International Research Journal Of Business and Strategic Management

Vol 8, Issue 2, pp 468-481, July 13, 2026, © International Research Journal Publishers, ISSN 2710-2742 (online) www.irjp.org

Target Setting, Performance Appraisal Systems and Employee Productivity among Government Regulatory Agencies in Nairobi City County, Kenya

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Accepted: 10 July 2026

Abstract

Performance contracting has been widely adopted in the Kenyan public sector as a strategic tool for enhancing accountability, efficiency, and service delivery, yet government regulatory agencies continue to record low employee productivity, unmet performance targets, and inconsistent service delivery. The Government of Kenya's 2024/2025 performance evaluation report shows that only 56.13% of state corporations met their annual performance targets, underscoring a persistent gap between performance contracting frameworks and actual productivity outcomes. This study examined the effect of two core dimensions of performance contracting, target setting and performance appraisal systems, on employee productivity among government regulatory agencies in Nairobi City County, Kenya. The study was anchored on Goal-Setting Theory, Expectancy Theory, and Equity Theory. A descriptive correlational research design was adopted, targeting 693 employees drawn from 77 government regulatory agencies. Using Yamane's formula, a sample of 257 respondents was selected through stratified random sampling, and structured questionnaires were administered, yielding a response rate of 82.9% ($n = 213$). Data were analysed using descriptive statistics, Pearson correlation, and multiple linear regression in SPSS version 27. The findings revealed that target setting ($r = 0.824$, $\beta = 0.451$, $p < 0.001$) and performance appraisal systems ($r = 0.819$, $\beta = 0.353$, $p < 0.001$) each had a strong, positive, and statistically significant effect on employee productivity. The study concludes that clearly defined, measurable, and timely performance targets, together with regular, objective, and well-implemented appraisal processes, are critical levers for improving employee productivity in public regulatory institutions. The study recommends that government regulatory agencies strengthen the cascading of strategic targets to managerial levels and reinforce the practical follow-through of appraisal feedback into development and recognition actions.

Keywords: *Performance Contracting; Target Setting; Performance Appraisal Systems; Employee Productivity; Government Regulatory Agencies; Kenya*

INTRODUCTION

Performance contracting emerged as a pivotal management approach for improving efficiency, accountability, and service delivery in public sector organizations. In Kenya, government regulatory agencies have increasingly adopted performance contracts to align employee effort with institutional goals, enhance transparency, and ensure measurable outcomes (Sharon, 2024). Nyongesa and van der Westhuizen (2023) note that performance contracting typically involves setting clear performance targets and implementing structured performance appraisal systems, alongside training and feedback mechanisms, all intended to enhance employee competencies, improve accountability, and promote a results-oriented management culture. Despite widespread adoption, challenges such as low employee morale, unmet performance targets, and inconsistent productivity continue to undermine the effectiveness of these initiatives, raising concerns about the actual influence of performance contracting on employee productivity (Musau, 2022).

Employee productivity refers to the efficiency with which workers accomplish tasks and contribute to organizational goals within a given period, commonly measured through output levels, task completion rates, and work quality (Kalwar et al., 2025). In government regulatory agencies, high employee productivity is critical for timely service delivery, regulatory compliance, and public trust; however, bureaucratic inertia and inadequate performance management systems often diminish employee output (Ndakanwa et al., 2024). Without a strong link between institutional performance strategies and day-to-day employee productivity, regulatory agencies risk falling short of their service mandates (Lee & Lee, 2025).

Target setting is a critical enabler of employee productivity: clear and aligned performance targets provide employees with defined goals that guide daily operations, foster focus, and promote accountability (Oaikhena, 2023). Structured target-setting practices, such as cascading organizational objectives to individual roles and ensuring timely communication of expectations, enable regulatory bodies to align employee effort with strategic priorities and motivate staff toward higher performance standards (Bakare, 2024; Huizinga & de Bree, 2021). Similarly, performance appraisal systems play a pivotal role in shaping employee productivity: regular and objective appraisals offer employees critical feedback on performance, highlight areas for improvement, and recognize achievement, thereby fostering a performance-driven work culture (Alainati et al., 2024). Institutionalizing structured reviews, standardized assessment tools, and systematic follow-up on feedback allows agencies to build a transparent and accountable appraisal process that strengthens morale and productivity (Magesa & Mtey, 2024; Kaluyu et al., 2024).

Recent Public Service Commission productivity reports indicate that public sector productivity in Kenya remains below that of the private sector, with only 3% to 8% of State Corporations attaining an “Excellent” performance rating and an overall compliance index across Ministries, Departments, and Agencies of only 43.5% (Mutembei & Kithae, 2023; Kerich, 2025). The Government of Kenya's Annual Performance Evaluation Report for the Financial Year 2024/2025 reported an overall average composite score of 3.0540, a “Good” rather than “Excellent” rating, with only 151 of 269 State Corporations (56.13%) achieving their annual performance targets (Government of Kenya, 2026). These gaps underscore the need to critically examine how specific dimensions of performance contracting, particularly target setting and performance appraisal systems, influence employee productivity within Kenya's regulatory agencies.

Performance contracting was formally introduced in Kenya's public sector in 2004 as part of broader reforms aimed at enhancing service delivery, accountability, and employee productivity. Government regulatory agencies such as the Communications Authority of Kenya, the Energy and Petroleum Regulatory Authority, and the Kenya Bureau of Standards have been at the forefront of implementing performance contracts to align employee efforts with institutional goals (Kaluyu et al., 2024). Target setting practices and regular performance appraisals have contributed to greater focus on measurable outputs and customer-centric service standards, with performance reviews increasingly linked to resource allocation, promotions, and institutional recognition programmes (Masetu, 2021). However, despite these gains, inconsistent application of appraisal systems and misalignment between targets and available resources have continued to undermine the effectiveness of performance contracts in some agencies (Sharon, 2024). These mixed experiences highlight the need for a deeper evaluation of how target setting and performance appraisal systems specifically affect employee productivity within Kenya's regulatory framework (Musau, 2022).

Statement of the Problem

Although performance contracting has been institutionalized across government regulatory agencies in Kenya as a tool for enhancing accountability and productivity, many agencies continue to record low employee productivity, missed performance targets, and declining service standards (Musau, 2022). Efforts to establish a results-driven culture have been constrained by ineffective performance appraisal systems and weak cascading of performance targets, such that planned improvements in employee output are not fully realized (Ndakanwa et al., 2024). While a considerable body of research has examined performance management broadly, comparatively little empirical work has isolated the specific contribution of target setting and performance appraisal systems to employee productivity within government regulatory agencies operating in the Kenyan context. This study sought to address this gap by examining the effect of target setting and performance appraisal systems on employee productivity among government regulatory agencies in Nairobi City County, Kenya.

Objectives of the Study

The specific objectives of the study were:

i. To determine the effect of target setting on employee productivity among government regulatory agencies in Nairobi City County, Kenya.

ii. To examine the effect of performance appraisal systems on employee productivity among government regulatory agencies in Nairobi City County, Kenya.

Significance of the Study

The findings provide the management of government regulatory agencies with practical insights on strengthening target setting and performance appraisal systems to enhance employee productivity and institutional outcomes. The study further offers policymakers evidence-based insights for strengthening performance contracting frameworks in the public sector, and contributes to scholarly knowledge on public sector performance management by providing context-specific empirical evidence from Kenyan regulatory agencies.

LITERATURE REVIEW

Theoretical Review

Goal-Setting Theory, developed by Locke and Latham (1990), postulates that specific and challenging goals, when accepted by employees, lead to higher performance compared to vague or easy goals, and that clear targets focus attention, mobilize effort, and encourage persistence toward achieving objectives (Ab Rahman, 2025). The theory provides a foundation for understanding how structured target setting under performance contracts can direct employee behaviour, enhance motivation, and improve productivity within government regulatory agencies (Swann et al., 2021). Critics such as Abhari and Vaghefi (2022) caution that an excessive focus on narrow goals can lead to neglect of important non-goal-related tasks, while Wei et al. (2024) note that rigid goal structures may inhibit creativity under highly complex tasks. Nonetheless, the theory's relevance to this study lies in its direct connection to the objective of determining the effect of target setting on employee productivity.

Expectancy Theory, proposed by Vroom (1964), postulates that employee motivation is determined by the expected outcomes of actions and the value placed on those outcomes, built on the assumptions of expectancy, instrumentality, and valence (Filipova, 2023). In this study, Expectancy Theory helps explain how performance appraisal systems within performance contracting frameworks can influence employee motivation and productivity by strengthening the link between effort, evaluation, and reward (Rahayu et al., 2024). Relatedly, Equity Theory, developed by Adams (1963), postulates that employees are motivated by fairness, and that perceived inequities in input-output ratios can reduce productivity (Ryan, 2023). Equity Theory provides a useful lens for understanding how fair and transparent appraisal systems influence employee motivation and productivity in government regulatory agencies (Hatfield et al., 2023). Collectively, Expectancy and Equity theories align with the objective of examining how appraisal systems, through effort-reward linkages and perceived fairness, shape employee productivity.

Conceptual Framework

The conceptual framework guiding this study links two independent variables, target setting and performance appraisal systems, to the dependent variable, employee productivity. Target setting is conceptualized in terms of goal alignment, measurable output goals, and timeliness of goal communication, while performance appraisal systems are conceptualized in terms of the regularity of reviews, the use of objective assessment tools, and the implementation of appraisal feedback. Employee productivity is measured through output per employee, task completion rate, and work quality.

Independent Variables **Dependent Variable**

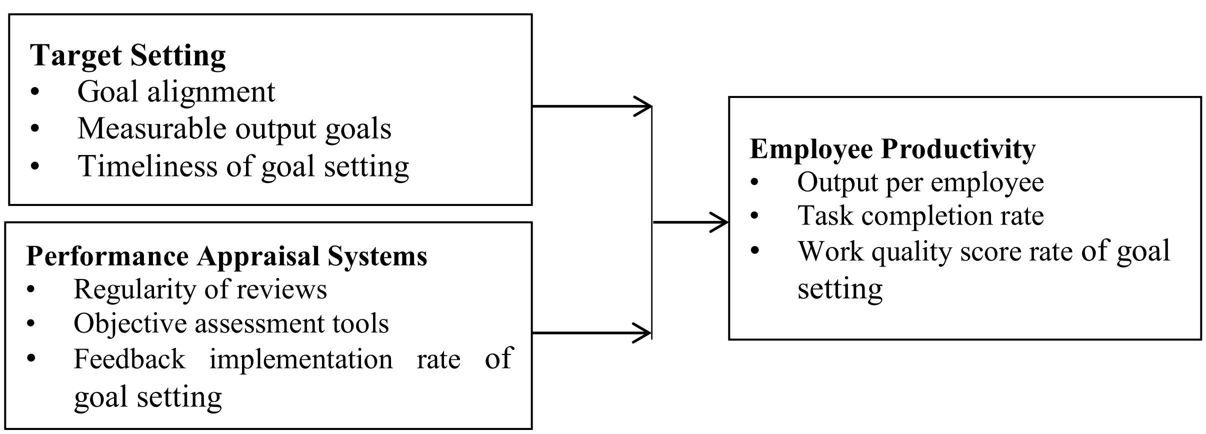

Figure 1: Conceptual Framework

Target Setting and Employee Productivity

Target setting refers to the process of defining specific, measurable, and time-bound performance goals that employees are expected to achieve within a given period, and is a core component of performance management that aligns individual effort with organizational objectives (Musau, 2022). Nyongesa and van der Westhuizen (2023) argue that aligned performance targets ensure individual and departmental goals are consistently linked to the overall mission of the organization, and when targets are cascaded properly, they foster a shared sense of purpose and reduce redundancy in task execution (Ndakanwa et al., 2024). Measurable output goals provide employees with tangible benchmarks against which performance can be objectively assessed, reducing ambiguity and creating a results-oriented work environment (Oaikhena, 2023; Bakare, 2024). Timely goal setting further ensures that employees have clear guidance from the outset of a performance period, supporting proactive management and sustained motivation (Huizinga & de Bree, 2021; Magesa & Mtey, 2024).

Performance Appraisal Systems and Employee Productivity

Performance appraisal systems are essential tools for evaluating employee performance, enhancing accountability, and supporting professional development. They involve systematic processes through which managers assess employee contributions, identify strengths and areas for improvement, and guide career growth (Kaluyu et al., 2024). In government regulatory agencies, effective appraisal systems reinforce performance expectations and serve as mechanisms for aligning individual output with institutional objectives, fostering transparency and boosting employee morale (Tetteh, 2022). Objective assessment tools, such as standardized rating scales and output-based evaluation metrics, help reduce subjectivity and bias during appraisals, which is particularly important in the public sector, where perceptions of favouritism erode trust (Alainati et al., 2024; Indiatsy, 2021). The feedback implementation rate, or the extent to which appraisal outcomes are translated into actionable development plans and recognition, closes the appraisal loop and reinforces learning and growth (Bayo-Moriones et al., 2021; Tambunan et al., 2024).

Empirical Review

Fayomi and Akanazu (2024) investigated the influence of strategic goal-setting on organizational effectiveness in selected trading and manufacturing companies, using a survey of 210 managers and supervisors and multiple regression analysis. Findings revealed that strategic goal-setting practices explained 65% of the variation in organizational effectiveness, with 72% of participants noting that clearly defined, measurable, and time-bound goals enhanced employee focus and operational efficiency. Bello et al. (2025) analysed the relationship between performance management systems and employee performance at the Federal Medical Centre in Keffi, Nigeria, and found that performance management systems, incorporating target setting and regular appraisals, accounted for 68% of the variance in employee performance, with 77% of respondents indicating that clear target setting, regular appraisals, and effective feedback significantly enhanced job commitment and productivity.

Ng'endo (2023) explored the relationship between performance management practices and employee productivity among selected commercial banks in Nairobi City County, Kenya, applying descriptive and inferential statistical techniques. Results showed that performance management practices, including target setting and appraisal, accounted for 58% of the variation in employee productivity, with 70% of respondents indicating that regular appraisals and clear target setting significantly enhanced work output and motivation. Nar (2024) similarly found, in a study of Azusa Sekkei Co., Ltd. in Japan, that performance management practices accounted for 62% of the variance in employee productivity, with structured goal-setting and timely appraisals cited by 75% of respondents as key drivers of improved efficiency.

In the Kenyan context, Kaluyu et al. (2024) examined the influence of performance evaluation practices on governance outcomes in public hospitals and found that structured appraisal practices, including regular reviews and standardized evaluation criteria, were positively associated with improved staff accountability and service delivery. Likewise, Nyongesa and van der Westhuizen (2023), studying Huduma Centres in Western Kenya, established that performance contracting, anchored on clear target setting and consistent appraisal processes, significantly improved public service delivery outcomes, although the study also noted those inconsistent enforcement of appraisal outcomes weakened the overall motivational effect on employees. Taken together, the empirical evidence across global, regional, and local settings consistently points to target setting and performance appraisal systems as two of the strongest and most consistently significant predictors of employee productivity and organizational effectiveness, even though the specific magnitude of their effect varies with institutional and sectoral context.

Research Gap

While performance contracting has been extensively studied in corporate and healthcare sectors, limited empirical attention has been given to regulatory bodies tasked with upholding national service standards, particularly in the Kenyan context (Likangaga et al., 2023). Existing global research, such as that by Fayomi and Akanazu (2024) and Nar (2024), has primarily focused on private sector environments in advanced or rapidly industrializing economies, which differ significantly from the constraints facing public regulatory agencies in Kenya. Moreover, while studies such as Ng'endo (2023) have examined target setting and appraisal jointly with other performance management practices, few have isolated the combined effect of these two dimensions specifically within government regulatory agencies. This study addressed this gap by generating context-specific evidence on the effect of target setting and performance appraisal systems on employee productivity within Kenya's regulatory agencies.

METHODOLOGY

Research Design

The study adopted a descriptive correlational research design, which was appropriate for systematically collecting information about existing conditions without manipulating study variables (Kothari, 2021), while allowing the study to examine and measure the strength of association between target setting, performance appraisal systems, and employee productivity (Kumar, 2021).

Population, Sample, and Sampling Technique

The target population comprised 693 employees drawn from top-level, middle-level, and lower-level cadres across 77 government regulatory agencies in Nairobi City County, Kenya. Using Yamane's (1967) formula at a 95% confidence level and 5% margin of error, a sample of 257 respondents was determined and selected through stratified random sampling, followed by simple random sampling within each stratum (Cooper & Schindler, 2021).

Table 1: Population and Sample Size of the Study

Level	Population (N)	Sample Size (n)	Percentage (%)
Top level managers	154	56	22.22
Middle level managers	231	86	33.33
Other employees	308	115	44.45
Total	693	257	100

Data Collection, Reliability, and Validity

Data were collected using structured, self-administered questionnaires distributed to sampled managers and employees across the 77 regulatory agencies (Creswell, 2021). Of the 257 questionnaires distributed, 213 were successfully completed and returned, representing a response rate of 82.9%. A pilot test was conducted to assess the reliability and validity of the research instrument prior to full data collection. Reliability was assessed using Cronbach's

Alpha, with a threshold of 0.70 deemed acceptable, while validity was assessed through expert review and factor analysis, with an average factor loading of 0.50 deemed acceptable.

Table 2: Reliability and Validity of Research Instrument

Variable	Items	Cronbach's Alpha	Average Factor Loading	Remark
Target setting	6	0.834	0.711	Reliable / Valid
Performance appraisal systems	6	0.876	0.729	Reliable / Valid
Employee productivity	6	0.927	0.754	Reliable / Valid

Data Analysis

Data were coded and analysed in SPSS version 27. Descriptive statistics (means, frequencies, and standard deviations) were used to summarize demographic characteristics and responses on target setting, performance appraisal systems, and employee productivity. Pearson correlation and multiple linear regression analysis were used to test the strength and significance of the relationships between the study variables. The regression model estimated was of the form:

$$Y = \beta_0 + \beta 1X1 + \beta 2X2 + \varepsilon$$

where Y is employee productivity, X1 is target setting, X2 is performance appraisal systems, β0 is the constant, β1 and β2 are the coefficients of the respective predictors, and ε is the error term. Prior to regression analysis, diagnostic tests for normality (Kolmogorov–Smirnov), multicollinearity (tolerance and Variance Inflation Factor), and homogeneity of variance (Levene's test) were conducted to confirm that the data satisfied the assumptions underlying regression analysis.

RESULTS AND DISCUSSION

Response Rate and Demographic Profile

Out of the 257 questionnaires distributed, 213 were successfully completed and returned, representing a response rate of 82.9%, which was considered adequate for reliable analysis. With respect to demographic characteristics, the sample was almost evenly split by gender (50.2% female, 49.8% male), and the majority of respondents (54.9%) were aged between 41 and 50 years. Most respondents were well educated, with 62.9% holding an undergraduate degree and 32.4% holding a master's degree, and the majority (45.5%) had worked in their current position for between four and eight years, suggesting that respondents were sufficiently experienced and knowledgeable to provide informed responses on target setting and appraisal practices.

Table 3: Demographic Profile of Respondents (N = 213)

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	106	49.8
	Female	107	50.2
Age	31-40 years	22	10.4
	41-50 years	117	54.9
	Above 50 years	71	33.3
Education	Undergraduate degree	134	62.9
	Master's degree	69	32.4

Characteristic	Category	Frequency	Percentage (%)
Experience	4-8 years	97	45.5
	Above 8 years	88	41.3

Descriptive Statistics

Table 4 presents the descriptive statistics for target setting. Respondents generally agreed that target setting influences employee productivity, as reflected by an overall mean of 3.55 (SD = 0.60). The highest-rated items were that setting measurable output goals helps managers monitor team performance (M = 4.20, SD = 0.40) and that early communication of performance goals improves the ability to meet deadlines (M = 4.10, SD = 0.31), while alignment of managerial targets with strategic objectives recorded the lowest mean (M = 2.73, SD = 1.01), suggesting a gap in cascading institutional goals to managerial levels.

Table 4: Descriptive Statistics for Target Setting

Statement	Mean	SD
Alignment between departmental targets and organizational goals	3.15	1.12
Alignment of managerial targets with strategic objectives	2.73	1.01
Measurable output goals aid monitoring of team performance	4.20	0.40
Clearly defined performance indicators improve productivity	3.70	0.78
Timely receipt of performance targets aids planning	3.41	0.93
Early communication of goals improves productivity	4.10	0.31
Overall Mean	3.55	0.60

Table 5 presents the descriptive statistics for performance appraisal systems. The overall mean of 3.86 (SD = 0.43) indicates general agreement that appraisal systems contribute positively to employee productivity. Regular performance reviews and frequent appraisal discussions recorded the highest mean scores (M = 4.10, SD = 0.31 each), while acting on feedback during reviews recorded a comparatively lower mean (M = 3.04, SD = 1.09), suggesting that although feedback is provided, its practical implementation varies across departments.

Table 5: Descriptive Statistics for Performance Appraisal Systems

Statement	Mean	SD
Regular performance reviews improve productivity	4.10	0.31
Frequent appraisal discussions address issues promptly	4.10	0.31
Objective assessment tools support fair evaluation	4.00	0.46
Standardized evaluation criteria set clear expectations	4.00	0.46
Acting on feedback during reviews improves motivation	3.04	1.09
Incorporating feedback into action plans improves task completion	3.92	0.68
Overall Mean	3.86	0.43

Table 6 presents the descriptive statistics for employee productivity, which was generally high, with an overall mean of 3.94 (SD = 0.43). Respondents strongly agreed that timely task completion enhances operational efficiency (M = 4.10, SD = 0.31) and that focusing on both quality and quantity strengthens overall productivity (M = 4.10, SD = 0.31).

Table 6: Descriptive Statistics for Employee Productivity

Statement	Mean	SD
Quantity of work meets departmental targets	3.90	0.54
Higher individual output improves team productivity	3.90	0.54
Tasks are completed within required timeframes	3.61	0.67
Timely completion enhances operational efficiency	4.10	0.31
Quality of work meets organizational standards	4.01	0.63
Balancing quality and quantity strengthens productivity	4.10	0.31
Overall Mean	3.94	0.43

Diagnostic Tests

The Kolmogorov–Smirnov test produced significance values above 0.05 for target setting (0.210), performance appraisal systems (0.156), and employee productivity (0.148), confirming that the data were normally distributed and suitable for parametric analysis. Multicollinearity diagnostics showed a tolerance of 0.213 and VIF of 4.691 for target setting, and a tolerance of 0.204 and VIF of 4.903 for performance appraisal systems, both well within the acceptable threshold (VIF < 10), indicating no serious multicollinearity between the two predictors. The Levene's test for homogeneity of variance produced a test statistic of 7.81 ($p = 0.0511$), confirming that the assumption of constant variance was not violated.

Correlation Analysis

Pearson correlation results indicated strong, positive, and statistically significant relationships between the study variables. Target setting showed a very strong positive correlation with employee productivity ($r = 0.824$, $p < 0.01$), and performance appraisal systems also exhibited a very strong positive relationship with employee productivity ($r = 0.819$, $p < 0.01$). Target setting and performance appraisal systems were themselves strongly and positively correlated ($r = 0.871$, $p < 0.01$), consistent with the conceptual expectation that well-aligned targets and well-structured appraisal processes reinforce one another within a coherent performance contracting framework.

Table 7: Correlation Matrix (Correlation is significant at the 0.01 level, 2-tailed; N = 213)**

	Target Setting	Performance Appraisal Systems	Employee Productivity
Target setting	1		
Performance appraisal systems	0.871**	1	
Employee productivity	0.824**	0.819**	1

Regression Analysis

Multiple linear regression analysis was used to determine the strength and significance of the effect of target setting and performance appraisal systems on employee productivity.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.862	0.743	0.741	0.219

a. Predictors: (Constant), Target Setting, Performance Appraisal Systems

The model yielded an R value of 0.862, indicating a strong positive relationship between the independent variables and employee productivity. The R Square value of 0.743 implies that target setting and performance appraisal systems jointly explained 74.3% of the variation in employee productivity among employees of government regulatory agencies in Nairobi City County. The adjusted R Square of 0.741 suggests that the model would explain approximately 74.1% of the variation in the population.

Table 9: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	29.846	2	14.923	311.184	0.000
Residual	10.072	210	0.048		
Total	39.918	212			

The ANOVA results indicate that the overall regression model was statistically significant ($F = 311.184$, $p < 0.001$). This demonstrates that target setting and performance appraisal systems jointly provide a significant explanation of variations in employee productivity among government regulatory agencies in Nairobi City County.

Table 10: Coefficients

Predictor	B	Std. Error	Beta (β)	t	Sig.
Constant	0.821	0.218		3.766	0.000
Target Setting	0.384	0.049	0.451	7.837	0.000
Performance Appraisal Systems	0.317	0.052	0.353	6.096	0.000

Within that model, target setting had the strongest standardized effect on employee productivity ($\beta = 0.451$, $t = 7.837$, $p < 0.001$), while performance appraisal systems also had a significant positive effect ($\beta = 0.317$, $t = 3.353$, $p < 0.001$), confirming that both dimensions of performance contracting are important, statistically significant drivers of employee productivity within government regulatory agencies.

Discussion of Findings

The finding that target setting has a significant positive effect on employee productivity is consistent with Fayomi and Akanazu (2024), who established that strategic goal-setting enhances organizational effectiveness by improving employee focus and operational efficiency, and with Ndakanwa et al. (2024), who found that properly aligned targets strengthen accountability and productivity in public sector institutions. However, the comparatively low mean score for alignment of managerial targets with strategic objectives suggests that regulatory agencies still face challenges in cascading institutional goals to managerial levels, echoing Musau's (2022) observation that inconsistent implementation of performance contracts constrains the achievement of a results-driven culture.

Similarly, the significant positive effect of performance appraisal systems on employee productivity corroborates Bello et al. (2025), who found that structured appraisal systems significantly improve employee performance and service quality, and Ng'endo (2023), who observed that well-implemented appraisal systems strengthen motivation and task completion. Nonetheless, the relatively low rating for acting on feedback during reviews points to a practical implementation gap consistent with Alainati et al.'s (2024) observation that the credibility of appraisal systems depends not only on their design but on the consistency with which feedback is translated into tangible development actions.

Viewed through the lens of Goal-Setting Theory, the strong effect of target setting on employee productivity affirms Locke and Latham's (1990) proposition that specific and measurable goals mobilize effort and sustain persistence, particularly where such goals are communicated in a timely manner. At the same time, the significant effect of performance appraisal systems lends support to Expectancy Theory (Vroom, 1964) and Equity Theory (Adams, 1963): employees appear more productive when they perceive a credible link between effort, fair evaluation, and recognition. The strong positive correlation between target setting and performance appraisal systems themselves further suggests that these two performance contracting practices function as mutually reinforcing components of a coherent management system rather than as isolated interventions, implying that regulatory agencies are likely to realize the greatest productivity gains when target setting and appraisal processes are designed and implemented in a deliberately integrated manner.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study concludes that target setting significantly and positively influences employee productivity within government regulatory agencies in Kenya; clearly defined, measurable, and timely performance targets enable employees to understand institutional expectations, plan their tasks, and maintain focus on priority areas. The study further concludes that performance appraisal systems play a critical role in enhancing employee productivity, as regular appraisal reviews, objective evaluation tools, and constructive feedback help employees understand their strengths and areas for improvement, promoting accountability and motivating improved work output. Collectively, target setting and performance appraisal systems represent two of the most influential dimensions of performance contracting for driving employee productivity in Kenyan government regulatory agencies.

Recommendations

Government regulatory agencies should strengthen target setting practices by ensuring performance goals are specific, measurable, and clearly linked to institutional strategic objectives, and should improve the cascading of targets from organizational leadership to departmental and individual levels so that employees clearly understand their responsibilities. With regard to performance appraisal systems, organizations should enhance the structure and transparency of evaluation processes by conducting regular appraisal discussions, applying objective assessment criteria, and ensuring that appraisal outcomes are consistently translated into improvement plans, recognition, and professional development, thereby closing the feedback implementation gap identified in this study.

Limitations and Suggestions for Further Research

This study focused specifically on target setting and performance appraisal systems as dimensions of performance contracting; it did not independently re-estimate a two-predictor regression model isolated from the other performance contracting dimensions examined in the parent study, namely training and capacity building and performance feedback mechanisms, which may also shape employee productivity in these agencies. Future research should re-estimate a dedicated two-predictor or hierarchical regression model isolating the unique contribution of target setting and performance appraisal systems, and should consider replicating this study in other public sector institutions, such as ministries, county governments, and state corporations, to establish the generalizability of these findings across the wider Kenyan public service.

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