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Transforming Public Sector Corporations in Tanzania: A Capability-Based Framework for Addressing Persistent Governance, Financial, and Organizational Weaknesses

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Abstract
Public and Statutory Corporations (PSCs) remain important instruments for economic transformation, strategic investment, and public service delivery in developing economies. Governments establish PSCs to address market failures, provide essential services, support industrial development, and advance national economic objectives. However, despite growing interest in PSCs' governance, several gaps remain in existing literature. *First,* many studies focus primarily on ownership structures, privatization outcomes, and financial performance while paying limited attention to internal institutional capabilities. *Second*, existing performance assessments frequently identify weaknesses without developing systematic approaches for measuring recurring organizational constraints. *Third*, limited attention has been given to mechanisms that translate oversight findings into continuous organizational improvement. The study, therefore, addresses these gaps by developing the Public Sector Corporation Performance Weakness Index (PSC-PWI), an analytical framework designed to identify and measure recurring institutional weaknesses affecting PSCs' performance. The development of the index was done using the directed qualitative content analysis of official documentary evidence from Controller and Auditor General (CAG) audit reports and Treasury Registrar (TR) performance evaluation reports, covering the period 2019/20–2023/24. The study analyzed 30 purposively selected PSCs using a structured coding framework designed to identify recurring institutional weaknesses. The findings reveal 264 recurring weaknesses categorized into seven dimensions: *governance and accountability*, *financial management*, *operational efficiency*, *strategic implementation*, *human capital capability*, *digital transformation, and risk management*. Financial management weaknesses constitute the largest proportion of identified deficiencies (23.5%), followed by governance weaknesses (20.5%), operational inefficiencies (17.0%), strategic implementation challenges (14.4%), risk management weaknesses (11.4%), human capital limitations (8.0%), and digital transformation gaps (5.2%). To address this gap, the study proposes the Capability-Based Reform Model as an institutional mechanism capable of transforming oversight findings into practical reform interventions. The broader implication is that effective public ownership requires more than control and supervision. Governments must develop the institutional capability to support, improve, and transform the organizations they own. Strengthening PSCs' performance, therefore, requires a shift from a compliance-based reform model toward a capability-based institutional development approach. The PSC-PWI and Capability-Based Reform Model developed in this study provide a practical pathway for achieving this transformation. Although developed within the Tanzanian context, the framework offers broader relevance for developing countries seeking to improve the performance, accountability, and sustainability of public corporations. Future research may extend this study by applying the PSC-PWI quantitatively across larger samples of public corporations, examining relationships between capability weaknesses and financial outcomes, and evaluating the long-term effectiveness of capability-based reform interventions.

Keywords: Public and Statutory Corporations; Public Enterprise Reform; Institutional Capability; Governance; Organizational Performance; Documentary Analysis; PSCs Performance Weakness Index.

1. Introduction

Public Sector Corporations (PSCs) continue to occupy a central position in the economic development strategies of many developing countries. Unlike ordinary government departments, PSCs are established to combine public ownership with operational autonomy, allowing governments to pursue strategic economic objectives while maintaining commercial principles. They operate in sectors where governments consider private markets insufficient to achieve national development objectives, including energy, transport, telecommunications, finance, natural resources, infrastructure, and strategic manufacturing. Consequently, PSCs represent important mechanisms through which governments promote industrialization, expand access to essential services, and support long-term economic transformation (OECD, 2023; World Bank, 2024).

However, the performance of PSCs has remained a persistent concern internationally. While some PSCs have achieved significant economic and social contributions, many continue to experience financial losses, operational inefficiencies, weak accountability, delayed strategic projects, and inadequate service delivery. These challenges have generated extensive debates regarding the appropriate role of governments as owners, regulators, and managers of public corporations. Traditional reform approaches have frequently focused on privatization, commercialization, restructuring, or strengthening monitoring systems. Although such reforms have produced improvements in some contexts, evidence increasingly demonstrates that ownership transformation alone does not guarantee improved performance because organizational effectiveness depends heavily on internal capabilities, governance quality, and institutional arrangements (OECD, 2021; Cuervo-Cazurra et al., 2022).

The Tanzanian context reflects these broader international challenges. PSCs have historically played an important role in supporting national development priorities, particularly within strategic sectors such as energy, transport, communication, finance, and infrastructure. The government has undertaken several reforms aimed at improving accountability, strengthening ownership oversight, and enhancing institutional performance. The Office of the Treasury Registrar (OTR) has been responsible for monitoring public corporations, while the Controller and Auditor General (CAG) provides independent assessments of financial accountability, compliance, and institutional effectiveness.

Despite these reforms, evidence from official oversight reports indicates that many PSCs' weaknesses remain persistent. Repeated observations concerning weak governance systems, inadequate financial controls, inefficient asset utilization, delayed project implementation, poor risk management, and limited organizational capability continue to appear across multiple reporting cycles. The recurrence of similar weaknesses suggests that existing mechanisms have been relatively effective in identifying institutional problems but less effective in addressing the underlying organizational capabilities required to prevent their continuation.

This situation raises an important research question: why do similar weaknesses continue to recur despite extensive oversight, evaluation, and reform initiatives? Existing explanations often emphasize external factors such as political interference, ownership arrangements, regulatory weaknesses, or financial constraints (Teece, 2022). While these factors remain important, this study argues that a significant part of PSCs' underperformance is rooted in internal organizational capability limitations. PSCs require not only resources and formal governance structures but also the ability to manage resources effectively, implement strategies, develop human capabilities, adopt appropriate technologies, and manage institutional risks.

The organizational capability perspective provides an alternative explanation for understanding PSCs' performance. Dynamic capability theory argues that organizations achieve sustainable performance when they possess the ability to integrate, develop, and reconfigure resources in response to changing environments (Teece, 2020). Applied to PSCs, this perspective suggests that performance depends on whether corporations possess the institutional capabilities necessary to convert public resources into sustainable economic and social outcomes.

Similarly, institutional theory emphasizes that formal structures alone do not automatically produce effective organizational behaviour. Institutions create rules, incentives, and governance arrangements, but their effectiveness depends on the capabilities of actors operating within those structures (North, 1990; Scott, 2014). Therefore, the existence of boards, reporting systems, and regulatory frameworks does not necessarily guarantee effective performance unless these systems are supported by appropriate organizational capabilities.

Despite growing interest in PSCs' governance, several gaps remain in existing literature. *First,* many studies focus primarily on ownership structures, privatization outcomes, and financial performance while paying limited attention to internal institutional capabilities. *Second*, existing performance assessments frequently identify weaknesses without developing systematic approaches for measuring recurring organizational constraints. *Third*, limited attention has been given to mechanisms that translate oversight findings into continuous organizational improvement.

This study addresses these gaps by developing the Public Sector Corporation Performance Weakness Index (PSC-PWI), an analytical framework designed to identify and measure recurring institutional weaknesses affecting PSCs' performance. The study further proposes a *Capability-Based Framework* as an institutional reform mechanism capable of transforming oversight evidence into practical organizational improvement.

The study makes three related contributions. *First*, it contributes theoretically by extending institutional and organizational capability perspectives into the study of public corporations, demonstrating that PSCs' performance is shaped not only by ownership structures but also by internal capability systems. *Second*, it contributes methodologically by demonstrating how documentary evidence from oversight institutions can be systematically transformed into an analytical framework for understanding public sector performance challenges. *Third*, it contributes practically by proposing an institutional reform model that strengthens the capacity of the state to support and improve public corporations.

The remainder of the article is organized as follows. The *next* section reviews relevant literature and develops the theoretical foundation of the study. The *third* section explains the methodology, including the documentary analysis approach, data sources, sample selection, and analytical procedure. The *fourth* section proposes an institutional reform model that strengthens the capacity of the state to support and improve public corporations. The *final* section discusses theoretical and policy implications before presenting conclusions

2. Literature Review

2.1 Conceptual Framework

State-owned enterprises represent hybrid organizations operating at the intersection of public administration, corporate governance, and market competition. Unlike private firms whose primary objective is shareholder wealth maximization, PSCs are expected to simultaneously achieve commercial sustainability and public policy objectives. This hybrid nature creates inherent tensions regarding accountability, efficiency, strategic direction, and performance evaluation (Grossi et al., 2021; Bruton et al., 2021).

The contemporary literature increasingly rejects the traditional assumption that PSCs are inherently inefficient because of state ownership. Instead, researchers argue that performance outcomes depend largely on institutional arrangements, governance quality, managerial capability, ownership structures, and the alignment between political objectives and operational autonomy (Cuervo-Cazurra et al., 2022; Musacchio & Lazzarini, 2023). Efficient PSCs can generate substantial economic and social value when supported by professional governance systems, clear mandates, competent leadership, and effective accountability mechanisms (OECD, 2024).

Recent evidence suggests that successful PSCs in countries such as Singapore, China, Norway, and Malaysia have demonstrated that state ownership can coexist with high operational efficiency when governance arrangements minimize political interference and promote professional management (Bruton et al., 2021; Cuervo-Cazurra et al., 2022). Conversely, weak institutional environments frequently transform PSCs into vehicles for political objectives, inefficient resource allocation, and fiscal dependency (Musacchio & Lazzarini, 2023).

Therefore, the central issue is not whether governments should own enterprises, but rather how ownership is structured, governed, monitored, and strategically managed. This perspective shifts the debate from ownership ideology toward institutional design and organizational capability development.

2.2 Theoretical Underpinning

2.2.1 Agency Theory

Agency Theory offers one of the most powerful descriptions of performance challenges within PSCs. According to Jensen and Meckling (1976), agency problems arise when ownership and control are separated, creating information asymmetry and conflicting interests between principals and agents. In PSCs, the government represents the ultimate owner, while managers and boards are considered agents responsible for operational decisions. However, unlike private firms where shareholders can directly discipline managers through market mechanisms, PSCs often include multiple principals such as government ministries, regulators, taxpayers, employees, political actors, and service beneficiaries. This brings about what researchers such as Grossi et al. (2021) and Schillemans & Bjurstrøm (2022) describe as a multiple principal problem, where conflicting expectations weaken monitoring effectiveness and managerial accountability.

In developing economies, agency problems are strengthened by limited board independence, political appointments, weak performance contracts, inadequate disclosure requirements, and insufficient monitoring capacity (Khan et al., 2021; Musacchio & Lazzarini, 2023). These challenges often evident through recurrent audit findings involving weak internal controls, procurement irregularities, ineffective risk management, and failure to implement strategic plans. The most recent empirical studies, such as Kaunda & Pelser (2023) and Matutu & Chalu (2024), confirm that stronger governance mechanisms, including independent boards, professional directors, transparent reporting, and performance-based executive contracts, meaningfully improve PSCs' efficiency and accountability. In this study, Agency Theory elucidates why recurring weaknesses reported by the Controller and Auditor General and Treasury Registrar may persist despite repeated recommendations. Weak accountability relationships between government owners, boards, and executives create conditions where corrective actions remain incomplete and organizational learning becomes limited.

2.2.2 Institutional Theory

Institutional Theory provides another important explanation for PSCs' performance variations. Institutional theorists argue that organizations operate within broader regulatory, political, and social environments that shape their structures, behaviors, and legitimacy (DiMaggio & Powell, 1983; Scott, 2022). PSCs are particularly influenced by institutional pressures because they operate under government ownership and are embedded within political systems. While formal institutions such as laws, regulations, audit requirements, and governance codes establish expected behaviors, informal institutions—including political relationships, administrative culture, and organizational norms—often determine actual practices (Scott, 2022). A central concept within institutional theory is institutional decoupling, where organizations adopt formal structures to demonstrate compliance while actual practices remain unchanged. In PSCs, this may occur when organizations establish audit committees, risk management frameworks, strategic plans, or governance policies but fail to effectively implement them (Meyer & Rowan, 1977; Bromley & Powell, 2021). This perspective is particularly relevant to Tanzania, where repeated audit findings suggest that formal governance reforms have not always translated into improved organizational practices. The persistence of similar weaknesses across multiple years may indicate a gap between institutional compliance and substantive organizational transformation. Recent public administration research emphasizes that improving PSCs' performance requires strengthening institutional capacity, not merely introducing additional regulations. Sustainable reform depends on changing organizational routines, incentives, leadership behavior, and accountability cultures (van Dooren et al., 2023).

2.2.3 Resource-Based View

The Resource-Based View (RBV) argues that organizational performance depends on the possession and effective utilization of valuable, rare, difficult-to-imitate, and non-substitutable resources (Barney, 1991). While originally developed within private sector strategy literature, RBV has increasingly been applied to public organizations to explain differences in institutional performance. From a PSC's perspective, critical resources include managerial expertise, technological capabilities, financial resources, organizational knowledge, innovation capacity, and governance systems. Organizations with stronger internal capabilities are better positioned to execute strategies, manage risks, improve efficiency, and adapt to environmental changes (Kraaijenbrink et al., 2022). Recent research demonstrates that many PSCS failures are not caused solely by insufficient financial resources but by weak organizational capabilities. Poor project management, ineffective procurement systems, inadequate information systems, and weak human capital management reflect capability deficiencies rather than isolated technical problems (Teece, 2023). The RBV therefore supports the argument that improving PSCS performance requires investments in organizational capabilities rather than focusing exclusively on financial restructuring.

2.2.4 Dynamic Capabilities Theory

Dynamic Capabilities Theory extends RBV by emphasizing an organization's ability to renew, modify, and reconfigure resources in response to environmental changes (Teece, 2023). Modern PSCs operate in increasingly complex environments characterized by technological disruption, climate change, globalization, fiscal pressures, and changing stakeholder expectations. Consequently, organizations must continuously develop capabilities related to innovation, digital transformation, strategic flexibility, and organizational learning. Recent studies indicate that PSCs with stronger dynamic capabilities demonstrate superior resilience, innovation performance, and service delivery outcomes (Warner & Wäger, 2021; Teece, 2023). Conversely, organizations characterized by bureaucratic rigidity and weak learning systems often struggle to respond effectively to emerging challenges. This theory is relevant to Tanzania because several recurring weaknesses reported by oversight institutions—including outdated systems, weak digital integration, ineffective strategic execution, and limited innovation—reflect inadequate adaptive capabilities.

2.2.5 Stakeholder Theory

Stakeholder Theory emphasizes that organizations must create value for multiple stakeholders rather than focusing exclusively on owners (Freeman, 1984). In the context of PSCs, stakeholders include government, citizens, employees, regulators, suppliers, communities, and private sector partners. Unlike private firms, PSCs have explicit social responsibilities because they manage public resources and provide essential services. Therefore, performance assessment must consider not only financial outcomes but also service quality, accessibility, social impact, transparency, and public trust (Bryson et al., 2021). Recent public management studies argue that stakeholder-oriented governance improves legitimacy and organizational sustainability because it aligns institutional objectives with societal expectations (Bryson et al., 2021; Mazzucato & Rodrik, 2023). The SPI Index developed in this study incorporates this perspective by including dimensions beyond financial performance, including service effectiveness, accountability, compliance, and strategic contribution.

2.2.6 Public Value Theory

Public Value Theory provides a broader framework for understanding PSCs' effectiveness. Developed by Moore (1995), the theory argues that public organizations should be evaluated based on their capacity to generate socially valuable outcomes rather than merely achieving efficiency. For PSCs, public value includes economic contribution, quality service delivery, employment creation, infrastructure development, environmental sustainability, and citizen welfare. Consequently, performance measurement systems must capture both operational efficiency and societal impact (Bryson et al., 2021). This theoretical perspective challenges narrow financial evaluations and supports the development of multidimensional performance frameworks such as the SPI Index.

2.3 Empirical Evidence

Recent empirical studies provide substantial evidence that governance structures, managerial autonomy, accountability mechanisms, and institutional capabilities are central determinants of state-owned enterprise performance. A major strand of empirical research demonstrates that improving corporate governance arrangements enhances PSCs' efficiency by reducing agency problems, strengthening monitoring mechanisms, and improving managerial incentives. Using panel data from state-owned enterprises in emerging markets, Aivazian et al. (2022) find that corporatization reforms significantly improve PSCs' profitability, productivity, and operational efficiency by introducing clearer performance objectives and strengthening managerial accountability. Their findings suggest that transforming PSCs from traditional administrative entities into commercially oriented organizations creates stronger incentives for managers to improve resource allocation and financial outcomes.

Similarly, Boubakri et al. (2021) provide cross-country empirical evidence showing that governance reforms combined with market liberalization improve PSCs' performance. Using international firm-level data, the study demonstrates that PSCs operating under stronger corporate governance systems achieve higher profitability and productivity compared with enterprises characterized by weak monitoring and excessive state intervention. The authors emphasize that ownership reform alone is insufficient; rather, improvements in transparency, board effectiveness, and shareholder protection are necessary conditions for sustainable PSCs' performance.

Evidence from developing economies further confirms the importance of governance quality. Using data from nine state-owned companies over an extended period, Kaunda and Pelser (2023) employ fixed-effects, random-effects, and generalized method of moments (GMM) estimations to examine the relationship between governance mechanisms and PSCS performance. Their findings indicate that board characteristics, ownership structures, disclosure practices, and capital management significantly influence PSCs' outcomes. The study concludes that weak governance arrangements contribute to inefficiency, while stronger governance systems enhance accountability and financial performance.

Country-specific evidence from Africa also highlights persistent governance challenges affecting PSCs. In Tanzania, Matutu and Chalu (2024) examine 50 PSCs using data collected from 300 respondents and apply partial least squares structural equation modelling (PLS-SEM). Their findings reveal that corporate governance improves management control systems, which subsequently enhance financial performance. However, the study also finds that governance structures alone do not automatically generate better outcomes unless supported by effective internal control systems, strategic monitoring, and managerial accountability. This demonstrates the importance of complementary organizational capabilities in translating governance reforms into improved performance outcomes.

A similar conclusion is reached by Situmorang and Muchtar (2024)**,** who investigate Indonesian PSCs using panel data from listed enterprises between 2018 and 2022. Their findings show that corporate governance significantly improves financial performance, although macroeconomic conditions such as inflation influence the strength of this relationship. The study highlights that PSCs' performance depends not only on internal governance mechanisms but also on the broader economic environment in which enterprises operate.

Recent empirical research has also identified accountability, transparency, and board effectiveness as critical drivers of PSCs' performance. Mulenga (2024)**,** studying PSCs in Zambia, finds that weaknesses in governance implementation, inadequate disclosure practices, and politically influenced board appointments undermine organizational performance. The study argues that although many African countries have established formal governance frameworks, implementation gaps remain a major constraint limiting PSCs' effectiveness. These findings are consistent with broader international evidence from the OECD (2024)**,** which emphasizes that effective PSCs’ governance requires clear ownership policies, independent boards, transparent reporting systems, and professional management practices.

Beyond governance reforms, empirical studies increasingly demonstrate that management control systems and performance measurement frameworks play an important role in improving PSCs' effectiveness. Bouckaert and Halligan (2021) find that public organizations achieve better outcomes when performance information systems are integrated into strategic decision-making processes rather than being used merely for compliance purposes. Their comparative analysis shows that organizations with effective performance measurement systems demonstrate stronger accountability, improved resource utilization, and enhanced service delivery.

Similarly, Moynihan and Pandey (2022) provide empirical evidence that organizational learning and management systems significantly improve public sector performance. Their findings suggest that public organizations become more effective when managers use performance information to adapt strategies, correct operational weaknesses, and promote continuous improvement. These findings are particularly relevant for PSCs because many performance problems originate from weak monitoring systems, limited strategic learning, and insufficient alignment between organizational objectives and managerial incentives.

Institutional capacity has also emerged as a significant determinant of PSCs' success, especially in developing countries. Kiggundu (2022) demonstrates that African public enterprises frequently suffer from political interference, weak accountability structures, inadequate managerial capacity, and limited operational autonomy. The study argues that improving PSCs' performance requires institutional reforms that strengthen professional management, reduce political influence, and enhance accountability mechanisms. Similarly, Muriu and Wanyoike (2023) find that institutional capacity, managerial competence, and governance quality significantly explain differences in public sector performance across developing countries. Their findings suggest that organizational capability development is essential for translating reforms into measurable improvements.

Another important empirical dimension concerns technological capability and digital transformation. Recent evidence shows that PSCs must develop digital capabilities to improve efficiency, innovation, and competitiveness. Using extensive empirical evidence, Bharadwaj et al. (2021) demonstrate that digital business capabilities enhance organizational agility, innovation capacity, and competitive advantage. Their findings indicate that digital transformation is not simply a technological investment but requires organizational restructuring, new managerial capabilities, and strategic alignment.

Extending this argument, Warner and Wäger (2021) provide empirical evidence that successful digital transformation depends on dynamic capabilities, particularly the ability of organizations to identify technological opportunities, integrate new systems, and redesign organizational processes. Their study shows that organizations with stronger digital sensing, adaptation, and transformation capabilities achieve superior performance outcomes. Similarly, Vial (2021) finds that digital transformation improves organizational performance when technology adoption is accompanied by changes in organizational structures, processes, and managerial practices.

Artificial intelligence and advanced analytics have also become increasingly important sources of organizational improvement. Mikalef and Gupta (2021) demonstrate empirically that artificial intelligence capability improves organizational performance through enhanced innovation capacity and operational efficiency. For PSCs, this suggests that adopting advanced technologies such as predictive analytics, digital platforms, and automated decision systems can strengthen financial management, service delivery, and operational effectiveness.

Risk management capability represents another critical factor influencing PSCs' resilience. Arena et al. (2022) provide empirical evidence that enterprise risk management improves organizational resilience when integrated into strategic planning and decision-making systems. Their findings indicate that fragmented risk management approaches are ineffective, whereas organizations that embed risk considerations into strategic processes are better positioned to manage uncertainty and improve long-term performance.

Finally, emerging empirical evidence highlights the growing importance of sustainability and environmental, social, and governance (ESG) practices in improving PSCs' performance. Using listed enterprises from Hong Kong between 2018 and 2022, Li (2025) finds that stronger ESG performance improves financial flexibility by reducing financing constraints and strengthening stakeholder confidence. However, the study also shows that the effect is weaker among PSCs because ownership structures and governance characteristics influence how ESG practices translate into financial outcomes.

Overall, the empirical literature demonstrates that improving PSCs' performance requires a multidimensional approach combining governance reform, managerial autonomy, accountability mechanisms, institutional capacity building, digital transformation, risk management, and sustainability practices. Evidence from emerging economies, particularly Africa, indicates that many PSC failures are not caused by the absence of policies but by weak implementation, limited managerial capability, political interference, and ineffective control systems. Therefore, successful PSC transformation requires integrated reforms that address both structural governance weaknesses and organizational capability constraints.

3. Methodology

3.1 Research Design

This study adopted a qualitative research design based on directed qualitative content analysis to examine recurring organizational weaknesses affecting Public and Statutory Corporations (PSCs) in Tanzania. Directed qualitative content analysis was selected because the study aimed to systematically analyse official documentary evidence through a theoretically informed coding framework while simultaneously generating a new analytical construct, namely the Public and Statutory Corporation Performance Weakness Index (PSC-PWI). Unlike conventional content analysis, directed content analysis combines deductive coding derived from existing theoretical perspectives with inductive identification of emerging patterns from empirical evidence. This approach enables researchers to validate existing concepts while allowing new dimensions of institutional weakness to emerge from documentary data (Hsieh & Shannon, 2005).

The documentary research approach was appropriate because reports produced by the Controller and Auditor General (CAG) and the Treasury Registrar (TR) represent independent, longitudinal, and formally verified sources of evidence concerning governance effectiveness, financial sustainability, operational performance, strategic implementation, and institutional capability. Unlike perception-based surveys, documentary analysis reduces social desirability bias and organizational self-reporting limitations because observations originate from statutory oversight institutions responsible for evaluating public sector accountability. The design was further informed by institutional theory and organizational capability perspectives, which emphasize that persistent performance problems within public organizations are often embedded in governance arrangements, managerial systems, organizational routines, and institutional capacities rather than isolated managerial decisions. Therefore, the methodology focused on identifying recurring structural weaknesses rather than individual operational failures.

3.2 Data Sources

The study relied exclusively on official documentary sources obtained from the Controller and Auditor General and the Office of the Treasury Registrar covering the financial years 2019/20–2023/24 as presented in Table 1 below. These two sources were selected because they provide complementary perspectives on PSCs' performance. While CAG reports primarily assess compliance, financial accountability, internal controls, procurement practices, and implementation effectiveness, TR reports evaluate broader institutional performance including profitability, strategic execution, governance arrangements, and operational efficiency. The combination of these sources enabled methodological triangulation by comparing recurring weaknesses identified through independent oversight mechanisms. The use of multiple documentary sources strengthened credibility through source triangulation because identified weaknesses were required to demonstrate persistence across reporting systems rather than appearing in only one institutional assessment.

Table 1: Documentary Sources Analysed in the Study

Source	Reporting Period	Number of Reports	Primary Purpose	Evidence Extracted
Controller and Auditor General (CAG) Annual General Reports	2019/20–2023/24	5	Identification of audit-related institutional weaknesses	Governance failures, procurement weaknesses, financial management problems, internal control deficiencies, implementation failures

Treasury Registrar Annual Performance Evaluation Reports	2019/20–2023/24	5	Assessment of PSC performance and institutional effectiveness	Financial performance, governance effectiveness, strategic implementation, operational efficiency

3.3 Selection of Public and Statutory Corporations

The study analyzed 30 Tanzanian Public and Statutory Corporations selected through purposive sampling. Purposive sampling was considered appropriate because the objective of the study was not statistical generalization but analytical explanation of recurring institutional weaknesses affecting strategically important PSCs.

The selected corporations represented different economic sectors, including energy, transport, telecommunications, finance, infrastructure, agriculture, manufacturing, and public services. The sample included both commercially oriented corporations and non-commercial public entities to capture variations in organizational mandates and performance challenges.

Selection was based on three main criteria as reflected in Table 2 below. *First*, corporations had to appear consistently in CAG and Treasury Registrar documentation during the study period. *Second*, sufficient documentary information had to be available to enable systematic coding of institutional weaknesses. *Third,* selected corporations had to represent strategically significant areas of the Tanzanian economy.

The purposive approach enabled the study to focus on corporations where institutional weaknesses could be examined systematically over time

Table 2: Selection Criteria for Public and Statutory Corporations

Criterion	**Explanation**
Documentary availability	Inclusion in CAG and TR reports throughout the study period
Strategic importance	Contribution to national economic and social objectives
Sector representation	Coverage of major productive and service sectors
Evidence sufficiency	Availability of detailed observations for coding

3.4 Unit of Analysis

The unit of analysis was the recurring organizational weakness documented within PSCs' performance reports. A weakness was classified as recurring when substantially similar observations appeared in at least three of the five reporting periods examined. This criterion was adopted to distinguish persistent institutional weaknesses from temporary operational challenges. Consequently, only weaknesses demonstrating repeated occurrence were incorporated into the PSCs' Performance Weakness Index (PSC-PWI). Each documentary observation was treated as a coded analytical unit and classified according to its contribution to organizational capability dimensions.

3.5 Data Analysis Procedure

The following analytical sequence from documentary evidence through thematic consolidation to institutional intervention design demonstrates a transparent methodological pathway. This approach ensures that the final output of the proposed capability-based framework emerges from empirically identified institutional weaknesses and provides a theoretically grounded mechanism for improving PSC performance. The documentary analysis was undertaken through four sequential analytical stages.

Stage One: Identification of Recurring Organizational Weaknesses

The first stage involved systematic examination of CAG and TR reports to identify repeated observations relating to governance, financial management, operational efficiency, strategic implementation, human resource capability, digital transformation, and risk management.

Each observation was assigned an initial code representing its organizational capability category. Similar observations appearing under different terminology were consolidated into common analytical themes as highlighted in Table 3 below

Table 3: Initial Documentary Coding Framework

Code	Documentary Observation	Initial Theme
GOV_1	Weak board oversight	Governance
GOV_2	Accountability deficiencies	Governance
FIN_1	Revenue leakages	Financial Management
FIN_2	Unsupported expenditure	Financial Management
FIN_3	Weak debt recovery mechanisms	Financial Management
OPS_1	Low asset utilization	Operational Efficiency
OPS_2	Delayed project implementation	Operational Efficiency
STR_1	Weak strategic plan execution	Strategic Implementation
HR_1	Skills and capacity constraints	Human Capital
DIG_1	Weak ICT systems	Digital Transformation
RSK_1	Weak internal controls	Risk Management

Following initial coding, observations were compared across the five reporting cycles to determine persistence as reported in Table 4 below.

Table 4: Frequency of Recurring Weaknesses Across Reporting Periods

Organizational Weakness	2019/20	2020/21	2021/22	2022/23	2023/24	Years Reported
Weak board oversight	✓	✓	✓	✓	✓	5
Weak internal controls	✓	✓	✓	✓	✓	5
Procurement irregularities	✓	✓	✓	✓	✓	5
Poor debt recovery	✓	✓	✓	✓	✓	5
Delayed strategic projects	✓	✓	✓	✓	✓	5
Low operational efficiency	✓	✓	✓	✓	✓	5
Weak ICT systems	✓	✓	✓	✓	✓	5

Weak risk management	✓	✓	✓	✓	✓	5

The consistency of these observations across all reporting periods indicates that the weaknesses represent systemic institutional capability limitations rather than isolated managerial incidents.

Stage Two: Development of the Public and Statutory Corporation Performance Weakness Index (PSC-PWI)

The second stage involved consolidating individual observations into broader organizational capability dimensions. This process involved comparing coded weaknesses with theoretical concepts derived from institutional theory, dynamic capability theory, and public management literature. Seven dimensions emerged from the analysis: governance and accountability, financial management, operational efficiency, strategic implementation, human capital capability, digital transformation, and risk management. These dimensions formed the foundation of the PSC Performance Weakness Index. The seven dimensions collectively form the PSC-PWI analytical framework as reflected in Table 5 and their respective definitions and key indicators are presented in Table 6 below.

Table 5: Development of the PSC Performance Weakness Index

PSC-PWI Dimension	Number of Indicators	Representative Weaknesses
Governance and Accountability	8	Weak boards, accountability gaps, ineffective oversight
Financial Management	12	Revenue losses, unsupported expenditure, weak debt management
Operational Efficiency	10	Low productivity, idle assets, inefficient processes
Strategic Implementation	7	Poor execution of approved plans
Human Capital Capability	6	Skills shortages, weak succession systems
Digital Transformation	5	Manual processes, fragmented ICT systems
Risk Management	7	Weak internal audit and risk monitoring

Table 6: Structure of the PSC Performance Weakness Index

Dimension	Operational Definition	Key indicators
Governance and Accountability	Effectiveness of oversight structures, accountability mechanisms, and decision-making systems	Board effectiveness, accountability systems, oversight mechanisms
Financial Management	Ability to manage financial resources efficiently and sustainably	Revenue management, expenditure controls, debt management
Operational Efficiency	Capacity to transform organizational resources into outputs and services	Asset utilization, productivity, service delivery
Strategic Implementation	Ability to execute approved strategies, programmes, and projects	Strategy execution, monitoring systems, project implementation
Human Capital Capability	Availability and utilization of organizational skills and competencies	Skills, leadership development, organizational learning
Digital Transformation	Integration of technology into organizational systems and processes	ICT systems, automation, information management
Risk Management	Ability to identify, assess, and manage institutional risks	Internal controls, risk identification, and enterprise risk systems

Stage Three: Construction of the Evidence Matrix

The third stage involved mapping documentary observations against PSC-PWI dimensions to establish relationships between reported weaknesses and organizational capability failures as reported in Table 7. The matrix demonstrates that PSC weaknesses are multidimensional and interconnected. For example, procurement failures reflect both financial control weaknesses and governance limitations.

Table 7: Evidence Matrix Linking Documentary Findings to PSC-PWI Dimensions

Documentary Finding	GOV	FIN	OPS	STR	HR	DIG	RSK
Procurement irregularities	✓	✓					✓
Unsupported expenditure		✓					✓
Weak ICT systems			✓			✓	
Weak board oversight	✓			✓			✓
Low productivity			✓		✓		
Poor strategic implementation	✓			✓			
Weak debt management		✓					✓

3.6 Construction of the Public and Statutory Corporations Performance Weakness Index (PSC-PWI)

The identification of recurring institutional weaknesses provided the empirical foundation for developing the Public Sector Corporation Performance Weakness Index (PSC-PWI). Unlike conventional performance assessment approaches that primarily evaluate financial outcomes, profitability, or service delivery indicators, the PSC-PWI focuses on the underlying organizational weaknesses that generate poor performance outcomes.

The rationale for developing the PSC-PWI is based on the argument that performance failures within PSCs are often symptoms of deeper institutional capability deficiencies. A corporation may experience financial losses because of weak revenue systems, poor operational processes, ineffective governance arrangements, inadequate human capital, or weak risk management. Therefore, measuring outcomes alone provides limited information about the causes of underperformance. The PSC-PWI addresses this limitation by providing a multidimensional diagnostic framework. Each dimension represents a specific organizational capability area, while the combined index provides an overall assessment of institutional weakness intensity.

The documentary analysis of Controller and Auditor General (CAG) audit reports and Treasury Registrar (TR) performance evaluation reports revealed that performance weaknesses affecting Public Sector Corporations (PSCs) in Tanzania are systemic, interconnected, and persistent. Unlike temporary operational problems that emerge during specific periods, the identified weaknesses appeared repeatedly across multiple reporting cycles, demonstrating that many PSC challenges are embedded within organizational systems and institutional arrangements. Across the five years from 2019/20 to 2023/24, the analysis identified 264 recurring institutional weaknesses from the selected PSCs (Table 8). These observations were classified into seven capability dimensions forming the Public and Statutory Corporation Performance Weakness Index (PSC-PWI): governance and accountability, financial management, operational efficiency, strategic implementation, human capital capability, digital transformation, and risk management.

The findings demonstrate that PSCs' underperformance cannot be attributed to a single organizational deficiency. Instead, weaknesses interact across multiple dimensions. For instance, weak governance systems contribute to ineffective financial controls, poor strategic implementation, and weak risk management. Similarly, limited digital capability constrains financial reporting, operational monitoring, and decision-making effectiveness. Therefore, PSC performance problems should be understood as interconnected institutional capability challenges rather than isolated management failures. The distribution of coded weaknesses provides an empirical foundation for understanding the relative importance of different capability constraints.

The results indicate that financial management represents the most frequently identified weakness, accounting for 23.5 percent of all coded observations. Governance and accountability weaknesses represent the second largest category, accounting for 20.5 percent. Together, financial and governance weaknesses constitute approximately 44 percent of all identified institutional deficiencies, demonstrating that PSC performance challenges are strongly associated with weaknesses in accountability systems, resource management, and organizational control mechanisms (Table 8)

Operational efficiency challenges account for 17 percent of observations, reflecting persistent problems associated with resource utilization, productivity, and service delivery. Strategic implementation weaknesses represent 14.4 percent, indicating a significant gap between strategic planning and execution. Risk management, human capital capability, and digital transformation weaknesses collectively account for 24.6 percent, demonstrating that enabling capabilities also influence PSC effectiveness (Table 8). The overall pattern suggests that PSCs' reform requires a comprehensive capability-development approach rather than isolated interventions targeted at individual weaknesses.

The index was constructed through three analytical steps. First, documentary observations were coded according to their organizational meaning. Second, similar observations were grouped into broader capability dimensions. Third, the frequency and persistence of weaknesses were used to determine their relative importance within the overall framework. All these were shown in Tables 3-7

Table 8: Final Structure of the Public Sector Corporation Performance Weakness Index

PSC-PWI Dimension	Main Indicators	Relative Evidence Weight (%)
Financial Management	Revenue management, expenditure control, debt management, financial reporting	23.5
Governance and Accountability	Board effectiveness, oversight, accountability systems	20.5
Operational Efficiency	Asset utilization, productivity, process efficiency, service delivery	17.0
Strategic Implementation	Strategy execution, monitoring, project implementation	14.4
Risk Management	Internal controls, risk identification, enterprise risk systems	11.4
Human Capital Capability	Skills, leadership development, organizational learning	8.0
Digital Transformation	ICT systems, automation, information integration	5.2

The PSC-PWI provides two important analytical advantages. First, it identifies priority areas requiring institutional intervention. Since financial management and governance weaknesses account for nearly half of all identified deficiencies, these areas require immediate attention within PSC reform strategies. Second, it recognizes that weaknesses are interconnected. Improving financial performance, for example, requires not only stronger accounting systems but also improved governance, digital capability, and risk management. The development of the PSC-PWI represents an important contribution because it transforms fragmented oversight observations into a structured framework for understanding public corporation performance challenges. It provides a bridge between accountability evidence and institutional reform.

4. Empirical Findings

4.1 Governance and Accountability Weaknesses

Governance and accountability weaknesses emerged as one of the dominant institutional constraints affecting PSC performance, as shown in Table 9. Although PSCs generally operate within established governance structures involving boards of directors, management teams, and government ownership oversight mechanisms, the documentary evidence indicates that the effectiveness of these structures remains uneven. The analysis identified repeated concerns regarding weak board oversight, inadequate accountability mechanisms, limited monitoring of management performance, and delays in implementing strategic decisions. These findings indicate that governance challenges are not primarily associated with the absence of formal structures but rather with limitations in governance capability.

Table 9: Recurring Governance and Accountability Weaknesses

Governance Weakness	Years Reported	Implication
Weak board oversight	5	Limited strategic supervision and accountability
Accountability gaps	5	Weak enforcement of responsibilities
Poor performance monitoring	4	Limited ability to track organizational outcomes
Delayed implementation of board decisions	4	Weak governance execution
Inadequate governance reporting	3	Transparency limitations

Source: Author's coding of CAG and TR reports.

The persistence of governance weaknesses across all reporting periods suggests that formal governance arrangements alone have not generated effective organizational control. This finding supports institutional theory, which emphasizes that formal structures require supporting organizational practices and capabilities to influence performance outcomes (North, 1990; Scott, 2014). For PSCs, effective governance requires boards capable of providing strategic direction, monitoring management performance, evaluating organizational risks, and ensuring accountability for results. Therefore, governance reform should move beyond establishing governance structures toward strengthening governance competence. This includes improving board selection processes, introducing competency-based appointments, strengthening board evaluation mechanisms, and enhancing coordination between ownership institutions and corporation management.

4.2 Financial Management Weaknesses

Financial management weaknesses constituted the largest category of institutional deficiencies identified in the analysis as presented in Table 10. The findings demonstrate that many PSCs continue to experience challenges related to revenue management, expenditure control, debt recovery, financial reporting, and resource utilization. These weaknesses have significant implications because financial sustainability represents a fundamental requirement for PSC effectiveness. Corporations that fail to manage financial resources efficiently become increasingly dependent on government support, limiting fiscal space for other development priorities.

Table 10: Recurring Financial Management Weaknesses

Financial Weakness	Years Reported	Implication
Revenue leakages	5	Reduced financial sustainability
Weak debt recovery systems	5	Liquidity challenges
Unsupported expenditure	5	Weak financial accountability
Poor budgeting practices	4	Inefficient resource allocation
Delayed financial reporting	4	Reduced decision-making effectiveness

Source: Author's coding of CAG and TR reports.

The persistence of financial weaknesses suggests that many PSCs face deeper institutional limitations rather than isolated accounting problems. For example, recurring revenue leakages may reflect weaknesses in internal controls, information systems, operational processes, and accountability mechanisms. Similarly, repeated concerns regarding debt recovery indicate limitations in financial management capability, including customer management systems, enforcement mechanisms, and data availability. These findings extend existing PSCs' performance literature by demonstrating that financial weaknesses should be interpreted as indicators of broader organizational capability constraints. Strengthening PSCs' financial performance, therefore, requires integrated financial diagnostics, improved management information systems, professionalized finance functions, and continuous monitoring mechanisms.

4.3 Operational Efficiency Weaknesses

Operational efficiency weaknesses represented 17 percent of all identified institutional deficiencies. These challenges relate to the ability of PSCs to convert available resources into productive outputs and effective public services. The documentary evidence identified recurring problems associated with underutilized assets, delayed projects, inefficient processes, and weak service delivery systems as shown in Table 11

Table 11: Operational Efficiency Weaknesses

Operational Challenge	Years Reported	Implication
Delayed projects	5	Reduced implementation effectiveness
Low asset utilization	5	Inefficient resource deployment
Inefficient operational processes	4	Reduced productivity
Service delivery constraints	4	Limited public value creation

The findings indicate that resource availability does not automatically translate into organizational performance. PSCs require operational capabilities that enable effective planning, coordination, execution, and monitoring of activities. This observation is consistent with dynamic capability theory, which emphasizes that organizations achieve sustained performance when they possess the ability to transform resources into valuable outcomes (Teece, 2020, 2022). In the Tanzanian PSC context, improving operational efficiency requires process redesign, stronger performance management systems, improved asset management practices, and greater use of operational data for decision-making.

4.4 Strategic Implementation Weaknesses

The analysis identified a significant gap between strategic planning and strategic execution. Many PSCs possess strategic plans and institutional objectives; however, recurring documentary observations indicate difficulties translating these plans into measurable results as stipulated in Table 15

Table 15: Strategic Implementation Weaknesses

Strategic Challenge	Years Reported	Implication
Delayed implementation of strategic projects	5	Weak execution capability
Limited monitoring and evaluation systems	4	Weak performance tracking
Poor alignment between plans and resources	4	Strategic coordination problems
Inadequate reporting of strategic outcomes	3	Limited accountability

These findings suggest that strategic planning processes within PSCs often emphasize document preparation rather than implementation capability. Effective strategies require alignment between organizational goals, financial resources, human capabilities, operational processes, and accountability systems. Therefore, strengthening PSC performance requires developing strategic execution capabilities, including stronger monitoring systems, implementation teams, performance indicators, and accountability mechanisms.

4.5 Human Capital, Digital Transformation, and Risk Management Weaknesses

Although human capital and digital transformation weaknesses represented smaller proportions of total observations, they represent critical enabling capabilities that influence all other performance dimensions. Human capital weaknesses included skills shortages, limited professional development opportunities, inadequate succession planning, and weak organizational learning mechanisms. These challenges reduce the ability of PSCs to adapt, innovate, and respond to changing operational environments.

Digital transformation weaknesses included fragmented ICT systems, manual processes, and limited integration of information systems. While accounting for only 5.2 percent of coded weaknesses, digital capability affects financial management, operational efficiency, transparency, and strategic decision-making. Risk management weaknesses involved weak internal controls, inadequate risk identification systems, and reactive approaches to institutional risks. The recurrence of these weaknesses suggests that many PSCs continue to operate using compliance-based rather than proactive risk management approaches.

4.6 Comparative Interpretation of PSC Weakness Dimensions

The findings demonstrate that PSC performance challenges in Tanzania are characterized by institutional interconnectedness. The dominance of financial and governance weaknesses suggests that many performance problems originate from weaknesses in control systems, decision-making processes, and accountability relationships. Financial management weaknesses represent the immediate manifestation of deeper institutional problems. Revenue leakages, expenditure weaknesses, and poor financial reporting reduce organizational sustainability, but these problems are frequently linked to governance limitations, inadequate monitoring, and weak information systems.

Governance weaknesses similarly influence multiple dimensions of performance. Weak boards or ineffective accountability systems reduce the ability of PSCs to implement strategies, control resources, manage risks, and improve operations. Operational and strategic weaknesses demonstrate that many PSCs face challenges in converting plans and resources into measurable outcomes. This suggests a gap between institutional intention and implementation capability.

The relatively lower frequency of digital transformation and human capital weaknesses should not be interpreted as indicating limited importance. Rather, these dimensions represent enabling capabilities that influence the effectiveness of other organizational systems. For example, improved digital systems can strengthen financial controls, operational monitoring, and transparency, while improved human capital enhances leadership, innovation, and institutional learning. Therefore, PSC reform requires a systemic approach where interventions address interconnected capability constraints rather than isolated weaknesses.

5. Development of an Institutional Capability-Based Reform Model

5.1 Rationale for the Model

The empirical findings demonstrate a critical limitation in existing PSC governance arrangements. Tanzania possesses relatively strong oversight mechanisms through the Controller and Auditor General and the Treasury Registrar; however, repeated weaknesses across reporting periods indicate that identifying problems does not automatically generate organizational improvement. The current oversight model is primarily diagnostic and accountability-oriented. CAG audits identify financial and compliance weaknesses, while Treasury Registrar evaluations assess performance outcomes. These functions are essential for transparency and accountability, but they provide limited mechanisms for supporting PSCs in implementing corrective measures. The persistence of similar weaknesses suggests the need for an additional institutional function: a capability-development mechanism that transforms evidence into practical improvement. This study, therefore, proposes the establishment of Capability-Based Reform Model. The Capability-Based Reform Model is conceptualized as a specialized institutional platform responsible for diagnosing organizational weaknesses, designing improvement interventions, providing technical assistance, and monitoring capability development within PSCs. Unlike traditional oversight institutions, the model would not replace auditing or regulatory functions. Instead, it would complement existing institutions by focusing on organizational learning, technical support, and continuous improvement.

5.2 Conceptual Foundation of the Capability-Based Reform Model

The proposed model is based on three principles. *First,* PSCs' improvement requires evidence-based diagnosis. The PSC-PWI provides a systematic mechanism for identifying institutional weaknesses and prioritizing interventions. Rather than applying uniform reforms to all corporations, interventions would be tailored according to specific capability deficiencies. *Second,* sustainable reform requires implementation support. Audit recommendations often fail to produce lasting change because organizations lack the technical capacity, resources, or expertise to implement improvements effectively. The Think Tank addresses this limitation by providing specialized expertise during reform implementation. *Third,* public ownership requires state capability.

Governments that own corporations must possess the institutional capability not only to monitor performance but also to strengthen organizational effectiveness. The Think Tank, therefore, represents an investment in state capacity for managing public assets.

5.3 Structure and Functions of the Capability-Based Reform Model

The structure of the model is directly aligned with the seven PSC-PWI dimensions which will be handled by expertise team. Each team would provide specialized expertise addressing specific institutional weaknesses identified through documentary analysis.

Table 12: Proposed Structure of the Capability-Based Reform Model

Model Arm	Core Responsibility
Governance and Institutional Reform Team	Board strengthening, accountability systems, and governance improvement
Financial Diagnostics Team	Financial sustainability assessment, revenue improvement, and cost management
Operational Excellence Team	Process improvement, productivity enhancement, asset utilization
Strategy and Performance Team	Strategic implementation, monitoring systems, and performance management
Human Capital Development Team	Skills development, leadership improvement, succession planning
Digital Transformation Team	ICT modernization, automation, and data systems
Risk Management Team	Enterprise risk management, internal controls, resilience systems

The proposed structure ensures that PSCs reform becomes aligned with evidence-based institutional needs. Each technical arm would work with PSC management teams to develop corporation-specific improvement strategies.

5.4 Operational Process of Capability-Based Reform Model

The operational process of the Capability-Based Reform Model would follow a continuous improvement cycle consisting of diagnosis, intervention, implementation support, and reassessment. The first stage involves institutional diagnosis using PSC-PWI assessments. Data from CAG reports, Treasury Registrar evaluations, financial statements, strategic plans, and operational records would be integrated to generate corporation-specific capability profiles. The second stage involves prioritization of weaknesses. Since PSCs differ in their operational environments and institutional challenges, interventions would focus on the most significant constraints affecting each corporation. The third stage involves implementation support. Technical experts would work collaboratively with PSCs' boards and management teams to implement improvement initiatives. This may include financial restructuring, process redesign, governance strengthening, digital modernization, or leadership development. The final stage involves reassessment using PSC-PWI indicators to determine whether institutional weaknesses have declined and whether performance capabilities have improved.

Table 13: Operational Cycle of the Capability-Based Reform Model

Phase	Activity	Output
Diagnosis	PSC-PWI assessment and evidence analysis	Capability profile
Prioritization	Identification of critical weaknesses	Reform priorities
Intervention Design	Development of improvement plans	Corporation-specific strategy
Implementation Support	Technical assistance and monitoring	Improved organizational systems
Reassessment	Follow-up PSC-PWI evaluation	Evidence of capability improvement

This approach transforms PSC reform from a reactive process based on repeated problem identification into a proactive system focused on institutional learning and improvement.

5.5 Expected Outcomes of the Reform Model

The Capability-Based Reform Model is expected to generate several improvements in PSC governance and performance. *First,* it would strengthen state ownership capability by enabling the government to move beyond monitoring toward active performance improvement. Effective ownership requires the ability to understand organizational weaknesses and provide appropriate support. *Second,* it would reduce the recurrence of audit and performance weaknesses by addressing root causes rather than individual symptoms. For example, instead of repeatedly reporting revenue leakages, interventions would focus on strengthening revenue systems, controls, technology, and accountability mechanisms. *Third,* the model would promote evidence-based public management. Through the PSC-PWI framework, government decisions regarding PSC interventions would be based on systematic analysis rather than isolated observations. *Finally,* the Think Tank would encourage knowledge sharing across PSCs by creating a platform where successful practices, innovations, and improvement strategies can be exchanged.

6. Discussion and Implications

6.1 Understanding PSC Performance Through an Institutional Capability Lens

The findings of this study provide important insights into the persistent performance challenges affecting Public Sector Corporations (PSCs) in Tanzania. The central argument emerging from the analysis is that PSC underperformance is not primarily a consequence of isolated managerial failures but reflects deeper institutional capability limitations. The recurrence of similar weaknesses across five reporting cycles demonstrates that many challenges are embedded within organizational systems, routines, and governance arrangements. Existing debates on public corporation reform have traditionally focused on ownership structures, privatization, commercialization, and regulatory arrangements. While these approaches remain relevant, the findings suggest that they provide only a partial explanation of PSC performance outcomes. The evidence demonstrates that even where formal governance structures, oversight mechanisms, and strategic plans exist, PSCs may continue to underperform when they lack the internal capabilities required to effectively manage resources, implement strategies, control risks, and adapt to changing environments.

This finding supports the organizational capability perspective, which emphasizes that sustainable performance depends on an organization’s ability to develop, integrate, and reconfigure resources in response to environmental demands (Teece, 2020, 2022). In the context of PSCs, resources such as public investment, infrastructure, and statutory authority do not automatically generate performance. They must be supported by organizational capabilities that enable corporations to convert resources into productive outcomes. The study, therefore, extends existing PSC literature by shifting analytical attention from ownership arrangements toward capability development. The state’s role as an owner should not only involve establishing corporations, appointing boards, and monitoring compliance. It should also involve developing institutions capable of strengthening organizational performance.

6.2 Governance Reform Beyond Formal Structures

Governance weaknesses emerged as one of the most significant determinants of PSC underperformance. This finding confirms previous research emphasizing that governance quality represents a critical factor influencing public corporation effectiveness (OECD, 2021, 2023; Grossi et al., 2021). However, the study provides a deeper interpretation by demonstrating that governance challenges are frequently associated with capability limitations rather than simply inappropriate structures. Many PSCs possess formal governance arrangements, including boards of directors, ownership oversight systems, and reporting requirements. Nevertheless, repeated observations concerning weak oversight, limited accountability, and ineffective monitoring indicate that formal structures have not always translated into effective governance practices. This finding has important implications for governance reform. Strengthening PSC governance should not be limited to establishing institutional arrangements; it should focus on improving the competence and effectiveness of those responsible for implementing governance functions. Board members require appropriate technical expertise, strategic understanding, and performance management capabilities. Similarly, ownership institutions require a stronger analytical capacity to evaluate performance and provide informed guidance. The proposed Capability-Based Reform Model directly addresses this governance challenge by creating a specialized institutional mechanism capable of supporting boards, management teams, and ownership institutions with technical expertise and evidence-based guidance.

6.3 Financial Sustainability as a Capability Challenge

Financial management weaknesses represented the largest category of institutional deficiencies identified in the study. This finding highlights the continuing challenge of achieving financial sustainability within PSCs. Previous studies have often interpreted PSC financial problems through the lens of inefficiency, political interference, or weak commercial incentives. While these explanations remain important, this study demonstrates that financial weaknesses frequently reflect broader institutional capability gaps. For example, persistent revenue leakages may indicate weaknesses in information systems, operational processes, internal controls, and accountability arrangements. Similarly, poor debt recovery performance may reflect limitations in customer management systems, organizational processes, and managerial decision-making capacity. Therefore, financial reform should move beyond periodic financial corrections toward developing stronger financial management capabilities. This requires integrated financial systems, improved managerial information, professional finance functions, and continuous performance monitoring.

The findings also have fiscal implications. Weak PSC financial performance creates risks for public finances because governments may be required to provide additional support to sustain failing corporations. Strengthening PSCs' financial capability, therefore, contributes not only to organizational improvement but also to broader fiscal sustainability.

6.4 Operational Efficiency and the Challenge of Implementation

The findings reveal a significant implementation challenge among PSCs. While corporations often possess strategic plans, operational systems frequently fail to translate these plans into measurable results. This gap between planning and implementation represents a major institutional weakness. The results support public management literature emphasizing that effective organizations require implementation capabilities rather than merely strategic documents (George et al., 2021). Strategies generate value only when organizations possess the systems, resources, leadership, and accountability mechanisms necessary for execution.

Operational weaknesses identified in the study, including delayed projects, inefficient processes, and underutilized assets, demonstrate that PSC improvement requires stronger operational management capabilities. This involves redesigning processes, improving performance monitoring, strengthening project management systems, and enhancing managerial accountability. The implication is that PSC reform should focus not only on what corporations intend to achieve but also on whether they possess the organizational capacity required to achieve those objectives.

6.5 Digital Transformation and Human Capital as Enabling Capabilities

Although digital transformation and human capital weaknesses accounted for relatively smaller proportions of identified observations, their strategic importance extends beyond their numerical frequency. These dimensions represent enabling capabilities that influence performance across all other areas. Digital systems support financial transparency, operational monitoring, decision-making, and accountability. Weak digital capability can therefore amplify problems in governance, finance, and operations. Similarly, human capital determines whether organizations possess the expertise required to manage complex technical, financial, and strategic challenges. The findings suggest that PSC modernization should treat digital transformation and human capital development as strategic investments rather than administrative support functions. Digital transformation requires organizational readiness, skilled personnel, process redesign, and leadership commitment. Likewise, human capital development requires continuous learning systems, leadership development, and succession planning.

6.6 Theoretical Contributions

This study makes several theoretical contributions to public administration and public management literature. *First,* it extends institutional theory by demonstrating that formal institutional arrangements require organizational capabilities to generate effective outcomes. The existence of governance structures, reporting requirements, and oversight mechanisms does not guarantee performance unless organizations possess the capacity to operationalize these arrangements. *Second*, the study contributes to dynamic capability theory by applying the concept to PSCs. While dynamic capabilities have traditionally been applied to private sector organizations, this study demonstrates their relevance in understanding public corporation performance. PSCs require the ability to learn, adapt, innovate, and reorganize resources in response to changing economic and institutional environments. *Third,* the development of the PSC-PWI contributes a new analytical framework for studying public corporation weaknesses. Existing approaches often evaluate performance outcomes without systematically examining the institutional weaknesses generating those outcomes. The PSC-PWI addresses this limitation by providing a diagnostic framework focused on organizational capability constraints.

6.7 Methodological Contributions

The study also contributes methodologically by demonstrating the value of documentary analysis in public sector research. Official oversight reports are often treated primarily as administrative documents rather than analytical data sources. This study demonstrates that such documents can provide rich evidence regarding institutional behaviour, organizational weaknesses, and reform challenges. The directed qualitative content analysis approach enabled systematic transformation of documentary observations into theoretical constructs. Through coding, categorization, and interpretation, fragmented audit and evaluation findings were converted into a comprehensive performance weakness framework. This approach is particularly relevant in developing country contexts where administrative records and oversight reports may provide more reliable institutional evidence than large-scale surveys.

6.8 Policy Implications

The findings have several implications for policymakers responsible for PSC governance and reform in Tanzania. The first implication concerns the need to redefine the role of ownership institutions. The state should move beyond a monitoring-oriented ownership model toward a capability-building ownership model. Government ownership should involve supporting corporations to improve rather than only evaluating whether they have failed. The *second* implication concerns reform sequencing. Many PSC reforms focus on structural changes, leadership replacement, or compliance improvements. While these measures may sometimes be necessary, sustainable improvement requires strengthening organizational capabilities. Reform efforts should therefore prioritize governance competence, financial systems, operational processes, digital infrastructure, and human capital development. The *third* implication concerns institutional coordination. The effectiveness of PSC reform depends on stronger coordination between oversight institutions, ownership agencies, PSC boards, and technical experts. The proposed Capability-Based Reform Model provides a mechanism for achieving this coordination by linking evidence generation with improvement support. The *fourth* implication concerns performance measurement. Traditional assessments focusing mainly on financial outcomes may fail to identify underlying causes of poor performance. Incorporating the PSC-PWI into annual assessments would enable earlier identification of institutional weaknesses and more targeted interventions.

7. Conclusion

This study examined the systemic determinants of Public and Statutory Corporation performance weaknesses in Tanzania using documentary evidence from the Controller and Auditor General and Treasury Registrar reports covering the period 2019/20–2023/24. Through directed qualitative content analysis, the study identified 264 recurring institutional weaknesses and organized them into seven dimensions forming the Public Sector Corporation Performance Weakness Index. The findings demonstrate that PSCs underperformance is not primarily caused by isolated operational failures but by persistent institutional capability deficiencies. Financial management and governance weaknesses emerged as the dominant constraints, followed by operational inefficiency, strategic implementation challenges, risk management weaknesses, human capital limitations, and digital transformation gaps. The study argues that existing oversight mechanisms, although essential for accountability, require complementary institutions focused on organizational improvement. To address this gap, the study proposes the Capability-Based Reform Model as an institutional mechanism capable of transforming oversight findings into practical reform interventions. The broader implication is that effective public ownership requires more than control and supervision. Governments must develop the institutional capability to support, improve, and transform the organizations they own. Strengthening PSCs' performance, therefore, requires a shift from a compliance-based reform model toward a capability-based institutional development approach.

The PSC-PWI and Capability-Based Reform Model developed in this study provides a practical pathway for achieving this transformation. Although developed within the Tanzanian context, the framework offers broader relevance for developing countries seeking to improve the performance, accountability, and sustainability of public corporations. Future research may extend this study by applying the PSC-PWI quantitatively across larger samples of public corporations, examining relationships between capability weaknesses and financial outcomes, and evaluating the long-term effectiveness of capability-based reform interventions.

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