show a significant inverse association with the dependent variable. This is depicted by $r = -0.393$, $p < 0.05$ for staff duty allocation, $r = -0.358$, $p < 0.05$ for progress monitoring and $r = -0.379$, $p < 0.05$ for performance appraisal. Overall, staff performance review explains 21.4% of the variance on performance of State Corporation. The model has a good fit demonstrated by analysis of variance (ANOVA) F value of 26.977, $p < 0.05$.Regarding the constructs for the predictor variable, staff duty allocation has greater influence on the dependent variable ($\beta = -0.209$) followed by performance appraisal ($\beta = -0.193$) and progress monitoring ($\beta = -0.181$) respectively. Since a lower composite score is preferred, these results indicate improvements in staff performance review leads to performance improvement. The results underscore the need for duty allocation, performance appraisal and progress monitoring to stimulate improved corporate performance.

Index Terms- Staff performance review, Staff duty allocation, Performance monitoring, Performance appraisal, Corporate performance.

I. Introduction

Globally, public sector institutions have in most cases lagged behind the private sector on efficiency and effectiveness for delivery of goods and services. This trend had prompted a global movement to stimulate efficiency and effectiveness of this sector. Performance measurement has been viewed as a key tool that will facilitate achievement of this goal. In Kenya there has been concerted effort to improve the performance of the public sector institutions since the early 1960s. The Republic of Kenya developed Sessional Paper No. 10 on African Socialism and its Application to Planning in Kenya in 1965. This laid to foundation for the establishment of State Corporations in the county(Republic of Kenya, 1965). These have grown to approximately 200 corporations in 2014. The Government of Kenya has further embarked on public sector reform processes aimed at increasing efficiency and effectiveness in this sector. The Structural Adjustments Programme (SAP) was introduced in 1986 and comprised of a series of political and economic reforms promoted mainly by the World Bank and the International Monetary Fund (Rono, 2002). In 1993, the Government introduced the Civil Service Reform Programme (CSRP) that emphasized improvements in efficiency and productivity (Sawe, 1997). Results-Based Management (RBM) was initiated in 2003-2008, mainly to address economic recovery, wealth and employment creation (Kobia&Mohammed, 2006; Obong'o, 2009). In 2004, the Government of Kenya introduced performance contracting for public sector institutions(Obong'o, 2009). This is a negotiated document with clear targets that is signed between the Government as owner of the public institution and management of these institutions(Ochieng, 2010). This approach is rooted in results based management and informed by the balanced score card theory ensures a balanced evaluation process(Republic of Kenya, 2013).

II. RESEARCH ELABORATION

2.1 Statement of the problem

Performance contracting was introduced for all public sector institutions in 2004. The aim was to improve performance of the public sector in delivery of goods and services. An annual evaluation is done which provides a performance composite score that grades the public sector institutions according to performance. A major limitation of this approach is that while it provides the grade and ranking, it does not provide the reasons for good or bad performance. Hence, the lessons learnt in all the institutions remain undocumented. Literature however points at staff performance review as one of the determinants of corporate performance. This study aimed at ascertaining the influence of this variable on performance of State Corporations in Kenya.

2.2 Specific objective

To ascertain the influence of staff performance review on performance of State Corporations in Kenya.

2.3 Hypothesis

There is no significant influence of staff performance review on performance of State Corporations in Kenya.

2.4Literature review

2.4.1 Performance prismtheory

The performance prism theory was developed by Neely, Adams &Kennerley (2002) to explain determinants of corporate performance. It underscores the importance of stakeholders in firms' performance. The five facets of the prism include stakeholders' satisfaction, capabilities, stakeholders' contribution, strategies and processes.These facets form the key result area for corporate performance. Emergence of performance prism has been described as a positive development to the traditional method of performance measurement where financial issues were prioritized (Roshan& Jenson, 2014). This view is also held by Zeglat, ALRawabdeh, ALMadi&Shrafat (2012) who concur with this theory while recommending incorporation of stakeholders needs. Reza (2014) state that the main difference between performance prism and other performance measures is its focus on stakeholders.Striteska and Spickova (2012) have identified three key strengths of the performance prism theory as focuss on stakeholders, consideration of stakeholders contribution and laying of a firm foundation for performance measures. They have also identified four weaknesses as little information on implementation of performance measures, some measures may not be very effective in practice, lack of sufficient link between the measures and results and failure to consider existing performance management systems.

2.4.2 Staff performance review

Staff performance review involves setting clear goals, key performance indicators and monitoring system to ensure objectivity. It is one of the factors that influence corporate performance (Muraga, 2015).Performance review influences employees' motivation towards work as well as innovation (Tan &Nasurdin, 2011). According toIslam &Rasad, (2006) performance appraisal is usually done to achieve some objectives such as pay increase, reward, recognition as well as training. This view is also held by Iqbal, Ahmad, Haider, Batool and Qurat-ul-ain, (2013) when they state that performance appraisal has a positive relationship with employee performance with motivation as a moderating variable. Performance evaluation is positively associated with employees' performance in the public and private sector (Jamil& Raja, 2011). According to Kumar (2014), performance appraisal influences capability of employee and corporate performance positively. Some critics have argued that staff performance review if often subjective and biased process (Boachie-Mensah&Seidu, 2011).This view is shared byMehta, (2014) who has stated that the relationship between performance appraisal and employee performance is dependent on how this is done and the level of transparency. Alvi, Suraniand Hirani (2013) have also argued that there is no relationship between performance evaluation and job satisfaction. This argument is similar to Culbert (2008) statement that staff performance review does not influence corporate performance.

2.5Methodology

2.5.1 Study design

This was a cross sectional descriptive study that targeted quantitative and qualitative data. Both primary and secondary data was collected. This design was adopted in view of time and resource constraints

2.5.2 Study population

The study population was 200 State Corporations that signed performance contract and were evaluated during the financial year 2013/14. This formed the sampling frame for the study.

2.5.3 Sample and sampling

A sample of 132 State corporations was drawn using simple random sampling method. Rotary method was used in this case. The officers' in-charge of performance contract and human resource management in each institution were targeted to fill the questionnaire.

2.5.4 Data collection

This was done using self-administered questionnaires. The questionnaire was pretested prior to use and achieved a Cronbach's alpha of 0.767 Each State Corporation was requested to complete two questionnaires one by the officer in-charge of human resource management and the other one by the officer in-charge of performance contract.

2.5.5 Data analysis

Data was entered using the statistical package for social sciences (SPSS). This was cleaned for errors before analysis. Data analysis involved descriptive statistics, correlation and regression analysis.

III. RESULTS

3.1 Descriptive characteristics on staff performance review practices

3.1.1 Staff duty allocation

The first construct for the predictor variable was staff duty allocation. In most corporations87 (85.3%) duty allocations was done in the first quarter.Various reasons were given as to why the allocation of duties in the performance contract was done at a specific quarter. The most prominent reason mentioned by 43(42.2%) respondents was to ensure that employees were clear with the target. Most corporations 66(64.7%) allocated duties in writing.The main reason for choice of method of duty allocation reported by 43(42.2%) respondents was to ensure there was evidence of allocation.

3.1.2 Progress monitoring

Progress monitoring was the second construct for the predictor variable. In most cases, the progress monitoring schedule was developed in the first quarter as reported by 64(62.7%) respondents. The main reason reported by 47(46.1%) respondents for the period of development of the progress monitoring schedule was to facilitate timely monitoring of activities. On compliance with progress monitoring schedule, majority of the corporation's 67(65.7%) reported compliance level of between 81% and 100%.

3.1.3 Performance appraisal

The third construct of staff performance review practices was performance appraisal. 76(74.5%) corporations appraised between 80% and 100% of the staff during the financial year 2014/15. The main reason for the percentage staff appraised was the policy to appraise all staff as reported by 60(58%) respondents. Most respondents 99(97.1%) were of the opinion that staff performance review improves corporate performance

3.2 Diagnostic tests for study variables

Reliability

Reliability of data was assessed using the Cronbach's alpha value for staff performance review. This was 0.7367 and the value for performance of State Corporation was 0.9680. Fraenkel and Wallen, 2006 state that this value is statistically acceptable if it exceeds the 0.7 threshold.

Validity

Validity test was done using factor analysis. The results of the Kaiser-Meyer-Olkin (KMO) test show a value of 0.657. Bartlett's test of sphericity shows that the approximate Chi-Square was significant for all the variables confirming construct validity.According to Dayan (2011) the values for the Kaiser-Meyer-Olkin (KMO) test should be ≥ 0.5 while the Bartlett's test of sphericity should be significant.

4.4.3 *Multicorrelineality*

Multicorrelineality was measured through computation of the variance inflation factor (VIF) for the predictor variable which was 1.139. This figure negates multicollineality problem as multicollineality becomes a problem if the VIF exceeds 10 (Bryman, 2012).

4.4.4 Normality

The data exhibited normality with the predictor variable having a skewness of 0.661 and kurtosis 0.572. Similarly, the dependent variable had a skewness of -0.816 and kurtosis 0.333. Aluja, Blancha and Garcia, 2005 have stated that normality of data is evident if none of these values exceed +1 or -1**.**

4.4.5 Autocorrelation

Autocorrelation was computed using the Durbin Watson statistic. According to Gujarati (2003) a coefficients ranging from 1.5 to 2.5 shows absence of autocorrelation. This study obtained a value of 1.983indicating no autocorrelation.

4.4.6 lineality

This was assessed by computing the Pearson correlation coefficient. The coefficient showed a negative association between staff performance review and performance of State Corporation ($r = -.463$, $p < 0.01$ confirming that the data was linear.

3.3 Correlation analysis results

Results show that staff performance review is associated with performance of State Corporation. The strength of the relationship is denoted by a Pearson coefficient $r = -0.463$, $p < 0.05$ implying a significant inverse relationship. This means that improvements in staff performance review leads to improvements in corporate performance since lower performance composite scores are preferred. The construct for the dependent variable also show a significant association with the dependent variable. This is depicted by $r = -0.393$, $p < 0.05$ for staff duty allocation, $r = -0.358$, $p < 0.05$ for progress monitoring and $r = -0.379$ for performance appraisal. The results are similar to those of Iqbal, Ahmad, Haider, Batooland Qurat-ul-ain, (2013) who established a correlation of 0.590 between performance appraisal and employee performance.

3.4 Regression analysis results

It was hypothesized that: ***H03:*** *There is no significant influence of staff performance review on performance of State Corporations in Kenya.*The study applied model $Y= \beta0 + \beta1X1 + e$ to test this hypothesis. Application of the model to predict the dependent variable using the independent variable is constructed using the constant ($\beta0 = 0.180$, $p <0.05$) and coefficient of staff performance review ($\beta1 = -0.453$, $p < 0.05$) shown in table 1.

Table 1: Regression on staff performance review and corporate performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.463	.214	.206	.84041	2.002

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.053	1	19.053	26.977	.000
	Residual	69.922	99	.706		
	Total	88.975	100			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	.180	.084		2.147
	Staff performance Review	-.453	.087	-.463	-5.194

Dependent variable: Performance of State Corporation
Predictor variable: Staff performance review

Thus the causal relationship for the two variables is depicted as follows:
$P = 0.180 - 0.453SPR + e$
Where P = Performance of State Corporation

SPR = Staff Performance Review
e = error term

The model results show the predictive power of the independent variable over the dependent variable. From the model summary, staff performance explains 21.4% of the variance in the performance of State Corporations. The analysis of variance F statistics measures 26.977, with p value less than 0.05 meaning the model is true and exists. The prediction power of this model is significant since both the constant and staff performance reviews have $p < 0.05$. Therefore, the null hypothesis is rejected and alternative hypothesis accepted that, there is a significant influence of staff performance review on performance of State Corporations in Kenya

Regression of the constructs of the predictor variable of the dependent variable indicate that staff duty allocation has greater influence on the dependent variable (β = -0.209) followed by performance appraisal (β = -0.193) and progress monitoring (β = -0.181) respectively.The results agree with the findings of Jamil& Raja (2011) who concluded that performance evaluation is positively associated with employees' performance in the public and private sector. Muraga (2015) study established that a unit change in staff performance management leads to 36.3% unit change in corporate performance.

IV. CONCLUSION

The main objective of the study was to ascertain the influence of staff performance review on performance of State Corporations in Kenya. The study findings show that staff performance review is related and also has a positive influence on performance of State Corporation. Similarly the constructs of staff performance review namely staff duty allocation, progress monitoring and performance appraisal are related and have a positive influence on the dependent variable.Staff duty allocation has greater influence on the dependent variable followed by performance appraisal and progress monitoring respectively. The study recommends formulation of policies to promote staff duty allocation, staff appraisal and progress monitoringin that order for improved corporate performance.Further, the study recommends similar studies be conducted targeting the County Governments, non- profit making organizations as well as private companies as the results of this study may not be generalized to cover these institutions.

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