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Regulatory Environment and Performance of Projects in State-Owned Manufacturing Firms in Kenya

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Abstract

Purpose: The purpose of this study was to investigate the influence of the regulatory environment on performance of projects in state-owned manufacturing firms in Kenya

Methodology: The study adopted a pragmatic research philosophy and drew respondents from across twenty state owned manufacturing firms in Kenya. The study engaged respondents from these institutions by employing exploratory cross-sectional methodology and Stratified Random Sampling. Data collection involved semi-structured questionnaires which were done both physically and with the use of online forms. Descriptive analysis of data was conducted using measures of central tendencies and dispersion, development of a relational model between variables employed multiple regression analysis, while validation and reliability were performed using pilot testing, Cronbach's alpha coefficient analysis and various methods of model diagnostics such as multicollinearity analysis, Analysis of Variance, Goodness of Fit and correlation analysis.

Findings: The study established that projects in state owned manufacturing firms generally meet quality and stakeholder expectations but struggle with timelines and cost efficiency. Legal compliance requirements emerged as the strongest positive predictor of project performance while political dynamics had a significant negative impact. High prevalence of compliance requirements, particularly procurement procedures and institutional procedures contribute to accountability, but they can also lead to delays and bureaucracy. State control had relatively low influence on project performance, while Institutional structures and fiscal management framework had relatively moderate negative and positive influence on projects performance respectively. The resultant regression model explained approximately 30% of the variability in project performance

Unique Contribution to Theory, Practice and Policy: Compliance requirements often ensure accountability and transparency, yet excessive bureaucracy constrains competitiveness. There is need to improve project performance in state-owned manufacturing enterprises by addressing regulatory inefficiencies, fostering institutional autonomy, mitigating political influences, simplifying regulatory procedures, automating processes, and promoting interorganizational collaboration. Additionally, aligning government programs with long-term institutional strategies and diversifying funding sources are crucial for enhancing financial resilience and ensuring project continuity in these institutions.

Keywords: *Regulatory Environment, Regulatory Factors, State Owned Enterprises, State-Owned Manufacturing Firms, Parastatals*

JEL Codes: *H83, L32, O22*

INTRODUCTION

This research investigated the influence of the regulatory environment on the performance of projects in Kenyan State-Owned Manufacturing Firms. Specifically, it examined how legal compliance, state control, political dynamics, institutional structures, and fiscal management frameworks affect project outcomes such as timeliness, cost efficiency, quality, and stakeholder satisfaction. By contextualizing and empirically testing the relationships among these variables, the study sought to fill identified gaps in existing literature regarding the regulatory constraints and enablers within state-owned enterprises.

Given the strategic importance of the manufacturing sector in Kenya's economic development, and the dual pressures these firms face from competitive market forces and strict regulatory compliance obligations (Ouko, 2022; G & A Advocates, 2021), understanding these dynamics is both timely and critical. The researcher postulated that that while regulatory frameworks are designed to enhance accountability and transparency, they may also introduce hurdles that compromise project efficiency and even compromise the performance of the projects(Damoah et al, 2015). Through this lens, the study provides an analysis of how regulatory factors interact with organizational processes to shape project performance in public manufacturing institutions.

Overview of Performance of Projects

In order to establish a foundational understanding of how project performance is defined, evaluated, and interpreted, particularly within the context of public sector and state-owned manufacturing entities in Kenya and explore existing literature on performance criteria, it is important to highlight evolving perspectives, and provide a conceptual framework that will inform this study's assessment of project success. The key proposition guiding this analysis is that project performance is a multidimensional construct that goes beyond traditional measures of cost, time, and scope to include stakeholder satisfaction, quality, and long-term sustainability.

Traditionally, scholars have emphasized that effective project performance hinges on adherence to designated cost, time schedules, and quality standards (Maendo et al., 2018). Kerzner (2017) underscores the importance of clearly defining performance metrics to manage project operations effectively. A historical foundation for this discourse is found in the "iron triangle" or "triple constraint" model introduced by Dr. Martin Barnes in the 1960s, which posits that project success is achieved when objectives are met within the defined parameters of time, budget, and specifications (Abdelkhalik & Azmy, 2022).

Despite the widespread application of the iron triangle, researchers increasingly argue that project success is a complex and evolving concept. There is no single universally accepted definition, as different stakeholders may apply different criteria depending on their context and interests (Meredith & Zwikael, 2019; Jugdev & Müller, 2005). As such, evaluating project performance must take into account not only the traditional constraints but also qualitative dimensions such as stakeholder satisfaction and long-term business impact.

Kihoro and Waiganjo (2015) highlight that quality and alignment with technical specifications are critical components often overlooked when focusing solely on cost and time. Similarly, Meredith and Zwikael (2019) propose a three-tier evaluation model that includes project ownership success, investment success, and management success—thereby broadening the evaluation beyond immediate outputs to include lasting impact.

Albert et al. (2017) maintain that while project performance can be assessed using various criteria across industries, the iron triangle still offers a valid and consistent baseline. However, its effectiveness is enhanced when supplemented by measures of quality and stakeholder satisfaction. Caccamese and Bragantini (2012) support this view, advocating for a more holistic evaluation framework.

Based on these scholarly insights, project performance in this study is operationalized using a composite framework that includes cost, schedule adherence, scope fulfillment, quality achievement, and stakeholder satisfaction (Chou & Yang, 2012; PMI, 2017). This multidimensional approach allows for a more nuanced and realistic assessment of success, particularly in complex environments like state-owned manufacturing enterprises.

Overview of Regulatory Environment

The regulatory environment consists of a comprehensive framework including treaties, regulations, directives, decisions, budgets, contracts, and other instruments that define rules for managing transactions (European Court of Auditors, 2021). Since organizations rely on policies to ensure that activities are performed as expected, these policies are fundamental to organizational performance (Dzogbede & Asimah, 2020).

Legal and regulatory environment is a critical consideration in business environmental scans, as popularized by Aguilar (1967). Almlie (2022) emphasizes that project leaders must continuously observe and respond to these environmental factors. This dynamic aspect is crucial as legislation, laws, and guidelines vary significantly from country to country, influenced by economic and political systems, historical events, international agreements, community values, and legal traditions (Aishwaryasandeep, 2023). The unique interaction of these factors affects the creation of laws, which in turn impact business processes and present unique challenges and opportunities in each country (Aishwaryasandeep, 2023).

Government regulations, laws, and legislation are major external environmental factors that affect all aspects of business planning (Aguilar, 1967). As such, project management, like other business processes, is heavily influenced by macro-environmental factors, including legal and regulatory aspects. The presence of a regulatory environment significantly impacts public organizations' behavior and structure, including compliance with state requirements, changes in budget cycles, specific fiscal years, annual reporting obligations, and financial reporting requisites necessary for fund eligibility (DiMaggio & Powell, 1983). It can thus be observed that the regulatory environment is essential in business, influencing organizational performance, shaping business processes through various legal and regulatory frameworks and the institutional culture within public organizations and as such, project leaders must navigate

this complex environment to ensure compliance and optimize opportunities within their operational context.

In the context of State corporations in Kenya, they are required to comply with various laws and regulations including Public Finance Management Act (PFMA,2012), Public Procurement and Disposal Act (PPDA,2015), Public Officers Ethics Act (2003) among other regulations. G & A Advocates (2021), observed that public institutions in Kenya are required to carry out their operations and business in strict compliance with the provision of the Constitution as well as other applicable sector regulations and guidelines. They are also are structurally different from ministries and departments since they are run differently and autonomously in the aspects of their incorporation, monetary goals, and the required accountability (Government of Kenya, 2013). While State is the owner of these state corporations setting the expectations and mandate and essentially giving them operational autonomy, there are oversight institutions established to monitor, consolidate and share information across government (PSC & SCAC, 2015).

Role of Manufacturing Firms in the Public Sector

Public sector as defined by Popa (2017), constitute the set of all undertaking run and owned by the State, which includes Public Institutions, central and local governments, public enterprises and social protection bodies. This sector public services which are defined as those services offered by government to citizens, directly or indirectly through public agencies (Abuya, 2016). Ogaya & Ngatia (2021), affirmed that the government also plays a key part in creating an enabling atmosphere for thriving of businesses. State corporations are critical as they are established by the government to provide public services and address the welfare of the general public (Njeri, 2017). Ouko (2022) observes that government introduced SOEs into Kenya to provide essential services that the private sector was unable to provide.

Wambui (2019), defines a state corporation (also alternatively referred to as a parastatal) as a legally established entity owned and run by the government to carry out various commercial activities on behalf of the state. She further states that these State-Owned Enterprises (SOEs) constitute section of the national economy that is run by the government in order to realize economic growth, regional trade balance, provide services and achieve control over the economy. They can operate with greater autonomy and flexibility, better monetary efficiency, and enhance transparency and accountability as these goals are typically challenging for the mainstream government to achieve due to administrative processes and inflexible leadership structures (Githinji & Gachunga, 2017). State owned manufacturing firms thus, acting as Semi-Autonomous Government Agencies (SAGAs) are an avenue for the government to accomplish the role of provision of essential services to the general public (Njeri, 2017). Kane and Christiansen (2015), further emphasize that the state uses State owned Enterprises (SOEs) as an instrument for achieving its national economic development agenda and thus the enterprises perform a vital role in maintaining macroeconomic stability, controlling inflation, and contributing to the state budget's revenue.

An overview of various state-owned manufacturing firms in Kenya as listed by State Corporation Advisory Committee(SCAC, 2023), are specialized in areas such as Agro-

processing, milk processing, textile, Sugar processing, textile, stationeries and supplies, oil and gas, printing and publishing, mining and processing, veterinary and vaccines production, military and artillery production, engineering and machinery, shipping, telecommunications equipment manufacturing among other areas. These institutions mainly operate as semi-autonomously as SAGA's.

A practical reality is that these firms face significant challenges linked to the regulatory environment, which directly affects project outcomes. These firms have often encountered project delays due to stringent regulations, layers of regulatory compliance, and oversight from multiple agencies (Githinji & Gachunga, 2017; Wambui, 2019)

Manufacturing and Policies Initiatives in Kenya

Manufacturing has been a key economic pillar in government agenda in Kenya (Kenya Vision 2030, 2021), It is a key driver of industrial activities in Kenya, but its contribution has been marginally declining due to the growth constraints it faces (KIPPRA, 2022). Manufacturing contributed KES 1.05 billion to the GDP in 2022, contributing to 7.8% of Kenya's GDP (KNBS, 2023). Kenya, over the years had had industry specific policies meant to facilitate manufacturing. The country aims to establish a diverse, resilient, and competitive manufacturing industry that will propel the nation into a middle-income economy by the year 2030 (Kenya Vision 2030, 2021).

The manufacturing sector is earmarked as the key catalyst for the country's economic growth and development through creation of employment, attracting investment and national wealth creation (MITI, 2012) and Vision 2030 is thus the government's long-term development blueprint aiming to transform the country into an industrializing and universally competitive upper middle-income nation providing a high quality of life for the citizens. This Vision is to be implemented as detailed through a five-year Medium-Term Plans (MTPs), (UNICEF, 2017: MITI, 2022). Other key policies meant to stimulate manufacturing sector include; Buy Kenya Build Kenya initiative whose main focus is mainly to increase competitiveness and consumption of locally produced goods and services (MoD-Kenya, 2023), Local Content Policy (2020) which is aimed at creating value addition into the Kenyan economy through the deliberate utilization of Kenyan human resources, material resources, and services(MITI, 2022) and National Industrialization Policy(2012) which aims to transform Kenya into a competitive and vibrant industrial hub. It can be observed that despite these strategic interventions, manufacturing growth and contribution to Gross Domentic Product (GDP) in Kenya continue to dwindle (KNBS, 2023). Manufacturing is considered vital to the economy in Kenya since it contributes to the country's Gross Domestic Product (GDP) through raw materials value addition, earning foreign exchange and creating employment (Wambui et al, 2019) and government is keen to support the sector.

A variety of projects are implemented in manufacturing. They may involve the design, installation or refurbishment of facilities, development of novel products, the application of technologies, standards, or actual production of components for a defined programme (Levine, 1995). It is also important to highlight that projects and governance issues in manufacturing

sector are sometimes unique compared to other projects and may be characterized by a short project duration and a rather iterative development approach (Albert et al, 2017).

Unique Projects Deliverables in Public Sector

The metrics of project performance in this sector must go beyond basic deliverables and encompass elements of stakeholders and equity. Andersen et al. (2016) emphasized that, the performance management within these public organizations extends beyond mere effectiveness to encompass concepts of equity in addition to delivering services and optimizing cost-effectiveness, public processes must uphold democratic values, including fairness and transparency.

AlRaeesi and Ojiako (2020) further explained that public sector projects, which act as tools for implementing public policy, are evaluated according to public policy standards rather than just typical financial and best-value assessments and the expenditure on these projects is also considerably substantial. These considerations prospectively uniquely determine the results of project execution, quality of the projects outcome or also introduce a unique blend of challenges and opportunities.

Statement of the Problem

In developing nations, government-led projects often face significant challenges, leading to failures with severe consequences, such as substantial financial losses and the inability to deliver intended solutions, as highlighted by Hanachor (2013). It is further observed that state corporations especially in Kenya consistently underperform compared to their private counterparts, evidenced by subpar results in performance contracting for many parastatals (Linyiru & Ketyenya, 2017). State-owned manufacturing firms, operate within stringent government regulations and a competitive landscape, and must balance profitability, competitiveness, and strict compliance with constitutional and regulatory requirements (Ouko, 2022; G & A Advocates, 2021). This dynamic presents a unique amalgamation of challenges and opportunities that significantly impact project performance within these institutions.

Wood (2023) emphasizes a prevailing characteristic in government operations, where success is often measured by adherence to processes rather than tangible outcomes. Working within this framework involves navigating divergent expectations from a government client, adhering to a distinct set of rules governing legal and regulatory compliance, and managing projects within a diverse framework of constraints and conflicting priorities (Rozsas, 2018). These compliance and regulatory factors profoundly influence projects in the public sector.

In line with this perspective, Kihoro & Waiganjo (2015) emphasized the need for further investigation into the government's influence on project performance in Kenya, while Ouko (2022) notes the lack of empirical studies on how state control has impacted the performance of State-Owned Enterprises (SOEs) in Kenya, highlighting gaps in existing literature. This study intends to investigate the impact of regulatory parameters on project performance within state-owned industrial companies in Kenya, establish a comprehensive cause-and-effect model, and identify inherent challenges and opportunities, contributing to filling critical contextual and theoretical gaps in this field.

OBJECTIVES

- To assess how legal compliance requirements affects the performance of projects in State-owned manufacturing firms in Kenya
- To evaluate the influence of state control on the project performance projects in state owned manufacturing firms in Kenya
- To determine the effects of institutional structures on the project performance in the projects in State-owned Manufacturing firms in Kenya
- To identify the effect of political dynamics on project performance in the projects in State-owned Manufacturing firms in Kenya
- To assess the influence of fiscal management framework on the performance of projects in Kenyan State-owned manufacturing firms

Conceptual Framework

The conceptual framework below illustrates the relationship between Regulatory factors and projects performance in state-owned manufacturing firms.

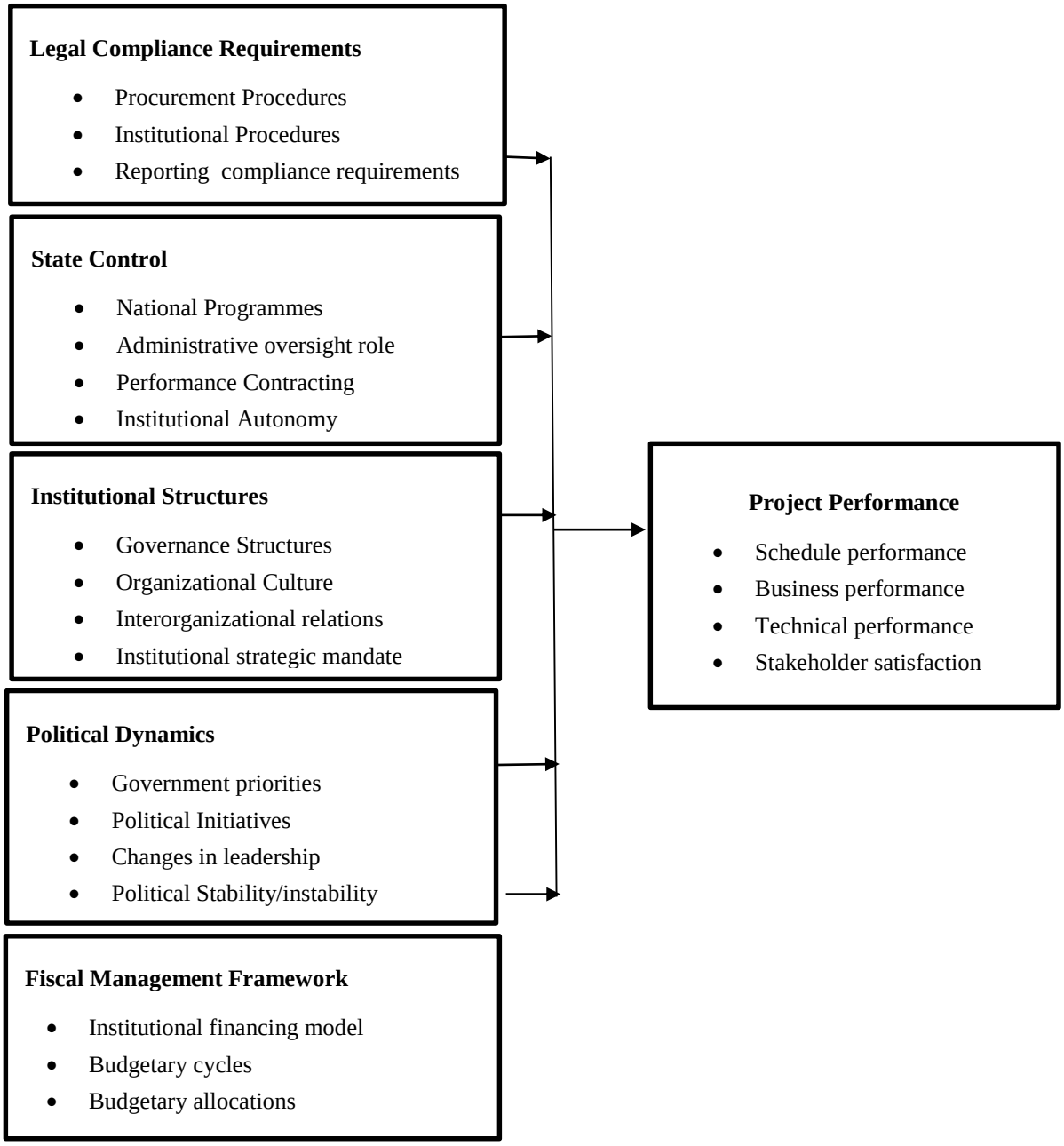

Figure 1: Conceptual Framework

Source: Author (2024)

Theoretical Review

Institutional Isomorphism Theory

Institutional isomorphism, as defined by Sakib (2020), is a mechanism where one organization undergoes structural transformation, initiating actions that resemble those of other organizations regarding procedures and outlook, even though the outcomes may differ. Proposed by DiMaggio & Powell (1983), Institutional Isomorphism Theory posits that organizations tend to become similar over time as they adopt similar structures and practices to achieve legitimacy and efficiency. This process of homogenization occurs due to coercive, mimetic, and normative pressures.

Cardona et al. (2020) explain that institutional theory is rooted in the acceptance and legitimacy of specific organizational practices. Organizations adopt these practices to address competitive pressures in their environment, ultimately striving to maintain competitiveness. This phenomenon, which happens when institutions accept and give legitimacy to practices created by other organizations within the same field, is called institutional isomorphism.

Expanding on this concept, DiMaggio and Powell (1983) delve into coercive isomorphism, suggesting that the state's regulatory and financial roles exert coercive power over organizations, particularly public ones. In some cases, organizational changes are prompted by the mandate of the government.

In the context of State-Owned Enterprises (SOEs), it is evident that mainstream government institutionalism inevitably influences the culture and operations of SOEs, despite the expectation of these entities to have managerial autonomy and diversified mandates, as noted by Lioukas et al. (1993). This influence can significantly impact how state-owned manufacturing firms in Kenya navigate their unique environment, subsequently affecting project performance in these public manufacturing institutions. Ouko (2022) attributes the underwhelming subpar performance of SOEs to factors such as the deficiency of managerial autonomy in day-to-day decision-making, unclear or contradictory objectives, and the absence of a clear separation between the government's ownership and regulatory roles.

It can therefore be postulated that, institutional isomorphism theory helps explain the relationship between government and SOEs and is an integral part of legal and regulatory that influences performance of projects in State-Owned Enterprises (SOEs) by impacting their institutional culture, operations, and responses to competitive pressures. This influence extends to the broader legal environment that frames the behavior of public organizations.

Resource Dependency Theory

This theory as proposed by Pfeffer and Salancik (1978), posits that organizations must obtain resources from their environment and that this dependency on external resources influences organizational behavior and power dynamics and organizations seek to minimize their dependence on others and gain control over critical resources. Resource dependency theory is thus anchored on the concept that organizations will inevitably engage in transactions with other players and organizations so as to access resources they need, despite such transactions

being either beneficial or create dependencies that are otherwise (Archibald, 2017). Nienhüser (2008), proposes that differences in organizational behavior of organizations can be attributed to various management decisions as affected by internal and external elements controlling organizational critical resources.

State owned manufacturing institutions in Kenya depend on government for funding especially in developmental projects. According to PFMR (2022), Non - Commercial State Corporations, Semi-Autonomous Government Agencies(SAGAs), State Departments and Public Funds are funded mainly through the National Budget in form of transfers and grants. Also, for commercial state corporations dealing with public goods, the government is expected to meet the full cost of services with the budgetary allocation approved by parliament.

DiMaggio & Powell (1983) notes that financial related aspects influence the planning and operations of State-owned Enterprises. They note that specific aspect like budgetary cycles, financial reporting requirement and allocations have great influence on these enterprises. For instance, Kenya Government in the financial year 2022/2023, implemented a budgetary cut targeting three hundred billion Kenyan shillings (KES 300 B) (National Treasury, 2023) savings in order to address overreliance of government borrowing. The effect of this measure inevitably affected Ministries, Departments and Agencies (MDAs), including the SOEs undertaking various projects due to reduced funding.

It can be concluded that, state-owned manufacturing firms in Kenya who rely on government resources for the project financing and oversight may experience hurdles as a result of the funding changes that directly affect their access the resources needed for project execution. This theory thus provides insights into how financial dependencies shape organizational strategies and project outcomes.

Transaction Cost Economics

Transaction cost and economics theory was initially proposed by British economist Ronald Coase in 1937 and subsequently refined by Olivier Williamson in the 1970s (CFI Team, 2023). Williamson (1979) provided a comprehensive definition of transaction costs as being the financial outlays that is incurred in the operation of a firm's economic system. He emphasized that every type of transaction gives rise to coordination costs, which include activities such as monitoring, control, and transaction management. These costs encompass the total expenditures associated with carrying out a transaction, ranging from initial planning and decision-making to adaptations, dispute resolution, and post-transaction matters (Williamson, 1979).

Further, as elucidated by the CFI Team (2023), transaction cost encompasses a variety of outlays related to economic transactions within a market context and encompass search and information expenses, enforcement costs and bargaining expenses.

Transaction Cost Economics as highlighted by Young (2013), also identifies the important role of governance structures in reducing transaction costs. In the domain of public procurement for instance, as elucidated by Casady et al. (2023), both the procuring authority (which may be the government or a public institution) and external suppliers contend with substantial information,

negotiation and enforcement costs. These costs can be classified as ex ante (pre-contract) and ex post (post-contract) transaction costs (Williamson, 1979).

Baumol (1947), further identifies transactions, such as government procurement process, as serving a dual purpose of acquiring the desired items and exerting a positive economic influence. In the context of projects, high transaction costs as highlighted can discourage potential business and directly and adversely affect project outcomes (Casady et al., 2023).

Based on these arguments, it can be posited that transaction costs exert a profound impact on project cost performance and suggests essential pointers in project performance within state-owned corporations such as procurement processes among other institutional procedures. It plays a critical part in qualifying costs associated with projects, and subsequently overall project results.

Political Economy Theory

Political economy as proposed by Adam Smith(1776), examines the intricate relationship between politics and economics, focusing on how public policy is shaped and its subsequent impact on economic activities and emphasizes that political considerations, such as the interests of politicians and policymakers, play an instrumental role in influencing economic decisions and the allocation of resources(Smith, 1776). It is also important in determining how individuals and societies are affected by governments and public policies (Kenton, 2023) and authenticates how political considerations affect economic decisions and serves as a valuable lens through which to examine how political considerations exert an influence on economic decisions. Smith further highlighted the role of free markets and self-interest in economic transactions, and the impact of government policies on overall economic growth and efficiency (Smith, 1776).

Pfeffer and Salancik (1978) astutely observed that politically biased environments often exhibit distinct characteristics that hinder decision-making adaptability and flexibility. In the context of Kenya, the political environment holds substantial sway over the performance of companies, as exemplified by the Business Process Outsourcing (BPO) sector, where political factors can account for up to 50% of performance variation (Nyambura et al., 2020). This underscores the critical role of political stability, especially in long-term investment projects within the manufacturing sector.

Furthermore, the impact of regime priorities on long-term projects cannot be overstated, as noted by UNICEF (2017). UNICEF's research papers emphasize that the political regime in Kenya, along with related institutions, significantly influences resource allocation decisions. The politicization of government processes poses a formidable challenge to efficient and effective resource allocation and budget execution, as highlighted by UNICEF (2017). The repercussions of these political dynamics are thus far-reaching, often leading to the suspension or abandonment of government projects when a change in government occurs. This is primarily driven by the desire to credit projects to the ruling party, thereby making government-backed projects susceptible to political shifts and priorities (Damoah et al, 2015).

Several aspects of Political Economy Theory therefore provide a pertinent framework for understanding how political considerations shape project performance in State-Owned Manufacturing Firms (SOEs). It can also be noted that, political priorities and their impact on economic decisions can significantly affect project outcomes within the manufacturing sector.

Governance Network Theory

Network governance as proposed by Klijn & Koppenjan (2012) explores the nature of relationships and interactions among various actors involved in public governance and emphasizes collaboration and interdependence among public and private actors to achieve common goals. It can be referred to as a distinctive method of managing economic, political, and social activities by a large group of codependent players who cooperate to achieve common goals (Edgardo, 2021). It is a lens used to understand the complex relationships and interactions among various actors, both public and private, involved in the public governance (Ouden, 2015).

Network governance is defined by independent but yet closely interdependent actors where collaborations between these actors occur within a self-regulated environment and affects the ability to work on complex social problems (Ouden, 2015). Klijn and Koppenjan (2012) state that, the theory is founded on policy networks, inter-organizational delivery of service, implementation of policies, and management of the networks.

This theory is relevant to understanding the interorganizational relationships and collaborations that influence the performance of projects in state-owned industrial firms and highlights the importance of network governance in managing complex projects involving multiple stakeholders. Linyiru and Ketyenya (2017) also identity strategic alliances as determinant of performance outcomes in state corporations in Kenya.

Governannce networks thus helps identify key pointers such as interorganizational relations and their significant effect project performance in state corporations and other areas policy areas where multiple stakeholders with diverse interests and resources are involved.

Stakeholder Engagement Theory

This theory was proposed by Freeman (1984) and focuses on the influence of various stakeholders, including regulators and government entities. Administration of projects in public sector is increasingly becoming complex as a result of diverse nature of stakeholders and the expectations from the state and thus policymakers, legislators and financing agencies are increasingly focused on stakeholder management to guarantee successful implementation and performance of these projects besides ensuring achievement anticipated outcomes (Ishak et al, 2019).

Githinji et al. (2020) identify organization esteem for stakeholders' issues as the highest influencing variable in identification of projects and participation of stakeholders in project preparation and planning as positively influencing performance of projects. They further postulate that including stakeholders in project monitoring and decision making positively affect to project performance.

Muhoro (2018) states that stakeholder engagement requirement is not just important in private business organizations but also critical in public organizations. SOE's in Kenya are run as open systems, and thus stakeholders can support a strategy or project or fail to support; their actions are essential to the organization (Muhoro, 2018). Githinji et al. (2020) also identified that stakeholder involvement in all stages of public projects positively influences the project outcomes.

Stakeholder engagement theory therefore informs how state-owned manufacturing firms' management of relationships with regulators, public, employees and government bodies influence project outcomes; and is an important pointer of interinstitutional relationship as an important factor affecting performance.

Empirical Review

The empirical literature reviewed offered a multi-faceted understanding of the performance of projects within State-Owned Enterprises (SOEs), particularly focusing on the manufacturing sector in Kenya. The studies span various themes including public policies, institutional and organizational factors, managerial practices, stakeholder involvement, and procurement procedures.

AlRaeesi and Ojiako (2020) highlight the intersection of public policy and public projects, taking a legal lens to understand how public policy influences project management, particularly in terms of arbitration and litigation in public sector projects. However, their study, conducted in the UAE, is primarily theoretical and lacked the required insights into the regulatory frameworks affecting project performance in this study.

In the Kenyan context, Mathenge (2020) focused on project management practices and their influence on public project performance in Mombasa County. The study identified critical factors such as monitoring and evaluation, financial management, and stakeholder involvement. However, it did not consider regulatory or legal factors, nor did it address manufacturing projects.

Specific to the manufacturing sector, Kivuva (2022) examined the effect of institutional practices such as technology use, stakeholder engagement, resource availability, and monitoring on manufacturing projects in Nairobi. While the study affirmed the positive impact of internal practices on project outcomes, it overlooked external environmental influences, particularly the regulatory framework, and did not necessarily distinguish between public and private manufacturing firms.

Similarly, Njiru (2018) and Wanjiru et al. (2019) analyzed managerial and strategic factors in manufacturing firms but remained limited to Nairobi County and did not differentiate state-owned enterprises from private ones. Their findings emphasized internal organizational dynamics like leadership, communication, and resource allocation but fell short on the focus on external regulatory challenges.

Enchogu and Njagi (2022), and Linyiru and Ketyenya (2017), focused on broader organizational capabilities and structures within SOEs in Kenya. These studies identified

innovation, resource efficiency, governance, and organizational culture as significant to performance. Nonetheless, they did not assess the specific performance of projects nor the influence of legal and regulatory environments.

Mutinda and Chege (2023) offered a closer look at procurement principles within state-owned manufacturing firms, highlighting the role of professionalism, transparency, and integrity in procurement outcomes. While the study addresses legal principles indirectly through procurement standards, it does not link these to overall project performance, thus maintaining a contextual limitation.

More case-specific studies, such as Githinji et al. (2020), Morogo (2021), and Wamuyu (2020), explored stakeholder engagement, critical success factors, and institutional policies within SOEs like Kenya Ferry Services, Agrochemical and Food Limited, and the Postal Corporation. These studies provided insights into internal project dynamics but were either limited to service-sector SOEs or focused on a single firm. Moreover, the regulatory environment was not a central focus in these studies.

Other relevant studies, such as those by Nyambura et al. (2020), Ouko (2022) and Damoah et al. (2015), delve into the impact of political dynamics, managerial autonomy, and governance issues on SOE performance. These studies collectively underscore challenges such as political interference, lack of autonomy, bureaucratic inefficiencies, and governance conflicts. They offer useful analogies for understanding how external regulatory and political environments can shape project performance in the public sector, especially in developing countries. However, a key observation is the limited exploration of the regulatory environment as a distinct determinant of project performance, especially within manufacturing-oriented SOEs operating in competitive environments.

Despite the breadth of these studies there is a notable gap in empirical research that directly examines the influence of the regulatory environment on project performance in state-owned manufacturing enterprises especially in context of Kenya, where public sector projects often contend with overlapping mandates, political interferences, and bureaucratic constraints. Therefore, this study seeks to bridge the existing knowledge and research gaps by focusing specifically on how regulatory environments impact project performance in state-owned manufacturing enterprises in Kenya.

METHODOLOGY

The research employed an exploratory cross-sectional design. Exploratory research is used to conduct a tentative first analysis of a relatively unexplored area, generating new hypotheses and ideas on the topic (Swedberg, 2020). The cross-sectional aspect of the research involves collecting data at a single instance in time to measure the relationships between the identified variables (Saunders et al., 2007). The design is particularly suitable for the research since it allows for the efficient collection of data using questionnaires, as demonstrated in studies by Mutinda & Chege (2023).

It adopted a pragmatic research philosophy. Pragmatism strikes a balance between the positivist approach, which emphasizes objective reality and quantifiable data, and the

constructivist/interpretivist approach, which focuses on subjective experiences and qualitative insights (Žukauskas et al., 2018). This dual focus thus enabled a comprehensive exploration of the research problem by blending both quantitative and qualitative methods and is particularly suitable for this research as it allowed for flexibility in methodological choices, facilitating a thorough investigation of the regulatory framework's effects on project performance in state-owned enterprises (SOEs) in Kenya by addressing complex research questions effectively, utilizing the strengths of both positivist and interpretivist paradigms.

Empirical Model

A Multivariate analysis was employed to predict the relationship between variables using standard multiple regression analysis model. This empirical model was used in testing the research hypothesis. Multiple regression model was used due to its efficiency in determining the comparative significance of independent variables to that of dependent variable (Montgomery et al., 2012).

Standard Multiple Regression model:

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \alpha_5 X_5 + \varepsilon$$

Where

Y is = Dependent Variable (Project Performance)

α_0 = Constant/ Extraneous variable

$\alpha_1, \alpha_2, \alpha_3 \ldots\ldots \alpha n$ = Coefficients of independent variables.

X_1, X_2, X_3, X_4, X_5 are the Independent Variables: Legal Compliance Requirements, State Control, Institutional Structures, political dynamics and fiscal management framework respectively.

ε = Error factor

Target Population

This study focused on respondents from twenty (20) state-owned manufacturing firms and their subsidiaries in Kenya, each undertaking various projects. The target respondents included staff drawn from different cadres, including management, administrative staff, and technical staff. This diverse selection ensured a comprehensive understanding of the factors influencing project performance within these organizations.

Sampling Design and Data Collection

Because the target population was varied, respondents from these firms were be selected using stratified random sampling. Where the concerned strata included various categories of employees i.e., management, administrative staff, technical staff and project team

The major methods for collecting data from the subjects was be semi structured questionnaires both physical and through Google forms®. The application of semi-structured questionnaire is important to allow the researcher reliably obtain qualitative as well as quantitative data (Titus et al, 2013). The questionnaires were distributed through multiple channels, including face-to-

face delivery, email, and online survey platforms. This multi-modal approach was meant to enhance response rates and provide convenience to respondents as suggested by Dillman et al (2014).

Data Analysis and Presentation

Data was cleaned and compiled using a combination of MS Excel® and XLSTATS Cloud 5.0® software. Analysis of quantitative data was through descriptive statistics using various measures of dispersion and central tendencies, and inferential statistics through multivariate analysis employing correlation analysis and standard multiple linear regression analysis. Qualitative data was evaluated through content analysis. Data was presented in tables, charts and graphs

FINDINGS

A total of one hundred and sixty questionnaires were sent out to the respondents. Ninety-nine of these were filled and returned to the researcher for analysis which represents a response rate of 61.88%.

Analysis of the Demographics

The respondents represented management 47.5 %, Administrative Staff 25.25%, Technical Staff 24.3% and Support Staff 3.3%. Total responses were 99. Further, 45.56% of the respondents were between 35-45 years of age, 33.33 were between 45-55 years, 18% were between 25-34 years while 3.3 % were above 55 years.

64% of the respondents had Bachelor's Degree, 18.19% had college diploma while 16.16% had master's degree. The responses also indicated that 39% of the respondents had between 5-10 year of experience, 33.34 had 11-20years, 21.22% has less than five years, while 3.3% had above 20years of experience in the respective organizations.

Data Reliability

Cronbach's alpha coefficient was utilized to determine the data reliability of the test scores.

The Cronbach's alpha score for the data was of 0.762 and was considered acceptable in alignment with Cooper & Schindler (2003) suggestion that scores of 0.7 or above are considered acceptable, and indicate good reliability and internal consistency.

Descriptive Statistics

Project Performance

Table 1 below show the respondents observation of projects performance in state owned manufacturing firms:

Table 1: Project Performance

Parameter	Statement	Frequency (n)	Average (μ)	Standard Deviation (σ)
Schedule Performance:	Projects in my organization always meet timelines and schedule requirements	99	2.218	0.879
Business Performance:	Projects in my organizations are delivered within cost	99	2.337	0.725
Technical performance:	Projects in my organizations always meet the technical and quality expectations	99	3.040	0.871
Stakeholder satisfaction:	Projects in my organization always meet the expectation of the stakeholders.	99	2.980	0.938
Average		**99**	**2.644**	**0.853**

Source: Survey Data (2024)

The score for the project performance was high on technical performance and stakeholder satisfaction as depicted by the mean of 3.04 and 2.98, and standard deviations of 0.871 and 0.938 respectively, and low on schedule performance and performance of business as depicted by the mean of 2.218 and 2.337, and standard deviations of 0.879 and 0.725 respectively.

This indicates that despite these projects frequently meeting the quality, technical and stakeholders' expectations, they only occasionally meet the timelines and delivery within cost. This aligns with Ndagi's (2019) observation that projects in state corporations generally meet stakeholder and quality expectations. It also resonates with the findings of Githinji *et al.* (2020) in whose research, timelines and cost performance in projects were rated lower compared to other parameters such as scope, quality, and stakeholder involvement.

Legal Compliance Requirements

Table 2 below show the respondents observation on prevalence of legal compliance requirements in respective institutions and effect on efficiency of project execution in state owned manufacturing firms:

Table 2: Legal Compliance Requirements

Parameter	Frequency (n)	Average (μ)	Standard Deviation (σ)
Procurement Procedures	99	3.515	0.986
Institutional Procedures	99	3.614	0.824
Reporting requirements	99	3.010	0.831
Compliance requirements	99	3.564	0.899
Average	**99**	**3.448**	**0.885**

Source: Survey Data (2024)

The scores were high on all the parameters with Institutional procedures score being 3.614 and a standard deviation of 0.824, followed by compliance requirement at 3.564 and a standard deviation of 0.899, followed by procurement procedures at a score of 3.515 and a standard

deviation of 0.968 and reporting requirements at 3.01 and a standard deviation of 0.831. This indicates a significantly high prevalence of this factor in relation to projects. Further to the findings, it is observed that in a research done by Wamuyu (2019), the researcher noted that in one of the Kenyan state corporations, established institutional policies and procedures positively and significantly affects performance of the projects. Mutinda and Chege(2023) also observed that various aspects of procurement principles, compliance integrity and professionalism positively and significantly affect the general performance of state corporations.

State Control

Table 3 below show the respondents observation on prevalence of state control element in respective institutions and effect on efficiency of project execution in state owned manufacturing firms:

Table 3: State Control

Parameter	Frequency (n)	Average (μ)	Standard Deviation (σ)
National Government's programmes	99	3.228	0.859
Government's administrative oversight role	99	3.584	0.828
Performance Contracting	99	3.396	0.884
Institutional Autonomy	99	3.347	0.805
Average	**99**	**3.389**	**0.844**

Source: Survey Data (2024)

The scores were high on all the parameters with government administrative oversight role's score being 3.584 and a standard deviation of 0.828, followed by performance contracting at 3.396 and a standard deviation of 0.884. Institutional autonomy score was 3.347 and a standard deviation of 0.805 and National Government's programmes at 3.228 and a standard deviation of 0.859. The overall score for State control was 3.389 with a standard deviation of 0.844. This reflects the respondents' perception that state control significantly influences projects within state-owned manufacturing firms. Supporting these findings, Damoah et al. (2015) note that the state plays a critical role in shaping the performance of government-backed projects. Similarly, Ouko (2022) emphasized that the performance of SOEs is influenced by the degree of managerial autonomy, specifically the independence of SOEs from government interference in day-to-day decision-making processes.

Institutional Structures

Table 4 below show the respondents observation on significance of institutional structures in the respective institutions in determining the success of projects in these manufacturing firms:

Table 2: Institutional Structures

Parameter	Frequency (n)	Average (μ)	Standard Deviation (σ)
Organizational governance structures	99	4.337	0.725
Organizational culture	99	4.040	0.999
Interorganizational relationships	99	3.337	0.875
Institutional Strategic mandate	99	3.624	1.103
Average	**99**	**3.834**	**0.926**

Source: Survey Data (2024)

The scores were high on all the parameters and especially notably high on organizational governance structures at 4.337 and a standard deviation of 0.725 and ,organizational culture at 4.040 and a standard deviation of 0.999. Institutional strategic mandate score was 3.624 and a standard deviation of 1.103, while interorganizational relationship was at 3.337 and a standard deviation of 0.875. The overall score for Institutional Structures was 3.834 with a standard deviation of 0.926. The respondents had a strong view that organizational structures and culture has a strong influence on the success of projects in these institutions compared to factors like interorganizational relationships and institutions mandate. This resonates with the observation made by Linyiru and Ketyenya (2017) that organizational factors were one of the key drivers of firm performance for state corporations and that adequate organizational structures favour coordination, communication and strategic alliances within these institutions to enhance performance.

Political Dynamics

Table 5 below show the respondents observation on significance of political dynamics in influencing planning and execution of projects in these state-owned manufacturing firms:

Table 3: Political Dynamics

Parameter	Frequency (n)	Average (μ)	Standard Deviation (σ)
Government Priorities	99	3.901	0.933
Political initiatives	99	3.564	0.963
Change in government leadership	99	3.891	1.038
Political Stability/Instability	99	3.663	0.972
Average	**99**	**3.755**	**0.977**

Source: Survey Data (2024)

The scores were high on all the parameters led by government priorities at 3.901 and a standard deviation of 0.933 and, change in government leadership at 3.981 and a standard deviation of 1.038, political stability/instability at 3.663 and a standard deviation of 0.972, while political initiatives score was at 3.564 and a standard deviation of 0.963. The overall score for political dynamics was 3.755 with a standard deviation of 0.977. The respondents observed that all political dynamics have a sway over the success of projects in these organizations. This aligns

with Ouko's (2022) observation that state-owned enterprises (SOEs) must be shielded from political interference through proper management structures to drive and achieve desired outcomes. Jerono (2018), also observed that effective political environmental system and safeguards was key to ensuring success of the projects and that legislative changes negatively affected sustainability of projects.

Fiscal Management Framework

Table 6 below show the respondents observation on significance of fiscal management framework in the success of projects in state-owned manufacturing firms:

Table 4: Fiscal Management Framework

Parameter	Frequency (n)	Average (μ)	Standard Deviation (σ)
Institutional financing model	99	3.901	0.985
Government budgetary cycles	99	4.139	1.010
Budgetary allocations	99	4.347	1.043
Institutions' budgetary autonomy	99	4.248	0.853
Average	**99**	**4.158**	**0.973**

Source: Survey Data (2024)

All the factors for the fiscal management framework were rated very high by the respondents. The respondent observed that budgetary allocations had the highest significance at 4.347 and a standard deviation of 1.043, institutions' budgetary autonomy followed with an average score of 4.248 and a standard deviation of 0.853, government budgetary cycles was rated at 4.139 with a standard deviation of 1.010, while institutions' financing model was rated at 3.901 and a standard deviation of 0.985. The overall rating for political dynamics was 4.158 and a standard deviation of 0.973. The responses observed that fiscal management framework had a considerable influence on the success of projects in state-owned manufacturing firms. Financial related factors such as budgetary cycles and allocations are observed to critically affect the performance of projects in state corporation as observed by Damoah *et al*. (2015) due to reliance on external sources of resources (especially funding) for their developmental projects. Jerono (2018) also, while examining the influence of financial availability on the sustainability of projects and found that financial resources play a critical role in ensuring project longevity, with funding especially extensively impacting sustainability. She emphasized the importance of adherence to budget allocations, need for sustainable funding sources and strategic project financing strategies.

Inferential Analysis

This study explored the relationship between the dependent variable (project performance) and the independent variables (legal compliance requirements, state control, institutional structures, political dynamics, and fiscal management framework) and various inferential statistical methods were employed, including Pearson's correlation coefficient for correlation analysis, Variance Inflation Factor (VIF) for multicollinearity diagnostics, goodness-of-fit statistics, and

multiple linear regression analysis in alignment with the methodology and the objectives of the study.

Model Diagnostics

Multicollinearity

Variance Inflation Factor(VIF) was used to determine the combined effect of dependencies among the independent variables on the variance. According to Paul(2006), One or more large VIF indicate multicollinearity and if any of the VIFs exceeds 5 or 10, this is an indication that the associated regression coefficients are insufficiently estimated because of the multicollinearity.

Table 7 below gives the values for VIF for the variables:

Table 7: Multicollinearity Statistics

	X_1	X_2	X_3	X_4	X_5
Tolerance	0.596	0.636	0.434	0.429	0.411
VIF	1.678	1.571	2.304	2.327	2.435

Source: Survey Data (2024)

Where: X_I, X_2, X_3, X_4 and X_5 represents the independent Variables: Legal compliance requirements, State control, Institutional structures, Political dynamics, and Fiscal management framework respectively.

The results indicate that all values are below 5, indicating no severe multicollinearity among predictors. In alignment with the observations made by Mathenge(2020), this model is thus suitable for analysis using the multiple regression analysis. It is further observed that, X3, X4 and X5 have VIF values around 2.3, suggesting moderate collinearity, which could slightly inflate their standard errors.

This is further explained in the correlation analysis as shown below.

Correlation analysis

In order to further determine the aforementioned effects of high VIF on the relationship between the variables, a correlation analysis was done. The results are shown in the Table 8 below:

Table 8: Correlation Matrix

	X_1	X_2	X_3	X_4	X_5	Y
X1	1					
X2	0.383	1				
X3	**0.518**	0.490	1			
X4	0.423	0.358	**0.636**	1		
X5	0.156	0.493	**0.583**	**0.653**	1	
Y	**0.465**	0.145	0.047	-0.078	-0.044	1

Source: Survey Data (2024)

Where: X_I, X_2, X_3, X_4 and X_5 represents the independent Variables: Legal compliance requirements, State control, Institutional structures, Political dynamics, and Fiscal management framework respectively, and Y represents the dependent variable i.e. Projects performance.

The results indicate Legal Compliance Requirement has the highest correlation with Project Performance (r=0.465); Other independent variables as represented by X2, X3, X4, and X5 show weaker correlations with the independent variable (r values range from -0.044 to 0.145). Strong correlations exist among the independent variables: Legal Compliance requirements, Institutional Structures, Political Dynamics and Fiscal Management Framework, suggesting potential collinearity effects as analyzed above.

Model Fit

A model fit/Goodness of Fit analysis was done to examine the extent to which the changes in the dependent variable are attributable to changes in the independent variables. Table 9 below shows model fit analysis.

Table 9: Model Fit Analysis(Y)

Observations	Sum of weights	DF (Degrees of Freedom)	R^2	Adjusted R^2	MSE(Mean Sq. Error)	RMSE(Root Mean Sq. Error)
99	99	93	0.336	0.300	0.276	0.525

Source: Survey Data (2024)

From the analysis, the value of R^2 = 0.336 indicating that approximately 33.6% of the variability in dependent variable can be explained by the independent variables. While this suggests a moderate fit, much of the variability in dependent is still unexplained by the model. Adjusted R^2=0.300. This accounts for the number of predictors in the model, showing that 30.0% of the variability in the dependent variable is explained by the model.

Mean Squared Error (MSE) = 0.276 reflecting the average error in predicting project performance. While the Root Mean Square Error(RMSE) = 0.525 appropriately representing the model's performance, as suggested by Chai and Draxler (2014). Lower RMSE is desirable as it reflects improved model accuracy.

Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) was employed in this study as a statistical tool to analyze the variation in project performance based on multiple independent variables, i.e. Legal Compliance Requirements, State Control, Institutional Structures, Political Dynamics, and Fiscal Management Framework, and to determine whether independent variables, as a collective can significantly explain variations in project performance. To was also used to determine whether the relative variations are statistically significant. Table 6.4.1.4 below gives this analysis.

Table 10: Analysis of Variance

Source	DF	Sum of squares	Mean squares	F-Statistic	Pr > F
Model	5	12.989	2.598	9.411194	2.77E-07
Error	93	25.670	0.2760		
Corrected Total	98	38.659			

Source: Survey Data (2024)

From the results, F-statistic = 9.411($p<0.001$), thus the model is statistically significant overall. This means that at least one independent variable has a significant effect in predicting the dependent variable, Y as suggested by Schervish (1996).

Multiple Linear Regression Model

Model Parameters (Coefficients and their Significance) (Y):

In order to interpret the relative importance of the independent variables in predicting the dependent variable, project performance and to standardize the coefficients of the regression model, Table 11 below gives the model parameters:

Table 11: Model Parameters

Variable	Unstandardized Coefficients	Standard error	Standardized Coefficients	Standard error	t	Pr > | t |
Intercept	1.513	0.419	-	-	3.607	0.001
X_1	0.656	0.104	0.693	0.109	6.329	8.60E-09
X_2	0.011	0.113	0.010	0.106	0.098	0.923
X_3	-0.206	0.138	-0.191	0.128	-1.491	0.139
X_4	-0.311	0.103	-0.389	0.129	-3.021	0.003
X_5	0.190	0.120	0.209	0.132	1.584	0.117

Source: Survey Data (2024)

Where: X_I, X_2, X_3, X_4 and X_5 represents the independent Variables: Legal compliance requirements, State control, Institutional structures, Political dynamics, and Fiscal management framework respectively.

From the results, intercept (1.512) represents the expected value of dependent variable when all independent variables are zero.

From Legal compliance requirement ,X1($p<0.001$), a highly significant positive effect on Project Performance(Y). A one-unit increase in X_1 increases Y by approximately 0.656.

For the State control variable, X_2 ($p=0.923$). This value suggests that the variable is not statistically significant. It has also almost no meaningful impact on the performance of projects.

Institutional Structure variable, X_3 ($p=0.139$). A negative relationship exists but not statistically significant.

For the Political Dynamics variable, X_4 ($p=0.003$). This is also less that a value of 0.05 which according to Schervish (1996), is statistically significant. The relationship was also observed to be negative. A one-unit increase in X_4 value decreases the value of the dependent variable Y by 0.311.

For Fiscal management framework variable, X_5 (p=0.117), this was observed to be a positive coefficient, but not statistically significant. From these results the regression model was derived as given below.

Regression Model

The generated multiple regression model from the results was thus given by:

$$\mathbf{Y=1.513 + 0.656\ X_1 + 0.011X_2 - 0.206X_3 - 0.311X_4 + 0.190X_5}$$

Source: Survey Data (2024)

Where:

Y is = Dependent Variable (Project Performance)

X_1, X_2, X_3, X_4, X_5 are the Independent Variables: Legal Compliance Requirements, State Control, Institutional Structures, political dynamics and fiscal management framework respectively.

From the model, legal compliance requirements is the strongest positive predictor of project performance, while political dynamics has a statistically significant negative impact. Other variables that have relatively low statistical significance and have coefficients of between 0.011and 0.206. They are not strong predictors of project performance. State control is notably the lowest followed by fiscal management framework. Institutional structure is a moderate predictor of the project performance.

To further explain the model, analysis of qualitative data was done.

Analysis of Qualitative Data

Analysis of Qualitative data was done through content analysis. The findings indicated the multi-faceted regulatory challenges and enablers influencing project performance within state-owned manufacturing firms, as summarized under key thematic variables.

Legal Compliance Requirements

Challenges related to procurement procedures, including their length, complexity, inflexibility, and bureaucracy, emerged as significant hindrances to efficient project execution. The findings align with studies indicating that bureaucratic processes often delay public sector projects (Damoah *et al.* 2015). Cost implications due to non-compliance and ethical concerns like conflicts of interest exacerbate inefficiencies as also highlighted by Basheka (2008), underscoring the need for simplified procedures.

State Control

Government oversight and performance contracting are recognized as double-edged swords. While oversight ensures alignment with national goals, it often introduces bureaucratic delays. Performance contracting has shown positive effects like improved efficiency and transparency, as noted by Damoah *et al.* (2015) and by Ouko (2022). However, unrealistic targets remain a critical challenge, reflecting findings in governance literature that emphasize the need for achievable and collaboratively set benchmarks.

Institutional Structures and Autonomy

Institutional autonomy plays a pivotal role in enhancing decision-making efficiency and project adaptability. Bureaucratic inefficiencies, as reported, negatively affects responsiveness. Governance structures that support strategic alignment and resource allocation are critical; however, limited independence in resource management, as identified in this study, are consistent with Ong'onge (2022) insights on the influence of managerial autonomy and the performance of SOEs in Kenya. Linyiru and Ketyenya (2017) also link performance outcomes in state corporations, with specific organizational factors like organizational structure, strategic alliances and autonomy.

Organizational and Interorganizational Dynamics

A positive organizational culture marked by teamwork and accountability fosters collaboration and innovation. Negative elements, such as poor communication and lack of accountability, hinder project progress. This is in alignment with the observation done by Wamuyu (2020), that observed the adverse effect of organizational culture on project performance. It is also observed that interorganizational relationships characterized by resource sharing enhance efficiency, but dependency on external agencies can cause delays as also observed by Linyiru and Ketyenya (2017) who also identitied strategic alliances as determinant of performance outcomes in state corporations.

Political Dynamics and Fiscal Management

Political initiatives and government programs heavily influence project funding and execution timelines. This is also observed by Nyambura *et al* (2020). Delays in approvals and fluctuating priorities also introduce instability, as also highlighted in prior research by Ouko (2022). Additionally, it is observed that stable financing models and financial autonomy are essential for project success, as excessive dependence on government cycles exposes projects to risks of delays and underfunding.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

The study identified that Project in state owned manufacturing firms generally meet quality and stakeholder expectations but struggle with timelines and cost control. High prevalence of compliance requirements, particularly procurement procedures and institutional procedures contribute to accountability, but they can also lead to delays and bureaucracy. State control has relatively low influence on performance that happens through overall oversight and performance contracting, and influences project execution and ensures alignment with national goals, but this influence can also hinder autonomy and flexibility.

Strong organizational governance structures and a positive organizational culture significantly impact project success. Interorganizational relationships and strategic mandates also play a role, but to a lesser extent.

Government priorities, political initiatives, leadership changes, and political stability/instability all influence project planning and execution. Stable financing models,

government budgetary cycles, budgetary allocations, and institutional budgetary autonomy are also crucial for project success.

Significant Predictors

Legal compliance requirements emerged as the strongest positive predictor of project performance while Political dynamics had a significant negative impact. High prevalence of compliance requirements, particularly procurement procedures and institutional procedures contribute to accountability, but they can also sometimes lead to delays and bureaucracy. Government priorities, political initiatives, leadership changes, and political stability/instability all influence project planning and execution. Political initiatives and government programs heavily influence project funding and execution timelines. This is also observed by Nyambura *et al* (2020). Delays in approvals and fluctuating priorities also introduce instability, as also highlighted in prior research by Ouko (2022).

Conclusion

This study found that the regression model accounted for approximately 30% of the variability in project performance, indicating that while regulatory factors play a significant role, other variables also influence project outcomes in state-owned manufacturing enterprises.

Among the regulatory elements examined, legal compliance requirements emerged as the most influential driver of positive project performance. This underscores the importance of structured guidelines and adherence to regulatory standards in promoting transparency, accountability, and consistency in project execution. However, the findings also revealed that political dynamics and institutional structures had a negative impact on performance. State control, while positively associated with performance, had minimal statistical significance, suggesting its influence is less direct or consistent. Meanwhile, the fiscal management framework contributed positively but with relatively lower significance.

The analysis highlights a critical tension within the regulatory environment: while compliance fosters order and accountability, excessive bureaucracy and limited institutional autonomy act as significant barriers to project efficiency and success.

The study also identified key enablers of project success. These include strong governance structures, a positive organizational culture, and clear, well-defined strategic mandates. These factors help align regulatory oversight with operational efficiency, enabling project teams to remain compliant without compromising agility or responsiveness.

The findings carry important implications for key stakeholders: Project managers must proactively navigate compliance frameworks while advocating for operational flexibility to avoid delays and cost overruns. Policy-makers should prioritize regulatory reforms that streamline procedures and eliminate redundancies without diluting accountability. Procurement officers and administrators need to uphold integrity and transparency in processes while working to reduce procedural bottlenecks.

Ultimately, the study concludes that successful project performance in state-owned manufacturing firms depends on achieving a balanced regulatory environment—one that

safeguards public interests through compliance, yet empowers institutions to act with autonomy and efficiency.

Recommendations

To enhance project performance in state-owned manufacturing enterprises, the recommendations below focus on fostering agility, transparency, and accountability while addressing inefficiencies in governance, regulatory frameworks, and resource allocation.

Simplifying regulatory procedures is critical to reducing bureaucracy and ensuring that compliance frameworks are efficient and transparent. Automation of processes, such as reporting and procurement, will mitigate delays and enhance accountability.

Institutions require greater autonomy to streamline decision-making and execution, supported by a well-communicated strategic mandate that aligns project goals with institutional objectives. Strengthening partnerships and promoting collaboration with stakeholders can enhance resource-sharing, and promoting a positive organizational culture that prioritizes teamwork and professionalism is critical for success of projects.

In order to address the challenges posed by political dynamics, government programs and political initiatives must align with institutional long-term strategies to avoid disruptions. Synchronizing funding cycles with project timelines is also important to ensure continuity as well as developing a stable and diversified financing models to reduce dependency on government funding and enhance financial resilience. Robust governance structures that emphasize accountability and strategic alignment are also necessary to improve resource allocation decision-making.

The research therefore underscores the need to advocate for a balanced regulatory framework fostering both oversight and agility, the importance of streamlining regulatory frameworks, fostering institutional autonomy, resource decisions and mitigating adverse political influences to enhance project performance.

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