INFLUENCE OF PERFORMANCE CONTRACTING ON ORGANISATIONAL PERFORMANCE: A CASE OF KENYA COMMERCIAL BANK.

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Research Project Submitted in Partial Fulfilment of the Requirements for the Award of Degree of Master of Arts in Project Planning and Management of the University of Nairobi

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DECLARATION

I declare that this research project is my original work and has not been submitted for another degree qualification of this or any other university or institution of higher learning.

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This research project has been submitted for examination with my approval as the University supervisor.

SUPERVISOR:

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DEDICATION

This research project is dedicated to my mother Ruth and father Christopher for their relentless support and unconditional love throughout my education journey.
ACKNOWLEDGEMENT

Special thanks to my supervisor Dr. Kyalo who provided the guidance I needed to successfully complete the project and the staff at Extra Mural for their support whenever I needed it.

To my friend Alice who provided me with invaluable support and crucial feedback. A special thank you also goes out to my friend Njeri who continually pushes me to be better and has walked with me every step of the way. God bless you all!
<table>
<thead>
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<tr>
<td>ERSWEC</td>
<td>Economic Recovery Strategy for wealth and Employment Creation</td>
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<td>GoK</td>
<td>Government of Kenya</td>
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<td>KCB</td>
<td>Kenya Commercial Bank</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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ABSTRACT

The goal of performance contracting is the control and improvement of representatives’ execution and in this manner the execution of the entire organization. Performance contracting upgrades worker consistence with targets and improves nature of administration. As per A (2008) positive discernment by representative towards performance contracting will support their spirit prompting to expanded efficiency, work fulfilment, bring down turnover, diminished non-appearance and enhanced nature of administration. Negative observation will have the inverse result and make lack of interest towards performance contracting which will prompt to staff liking to keep up the present state of affairs thus being a hindrance to presentation of new advancements as managed by quickly changing worldwide environment. In accomplishing of the expansive goal, the study looked to answer the accompanying exploration targets; to survey how setting of clear objectives in performance contracting impacts hierarchical execution at Kenya Commercial Bank, to decide how provision of motivating forces to representatives in performance contracting impacts organization performance at the institution, to learn the degree to which training of workers in performance contracting impacts organization performance at the institution and to decide how measurement of performance indicators in performance contracting impacts organization performance at KCB. The study discoveries gave appropriate data on how performance contracting has improved organization performance at the banking institution and what should have been done to enlarge its effect on enhancing administration conveyance to its partners. The fundamental concentration of the study was quantitative. However some subjective approach was utilized as a part of request to pick up a superior understanding and more wise elucidation of the outcomes from the quantitative study. The objective populace was the staff of KCB. The focused on populace was 200 staff. The number of inhabitants in the study was the staff at KCB who were arbitrarily picked. The specimen estimate for the study was 180 respondents with 20 respondents being utilized for steering. Essential information was gathered through organized surveys. The surveys had both shut and open finished inquiries. The analyst utilized a letter of acquaintance from the college with underscore the reason for the exploration before directing the instrument; a nearby affinity was set up between the scientist and the respondents. The respondents ahead of time were guaranteed of secrecy against any data gave. Information accumulation was done efficiently and was nearly observed. Both essential and optional information were utilized in the study. Essential information was gathered through a survey, which contained both open-finished and shut end questions. Content examination and illustrative investigation was utilized. The substance investigation was utilized to break down the respondents’ perspectives on the impact of performance contracting on association execution at KCB. The information was then coded to empower the reactions to be gathered into classifications. Clear insights was utilized mostly to compress the information. These included rates and frequencies. A Likert scale and the Measurable Bundle for Sociologies (SPSS adaptation 12.0) was utilized. The study also manages subjects and sub-topics that rose up out of the field research. Examination and understanding of discoveries are likewise talked about in this study. A synopsis of the research discoveries, discussions, conclusions and recommendations for further studies were also highlighted in the study.
CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In this dynamic and evolving environment, one approach to make development and manage execution is to advance (Higgins, 2006). Moreover, it has been proposed that development is basic so as to create long haul soundness, development, supportable execution and stay at the main edge of the association's business (Cook, 2008). In this way, one approach to accomplish development and maintain execution is to cultivate and empower innovativeness and inventive practices inside the association. Mckeown (2008) alludes development to both radical and incremental changes in considering, things, and forms or in administrations. In many fields, something new should be significantly unique to be imaginative, not an immaterial change, for example, in expressions of the human experience, financial matters, business and government strategy. Confronting quick increments in both ecological turbulence and multifaceted nature, associations end up in an upgraded instability and expanded rivalry. As per D'Aveni (1994), this has likewise prompted to an expanded concentrate on development and innovativeness as a method for making and keeping up manageable abnormal state of execution. Luecke and Katz (2003), gave a helpful meaning of advancement from an authoritative point of view; fruitful presentation of another thing or strategy. Development is the encapsulation, blend or combination of learning in unique, important, esteemed new items, procedures or administrations.

The utilization of Performance Contracts has been acclaimed as a viable and promising method for enhancing performance in public and government offices. Basically, a Performance Contract is an understanding between a legislature and an open office which sets up general objectives for the organization, sets focuses for measuring execution and gives motivating incentives to accomplish these objectives (Hunter and Gates, 2008). They incorporate an assortment of motivation based systems for controlling open organizations controlling the result instead of the procedure. The achievement of Execution Contracts in such assorted nations as France, Pakistan, South Korea, Malaysia, India, and Kenya has started a lot of enthusiasm for this strategy around the globe (Wheeler, 2001).
Performance contracting gives a system to creating the desired conduct with regards to lapsed administration structures. Bosses see performance contracting as a helpful tool for articulating clearer meaning of goals, observation and control techniques, while in the meantime leaving everyday administration to the administrators themselves.

1.2 Statement of the Problem
Performance contracting upgrades representative consistent with targets and improves nature of administration. As per Saavedra and Kwun (2000), the experience of occupation control in itself is seen as a positive ordeal that empowers representatives and encourages business related conduct and is connected with constructive outcome and beneficial outcome thus is emphatically identified with inventive critical thinking (Isen et al., 2007). However with the execution of performance contracting in the most recent seven years (since 2004), there is have to build up how the usage has affected on organization performance particularly at Kenya Commercial Bank.

Past studies directed on performance contracting have focused on usage (Ogoye, 2002, Stifle, 2006 and Langat, 2006) while one study has handled the general effect of performance contracting in state companies (Korir, 2006). Be that as it may, no study has been done in Kenya so far to correspond performance contracting with association execution. A learning hole in this manner exists in regards to the impact of performance contracting on execution of associations.
1.3 Purpose of the Study

The study sought to evaluate the influence of performance contracting on organisation performance at the KCB in Kenya. The reason for this examination is to assess the impact of performance contracting on association execution at the KCB.

1.4 Objectives of the Study

The following were the specific research objectives:


1.4 Research Questions

1. How does setting of clear objectives in performance contracting influence organizational performance of Kenya Commercial Bank?


3. In what ways does provision of incentives to employees in performance contracting influence organization performance of Kenya Commercial Bank?

4. To what degree does training of employees in performance contracting influence organization performance of Kenya Commercial Bank?
1.5 Significance of the Study

The study discoveries gave relevant data on whether performance contracting has upgraded the administration conveyance handle at the Kenya Commercial Bank and what should be done to increase its effect in enhancing administration conveyance to its partners. The discoveries and suggestions will help administration in upgrading the utilization of performance contracts to enhance execution.

The execution assessment of the different offices and divisions in KCB will give input to staff on their execution and commitment in administration conveyance at the institution.

The study discoveries will likewise establish a framework for further research and comprehension of the relationship between performance contracting and performance change and administration conveyance in private organizations as a premise of settling on approach choices. Academicians in the territory of vital administration and execution will likewise pick up from this study as a kind of perspective source.

In general it will add to the scholastic pool of learning. PC being another administration idea in Kenya, documentation of its results will presumably be of interest to a few researchers who are occupied with adapting more about this new administration tool so as to research on its effect on administration conveyance in other private organizations.

1.6 Delimitations of the Study

The study evaluated the impact of performance contracting by studying how it has influenced performance by conducting research at Kenya Commercial Bank. However due to time and resource constraints and the need to reduce duplicity and redundancy of data, the study was conducted on 200 staff at the KCB headquarters. The headquarters forms the central point of operation and interaction with the various stakeholders who form the target population comprising of the top managers of the institution.

1.7 Limitations of the Study

Openness of indispensable data amid information gathering might be a test. This is on account of respondents may feel uncertain about giving delicate data. The specialist appended an initial letter on the poll furthermore educated the respondents that the exploration was totally scholarly.
1.8 Basic assumptions of the study
This study depended on the presumption that all respondents who were contacted were eager to give verifiable data in their reactions on the survey. It is likewise expected that the reactions on the surveys were straightforward.

1.9 Definition of significant terms

Performance Contract: Alludes to Execution of an agreement by which the contracting parties are consequently released of their commitments under it (Opiyo, 2006).

A contract: Is an understanding offering ascend to commitments, which are authorized or perceived by law (Peters, 2005).

Performance Measurement: Is a procedure of surveying advancement towards accomplishing the pre-decided objectives, including data on the productivity with which assets are changed into merchandise and enterprises, the nature of those yields and results, and the viability of hierarchical operations as far as their particular commitments to organizational objectives particularly through performance contracting (Trevino, 2003).

Incentives An incentive is something that motivates an individual to perform an action. (Korir, 2006)

Training A procedure by which somebody is educated on the abilities that are required for a craftsmanship, calling, or occupation (Kumar, 2007).

Government policy A revelation of an administration's political courses of action, arrangements and targets identifying with a stable cause or, at the presumption of office, a whole administrative session. (Cook, 2008).
1.10 Organization of the study
The study is outlined in five chapters.

Chapter One, Introduction: this chapter gave a foundation on the subject being researched. The chapter introduced a scope of administration instruments used to characterize obligations and desires between parties to accomplish commonly concurred upon goals. It likewise traces the general review of the study, examines the problem, goals, suspicions, and centrality of the study, restrictions, rundown of contractions and acronyms and meaning of terms.

Chapter Two, Literature Review: this chapter talked about the calculated system and related writing with respect to elements impacting performance contracting on organization performance at Kenya Commercial Bank.

Chapter Three, Research Methodology: this chapter outlined the research methodology, the research design, target populace, plan and strategy. It demonstrates why the scientist has picked subjective approach.

Chapter Four, Data Analysis Presentation and Interpretation: this chapter comprises the data presentation and analysis, it manages subjects and sub-topics that rose up out of field research. Examination and understanding of discoveries are likewise talked about in this section.

Chapter Five, Summary of Findings, Discussion Conclusions and Recommendations: this chapter is a synopsis of the research discoveries. In this section proposals on the best way to overcome the elements that adversely impact performance contracting on organization performance at the Kenya Commercial Bank are submitted.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This part surveys the data from different analysts who have done research in a similar field of study. The particular territories secured here are execution contracting, hypothetical introduction, observational audit and the applied structure.

2.2 Performance Contracting

Wheeler (2001) characterizes Performance Contract as a scope of administration instruments used to characterize obligation and desires between gatherings to accomplish commonly concurred comes about. While Neely (1999) contends that a typical meaning of performance contracting can be found, there are an extensive assortment of employments and structures for semi legally binding courses of action. In this study, performance contracting is utilized as an administration device to help open segment officials and approach producers characterize obligations and desires between the contracting gatherings to accomplish normal shared settled upon objectives.

Execution contract is the understanding amongst administration and subordinates on the obligations and models for the subordinate for a budget period (Montana 2000). There are two sections to the execution contract: Statement of the key duties and models of execution for each of these obligations (Musa, 2001).

As indicated by Chiapori (2000), execution contracts otherwise called execution understandings, characterize desires, the outcomes to be accomplished and the abilities required to achieve these outcomes. It covers such focuses as targets and models of execution, execution measures and markers to survey the degree to which goals and principles of execution have been accomplished, fitness appraisal and cover values or operational necessities for quality, client benefit, cooperation and representative advancement anticipated that of representatives would effectively do their work (Chiapori, 2000). In the execution get, the desires are explicitly stated (the supervisor's and the employee's) and the responsibilities for the coming time frame (Montana, 2000).

Execution Contracts started in France in the late 1960's to enhance execution of State-Owned Enterprises (SOEs) including the national electric power utility and the national railroad organization. It was named "contract arrange", in which an understanding with respect to the execution was set up between the administration and the State Owned Enterprises (SOEs) in light
of a five year work arrange. Be that as it may, because of absence of pointers and measure the execution of SOEs, at whatever point the arrangement was not accomplished, the agreement was changed and reinvented (Mallon, 1983).

In mid 1980s, Korea connected the legally binding methodology and built up the "flag frameworks", fusing the accumulation of objectives and impetuses that would direct supervisors and chairmen. In the framework the national objectives were converted into unequivocal and quantifiable focuses in execution criteria. The consideration of execution estimations and markers empowered the framework to have a valuable instrument to scale the execution of SOEs (Mallon, 1983).

From that point forward, PCs have developed and been received by various nations in various structures and names. At present, PCs are boundless in both created and creating nations. The name "contract plan" is unmistakable in francophone African nations, while Pakistan utilizes the name "flag framework" as in Korea. India calls it the 'memoranda of comprehension.' There is differing qualities as far as length, shifting from one year to five years. The framework differs too. Some incorporate speculation while others concentrate just on current working execution. Some set up the arrangement of execution related pay while others don't (World Bank, 1991).

Parastatals in numerous African nations are gone up against with many difficulties, which compel their conveyance limits (Lienert, 2003). They incorporate the human asset calculate, identifying with deficiencies of the labor as far as numbers and key skills, absence of proper mentalities and sociologists that are important to bolster successful administration conveyance. Then again the continuous disintegration of the morals and responsibility has kept on tormenting the general population division in the conveying of open administrations to the general population viably. Open area changes intended to address these difficulties have accomplished negligible results (AAPAM, 2005).

The Kenyan Government reacted to Parastatals' conveyance challenges by defining and executing Public Sector Reforms (PSR) route in 1993. The program execution was in three stages. The main stage concentrated on cost regulation, which involved staff rightsizing activities and legitimization of government capacities and structures. Under the main stage, a Voluntary Early Retirement Scheme was set up that focused on government workers in occupation bunch A –G in which 42,132 government workers resigned. The second period of the change program concentrated on legitimization of government services/divisions to decide fitting structures and ideal size of the common administration for successful execution of the administration's center capacities inside
budgetary breaking points. As a consequence of legitimization work out, 23,448 government workers who were possessing posts that were no longer required were saved by year 2000. Both periods of the change combined with the ban on enrollment diminished the center government employees measure from 272,000 in 1992 to 191,670 in 2003 (GOK, 2003). While there was a lessening in the span of the center common administration of around 30%, it was noticed that profitability and execution in people in general administration was not surprisingly (Opiyo, 2006). Promote change activities focusing on execution change and administration in people in general administration were required, along these lines presenting the third period of the general population segment changes guided by Economic Recovery Policy Direction (DPM, 2004).

In the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) 2003 – 2007 arrangement report, the administration concurs high need to financial recuperation and enhancing the execution of open support of convey results to the general population. So far, the objective of open part change was financial recuperation, with the goal that it is very much prepared keeping in mind the end goal to assume a significant part in national improvement. This called for crucial changes in the way the part works in institutional association and connections, and in the individual and aggregate conduct of those serving in the segment. The point is to improve proficiency and adequacy together with fidelity and trustworthiness. With an end goal to accomplish the destinations and focuses of ERSWEC and to oversee execution challenges openly benefit, the Government received performance contracting (PC) out in the open administration as a system for enhancing administration conveyance to Kenyans. The execution contract is one component of the more extensive open part changes went for enhancing productivity and viability while decreasing aggregate costs (Opiyo, 2006).
2.2.1 Performance Contracting in Kenya

The legislature created and propelled the technique for performance enhancement in public service in 2001. The methodology looked to build profitability and enhance benefit conveyance. It delineated the activities that were important to imbed dependable and manageable change in the way public service is executed. Supporting this procedure was the Results Oriented Management (ROM) approach; which makes it important to change operations to react to foreordained destinations, yields and results. The selection of this approach thusly requested an outlook change in Government. This required a change from an aloof, internal looking administration to one which is star dynamic, outward looking and results focused; one that looks for ‘consumer loyalty' and value for cash'. Subsequently the services'/offices were required to create vital arrangements which mirrored their targets got from the ninth National Development arrange, the destitution Reduction Strategy Paper and in view of the Medium Term Expenditure Framework (MTEF), Sectoral Priorities and Millennium Development Goals (MDGs) (Kobia and Mohammed, 2006).

The administration embraced performance contracting in general administration to guarantee that there is diminishment or complete disposal of dependence on exchequer financing for government organizations, which are required to produce income or make profit, as a target reason for stripping misfortune making government offices furthermore constrain the offices to give back to the shareholders profits overflow, guarantee that parastatals enhance execution to convey quality and convenient administrations to the subject and impart a feeling of responsibility and straightforwardness in administration conveyance and the use of assets (RBM Guide, 2005).

The objectives of presenting performance contracts in Kenya were to enhance benefit conveyance to the general population by guaranteeing the top–level chiefs are responsible for results, switch the decrease in productivity and guarantee. That assets are centered on accomplishment of key national strategy needs of the administration (Parachuted ventures), regulate execution situated culture in people. In general administration through presentation of a targets, examination framework, measure and assess execution, interface reward to quantifiable execution, encourage the fulfillment of fancied results, ingrain responsibility for results at all levels of the legislature, guarantee that the way of life of responsibility infests all levels of the administration apparatus and
reinforce and elucidate the commitment required of the administration and its workers with a specific end goal to accomplish concurred target (GOK, 2001).

The presentation of performance contracting in Kenya in 2003 was adapted towards a few expected results; enhanced execution, decrease in dependence on Exchequer financing, expanded straightforwardness in operations and asset use, expanded responsibility of results, connecting reward on quantifiable execution, lessened disarray coming about because of region of targets, clear division of obligation regarding activity, change in the relationship amongst arranging and usage, make a reasonable and precise impact on the execution, accomplishment of more noteworthy self-governance and production of empowering lawful and administrative environment (GOK, 2001).

2.2.2 Setting of objectives in performance contracting

The activities to embrace Performance Contracts out in the open foundations have been driven by the progressions in political environment as far as securing better esteem for cash out in the open administrations, empowering more noteworthy openness and responsibility, and for administration upgrades in managing the overall population as customers (Brown, 1996).

Numerous nations have connected the possibility of PCs to their open foundations, for instance, Pakistan, Korea, Australia, and United States among others. Many have introduced varieties of PCs to enhance productivity of open administration conveyance and consider open establishments responsible for results. Creating nations have not been deserted. Creating nations including India, Gambia, Malaysia, Ghana and the Philippines have additionally joined PCs as a feature of open area change.

In Kenya PC is represented by an Act of Parliament to be specific under State Corporations (Performance Contracting) Regulations, 2004, along these lines every single open foundation are lawfully bound. In this way the standard common administration and a few open associations have embraced Performance contract idea. The need to concentrate rare government assets on high need and center ranges as a method for accomplishing adequacy in administration conveyance was perceived as ahead of schedule as 1970s and repeated in ensuing years. Chestnut (1996), noted in addition to other things the need to enhance proficiency and economy in organization of the common administration.
With an end goal to change the whole open part administration, the Kenya Government as of late presented legally binding upgrades in conveyance of administration. This was done through the Economic Recovery Strategy for Wealth Creation (2003-2007), which plots the Government's dedication to execution, corporate administration, and administration in the general population benefit.

The goals of execution contracts in the common administration include: enhancing administration conveyance to people in general by guaranteeing that top-level administrators are responsible for results, and thusly consider those beneath them responsible, turning around the decrease in effectiveness and guaranteeing that assets are centered around fulfillment of the key national approach needs of the Government; systematizing execution arranged culture in the common administration through presentation of a target execution examination framework; measuring and assessing execution; connecting prize to quantifiable execution and fortifying and clearing up the commitments required of the Government and its representatives with a specific end goal to accomplish concurred targets.

From the administration's side, the agreements are above all else anticipated that would ingrain responsibility for results at all levels of the association and tries to change the execution culture to match that of the private segment along these lines converting into enhanced administration conveyance in the general population part. Furthermore, the legally binding work plans to diminish dependence by the parastatals on the exchequer financing, force them to offer come back to the Government through installment of profits or settlement of surpluses furthermore instill in the general population part the way of life of connecting prize to quantifiable yield. Thirdly, the legally binding work approach underlines arrangement of administration of open part associations in the hands of able supervisors tantamount to those in the private division.

As for changes in client relations, new interfaces and instruments are introduced, bringing about expanded customer orientedness. Most associations at provincial level now have an ombudsman benefit. This channel for client dissensions is utilized by the ombudsmen as a significant instrument for presenting a customer center. Much of the time, the press gives careful consideration to their reports. In addition, the working of the ombudsman administration is hampered, now and again, by lumbering protestation methodology (e.g. you need to pay for a protest) or by the deficiency of budgetary and HR.
2.2.3 Measuring performance indicators in performance contracting
As per Armstrong (2006), execution estimation is the way toward building up accomplishments and crevices keeping in mind the end goal to give input. Dooren (2006) contends that execution estimation out in the public sector ought to prompt to information that bolsters public policy. She further expresses that a quality execution measure ought to have the capacity to quantify what it should gauge. Execution contracts depend on utilizing execution markers that are intended to gauge execution. In thinking of markers, care ought to be taken to guarantee that they are successful. Letsoalo (2007) contends that execution estimation improves execution both for the individual and the association. Mackie (2008) affirms that execution estimation will just succeed if there is possession at all levels. Execution estimation does not generally prompt to positive results (Kariuki, 2011).

In performance contracting setting, responsibility is at two levels; top administration and the level of workers. Top administration responsibility might be seen from eagerness to give vitality and faithfulness to the execution process (Gakure, Eliud and Karanja, n.d). Anticipation hypothesis by Victor Vroom lets us know that representative responsibility to hierarchical objectives relies upon the quality of desire that doing as such will be trailed by good result and the esteem that the individual append to the reward. Muthaura (2010) in a presentation on the part of Kenya's public sector in a changing domain contended that individuals will contradict change in the event that they don't see clear and dependable increases. This implies workers' dedication is reliant on their apparent increases from executing the arrangement of PC. This contends that unless execution administration framework picks up acknowledgment through urging individuals to work together in light of the fact that they need to and not on account of they have to, the management framework may result in making figures look great just on paper.

2.2.4 Provision of incentives to employees in performance contracting
Motivators are outside measures that are planned and built up to impact inspiration and conduct of people, gatherings or associations. Motivation frameworks or structures are blends of a few pretty much reasonable motivators. Inspirations incorporate purposive impetuses in the above sense additionally all other outside components, which affect upon people groups' or associations' inspiration. The expression "motivational framework" (or structures) can be utilized to allude to the arrangement of such helpers, pretty much persevering in nature, set up at any given time.

Inspiration can be at various levels – individual, hierarchical and societal. People are driven by their own particular cravings and moral beliefs. Singular inspirations might be "inward" or "inborn"
inspiration (actuated from within, for example, diversions, tending to youngsters, or intentional work in the public arena; or they may be "outer" or "extrinsic" (activated externally) inspiration, which is supported from external. Authoritative inspiration, recognized from limit, alludes to the internal inspiration of an organization.

Social inspirations are gotten from the way that individuals have a tendency to relate to others and have a feeling of belonging. People rely upon others and in this manner have a specific dedication to the gatherings they relate with. Social relations are administered by formal and casual standards. There are three measurements of societal inspirations – the first is a feeling of decency: People, groups and associations need to feel that they are dealt with decently in comparison with companions or contenders. A moment measurement is the presence of criteria and power that stops out of line dealings and that energizes reasonable conduct. A third is the marvel of "social weight. It can be gratefulness or dissatisfaction from bosses, companions or others that the individual feels in charge of, for example kids.

Observations and worries about improvement execution normally give the section indicate pondering limit issues. However, limit does not naturally convert into enhanced execution and better advancement comes about. To represent: a motorcar may have every one of the parts to run easily, however it would sit without moving without fuel and a driver. By a similar token, limits might be set up, but proper motivating forces should be available to place them in high apparatus and in movement toward the wanted improvement goal (Boesen, 2004)

There are different methods for imagining inspiration in connection to output. On the individual and authoritative levels, one can undoubtedly think about inspiration being corresponding to output. On the individual level, ability to perform is a mix of individual aptitudes and inspiration of individuals (Adams, 2000). It can be debilitated or fuelled from inside, (for example, changing accepts or wellbeing) or outside motivators (measures in the environment that effect on inspiration). Realizing, which is at the focal point of individual limit advancement, is in a general sense an element of inborn deliberate inspiration to get learning and the way to do as such. The limit of an association is likewise a component of the motivational capacities of its administration as it is of outside conditions, for example, pay scales out in the open administration or venture atmosphere.

In bigger frameworks or the empowering environment, the qualification turns out to be more obscured. Security, rule of law, and land residency are a vital part of societal ability to deal with its issues. What is limit on one level may act as a motivation on another. Regardless, it is
conceivable to recognize variables that have motivational impacts from other limit components. Some are inner, others are outside to or "in the earth" of any given framework. The subject of inspiration is inseparably connected with limit and should be broke down and tended to on all limit levels: individual, association and empowering environment.

2.2.5 Training of employees in performance contracting

Preparing is any learning movement which is coordinated towards the procurement of particular information and aptitudes for reasons for an occupation or errand. The concentration of preparing is the occupation or undertaking, Cole (1997). By and large preparing alludes to an arranged exertion by an organization to encourage workers learning of occupation related capabilities. These incorporate information, abilities, or practices that are basic for fruitful employment execution. Preparing and improvement is the structure for helping representatives to build up their own and hierarchical aptitudes, learning and capacities. Human Resource advancement is centred on working up the most dominating workforce that can complete various leveled end goals capably and effectively. Preparing is a transient learning process which is application particular, expected for enhancing ability or information, which has prompt application to the formal of the person and the association. Caudron (1995) shows that preparation moves wanted activity. When workers comprehend what should be done to enhance the association, they then need every one of the abilities and assets important to have the capacity to finish these upgrades. He presumes that strengthening preparing is more healing and it gets ready for joint effort and more elevated amount execution.

Harris et al (2003) imply that preparation and advancement of any sort ought to have, as its goal the redirection or change of conduct so that the execution of the learner turns out to be more helpful and beneficial for himself and the association which he is a piece of.

In this way, in Performance Contracting, preparing and advancement projects ought to be completed to guarantee effective conveyance of administration. Gupta (2005) traces different needs and advantages of preparing and improvement. These incorporate new environment, absence of prepared faculty, progression in innovation, defective techniques, anticipation of mishaps and requirement for profession improvement. Gupta opines that the advantages of preparing are; expanded efficiency, work fulfillment, decrease in mishaps, and better utilization of assets, lessened supervision, more noteworthy adaptability, soundness and development. Preparing today assumes a key part in the execution administration handle. This is the incorporated procedure that businesses use to ensure that representatives are working towards hierarchical objectives. It implies
adopting a coordinated objective arranged strategy to doling out, preparing, evaluating, and remunerating representative execution. Adopting an execution administration strategy to preparing implies that the preparation exertion must bode well as far as what the organization needs every representative to add to accomplish the organization’s objectives through Performance Contracting, Kobia and Nura (2006). Preparing and advancement handle comprises of five stage to be specific: Need investigation which distinguishes the particular employment execution abilities needed, surveys the planned students aptitudes and creates particular, quantifiable, learning and execution targets in light of any insufficiencies. Instructional plan, here one settles on, aggregates and creates the preparation program content. Amid approval, the bugs are worked out of the preparation program by exhibiting it on little illustrative gathering of people.

Nuthu (2008) states that, it is out of line to the worker and implausible for the association to expect comes about because of representatives who don't have the essential aptitudes and abilities for powerful execution of undertakings. She contended that for Performance Contracting to prevail there is requirement for self-awareness arrange for, which is a critical part of execution administration. The arrangement enables workers to meet goals set in the Performance Contract, by outfitting them with abilities and the vital learning. She assist opines that the arrangement depends on the conviction that everybody is fit for adapting increasingly and improving in his or her occupation. Self-improvement arrangements are especially critical as they give a learning activity to which people are in charge of, with the support of their administrators. It might incorporate formal preparing, learning and improvement exercises, for example, self-guided learning, instructing, tutoring, extend work, work extension and occupation enhancement. This preparation might be to fill execution opportunity and development crevices. In its most straightforward shape, the Performance Development Process can be clarified in three stages: setting desires, (where the worker sets up a self-awareness plan) {PDP}: checking progress and assessing comes about. The Performance Development Process bolsters preparing and improvement, arranging, enrolling, profession advancement and restorative activity.

2.3 Theoretical Framework of performance contracting

As per Ahorani (1986) and Schien, (1985) the joy and achievement hypothesis, which they endeavors to relate accomplishment of work and satisfaction, takes note of that individuals feel upbeat when they accomplish their set objectives, and particularly so when it is a hard-won objective. Positive expectation and orderly bliss happens when we foresee that we will accomplish our objectives and feel certain about those forecasts, maybe on the grounds that they have been
correct as of late. As per this view, bliss is not a lasting state, and regardless of what we get, we will continually swing amongst satisfaction and trouble. (Industry Commission of Australia, 1996).

Besides, individuals feel a feeling of essentialness when they have constructive effect on other individuals they think about. The feeling of hugeness develops with the size of the effect and the quantity of individuals influenced. In this manner on the off chance that they spare the world they will feel quite noteworthy.

Thirdly, individuals' feeling of legacy needs to do with what they desert. The vast majority of all, in the event that they can set up qualities that help other people discover future achievement, then they will feel a solid feeling of joy. The bliss and achievement hypothesis proposes why it is imperative to include representatives in setting the execution contract objectives with the goal that they can get satisfaction from their triumphs and would like to leave a legacy of key achievements.

The main consistent question is about the subjects' level of inclusion. As indicated by Ahorani (1986), when a man is sincerely required in an issue they will prepare data and consequently respond contrasting to when the issue is not vital and they are not by any stretch of the imagination focusing on it. The included individuals need to settle on their own choices and the non-included individuals would prefer not to place exertion into choices and will likely give you a chance to let them know what to think. Included individuals need clear and adequate data from which to reach determinations. Individuals can be urged to end up non-included individuals when they are snowed with a considerable measure of complex data. Amount may in this way be mistakenly likened to quality.

Agreeing Emotional inclusion hypothesis, before executing the execution gets the legislature ought to attempt to attract individuals, get them required, before giving them things to do and giving them a chance to settle on choices about the execution estimations assessment criteria (Saavedra and Kwun, 2000). Notwithstanding this, the legislature ought to likewise comprehend the guideline of activity hypothesis that there is no activity without deliberateness and we can get comes about after we have acted. Regarding execution, this hypothesis clarifies why people will never act unless they have goals.

Another vital hypothetical perspective of breaking down the new execution contract approach in the general population segment in Kenya is by work of the selection of developments hypothesis. As per Ahorani (1986), an advancement is an idea, practice, or dissent that is seen new by an individual or other unit of apportionment. The interest in a progression require not just incorporate
new learning since some may have thought around a headway for a long time yet not yet developed an awesome perspective towards it, nor have grasped or expelled it. On the other hand, scattering is portrayed as the strategy by which a progression is passed on through particular channels after some time among the people from a social system. It is the peculiarity of the idea in the message substance of correspondence that gives scattering its remarkable character. As indicated by this writer, the general tradition is to utilize "dissemination" to incorporate both the arranged and the unconstrained spread of new thoughts.

The advancement's correspondence openness is another element. It alludes to the measure of conceivably helpful data imparted among adopters. In the association conduct writing, Kimberly (1978) discovered that imaginativeness is more probable when target associations are incorporated into outer data environment. Consequently, the more noteworthy the interchanges openness among firms inside the objective business, the more probable the appropriation of advancements.

2.4 Knowledge Gap
Execution contracts depend on the preface that what gets measured gets completed. The consequences of performance contracting have been blended. In a few nations there has been a general maintained change out in the open venture administration while in different nations some open endeavors have not reacted or have been kept by government arrangements from reacting. A lot of assets has been spend in the usage of the performance contracting since its beginning in 2005 and in this way the view of government workers towards execution contracts ought to be inspected to discover whether the reason for which it was expected has been figured it out.

The goals of execution contracts in the common administration include: enhancing administration conveyance to people in general by guaranteeing that top-level chiefs are responsible for results, and thus consider those underneath them responsible, turning around the decrease in effectiveness and guaranteeing that assets are centered around fulfillment of the key national approach needs of the Government; regulating execution situated culture in the common administration through presentation of a target execution examination framework; measuring and assessing execution; connecting prize to quantifiable execution and reinforcing and clearing up the commitments required of the Government and its workers to accomplish concurred targets (Kariuki, 2011). Past studies coordinated on execution contracting have concentrated on utilization while one study has taken care of the general impact of execution contracting in state associations (Korir, 2006). In any case, no study has been done in Kenya so far to correlate execution contracting with execution. An
information crevice in this manner exists in regards to the impact of performance contracting on execution of associations, that is, whether performance contracting expands the associations' 2.5 Conceptual Framework on influence of performance contracting on organization performance

A conceptual framework is very important in any research study being undertaken. The ascertained framework shows the relationship between the needy variable and the free factors. Fig 1 demonstrates the study's theoretical system which outlines the relationship between the factors of the study. The independent variables are factors relating to performance while the dependent variable in this study is performance contracting.
Fig 1: Conceptual Framework

- Independent Variables
  - Setting clear objectives
    - Involvement of employees in setting of objectives
    - Time of setting the objectives
    - Communication of objectives to employees
  - Measuring performance indicators
    - New customer acquisition
    - Customer satisfaction
    - Collection of bad debts
    - Profitability
    - Customer turnover
  - Incentives
    - Remuneration
    - Promotion
    - Recognition award
  - Training
    - Professional training
    - Skill based training

- Moderating Variables
  - Government policy

- Organizational Performance
  - Increase in revenue
  - Profitability
  - Expansion

- Intervening Variables
  - Organizational culture
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This area demonstrates the reasoning that was used to do the study. It portrays the research design, the model, the study range, target populace, sampling techniques and test size, sort and wellspring of information, research instruments to be utilized, the pilot concentrate, information gathering and information investigation.

3.2 Research Design

Research configuration suggests the way the study is made, that is, the guideline to finishing the examination. A quantitative approach is firmly connected to deductive testing of speculations through theories, while a subjective way to deal with research by and large is worried with inductive testing (Mugenda and Mugenda, 2003). The fundamental concentration of this study was quantitative. However some subjective approach was utilized to pick up a superior comprehension and conceivably empower a superior and wiser elucidation of the outcomes from the quantitative study. All in all a blended technique was connected in this study.

The study utilized an illustrative research plan. The strategy and examining methods of this study was guided by the examination destinations and inquiries.

This is pushed by Kothari (2004) who both recognize that an illustrative research configuration is an intense type of subjective examination that includes a watchful and finish perception of a social unit, independent of what kind of unit is under study. It's a technique that drills down, instead of cast wide. Since this study tried to recognize the impact of performance contracting on execution, spellbinding examination configuration is considered the best outline to satisfy the goals of the study.

3.3 Target Population

The target population was the staff of KCB. The targeted population was 200 staff at the KCB headquarters. The target population was randomly selected across all the departments of KCB including: HR & Administration, Customer Relations, Sales & Marketing and Public Relations.
3.4 Sampling Techniques and Sample Size

The population of the study was the staffs at KCB headquarters who was randomly picked. The sample size for the study was 180 respondents from the headquarters. 20 respondents was used for piloting from KCB Westlands Branch. The respondents were arbitrarily chosen from the staff in the bank. Test measure from the objective populace is reasonable since it will minimize deception and excess of the information to be acquired and the size was sufficiently expansive to guarantee getting of thorough information.

3.5 Data Collection Instruments

Amid the study, essential information accumulation technique was applied. This is the main kind of information gathering technique that was utilized to gather information amid the study. Essential information was gathered through survey questionnaires.

Questionnaires were used because they empowered the analyst to get point by point data on the subject matter. The questionnaire consisted of structured questions. This enabled the respondents to answer the questions without difficulties. The questionnaire contained statements assuring the respondents of confidentiality and protection. It further made clear that the information gathered will solely be used for academic purposes. Thus, each respondent’s response was treated in confidence and not released to any other party for whatsoever reason.

3.6 Validity and Reliability of Research Instruments

3.6.1 Validity of the Research Instruments

Legitimacy considers if the research design completely addresses the examination inquiries and goals of the study (Mugenda and Mugenda, 2003). The techniques that are utilized as a part of this study to guarantee the legitimacy of its exploration and discoveries are: The analyst did a pilot study to test the legitimacy and unwavering quality of information gathered utilizing the survey.

Legitimacy test measured how much the instrument measures what should gauge, that is the impact of performance contracting on association execution. The instrument is to quantify content, measure related legitimacy and develop legitimacy (Kothari, 2004). The pilot information won’t be incorporated into the genuine examination of the study.
3.6.2 Reliability of Research Instruments

As indicated by Orodho (2009), "dependability and generalizability assume a minor part in subjective request", while legitimacy is a quality of subjective research. Unwavering quality will concentrate on the degrees to which observational markers which are predictable crosswise over at least two endeavors to quantify the hypothetical idea. The meeting procedure was brought out first through presentation of introductory meeting letter to the planned interviewees which contains the objectives and goals of the meeting. The different reactions were later examined and condensed after the meeting sessions.

The analyst chose a pilot gathering of 20 people from the objective populace of the staff working at KCB to test the dependability of the exploration instrument. The pilot consider took into account pre-testing of the examination instrument. The clarity of the instrument tools to the respondents is essential in order to improve the instruments’ legitimacy and dependability. In view of the criticism from the pilot test, the poll was adjusted and a last one created.

3.7 Data Collection Procedure

The researcher utilized a letter of acquaintance from the college with underscore the motivation behind the exploration before controlling the instrument; a rapport was set up between the analyst and the respondents. The respondents ahead of time were guaranteed of classification against any data given. Information gathering was done deliberately and closely checked. Both essential and auxiliary information was utilized in the study. Essential information was gathered through a survey. The polls were directed on a 'drop and pick later' method. The instruments were directed personally in order to guarantee return rates.

3.8 Data Analysis

Before handling the reactions, the finished surveys were altered for culmination and consistency. A substance investigation and unmistakable examination was utilized. The substance investigation was utilized to dissect the respondents' perspectives on the impact of performance contracting on association execution. The information was then coded to empower the reactions to be gathered into classes. Graphic insights were utilized essentially to compress the information. These included rates and frequencies. A Likert scale and the utilization of Statistical Package for Social Sciences (SPSS rendition 12.0) were utilized. Recurrence tables and rates were utilized so as to present the
information that was gathered for simplicity of comprehension and investigation. Measures of focal inclination were connected (mean, middle, mode and rates) for quantitative factors.

3.9 Ethical Considerations

The analyst officially wrote to the Kenya Commercial Bank to arrange access to the bank. A consent form was outlined and appropriated among every one of the members in this study. By the utilization of the consent forms, the analyst was able to get a buy in from a considerable number of members. Aliases were utilized as a way of safeguarding the chosen members. It was stipulated in the consent forms that any data so acquired from the members will stay secret between the two parties. The reason for this is to guarantee that secrecy and privacy is entirely adhered to.

Amid the season of information accumulation, examination was shielded as information was secured up in the analyst's office on the PC by using data affirmation passwords. The motivation behind this is to guarantee that nobody gets to it. The moral rules in this study were strict fair-mindedness, privacy, and autonomy. In this study, consent was first sought from the bank, by self-presentation and giving the reasons for the study. A starting articulation was put out on each exploration instrument.

The scientist got a go ahead to do the study in the organization and sought proper direction where conceivable. The scientist likewise kept crucial and classified data private. The examination theory and goals were checked for unwavering quality. There were a couple reasons why it is basic to stick to good measures in research. In the first place, principles propel the purposes of research, for instance, data, truth, and avoidance of missteps. For example, denials against assembling, defiling, or mutilating research data propel reality and sidestep botching up.

Since research frequently incorporates a considerable measure of support and coordination among an extensive variety of people in various orders and organizations, moral norms propel the qualities that are fundamental to communitarian work, for example, trust, responsibility, common regard, and decency. For example, various good models of behaviour in research, for example, rules for commencing, copyright and licensing arrangements, information sharing strategies, and classification controls in companion survey, are planned to secure ensured development interests while engaging coordinated effort. Most specialists need to get affirmation for their duties and would favor not to have their considerations stolen or disclosed imprudently.
### 3.10 Operationalization of Variables Table

<table>
<thead>
<tr>
<th>Objective</th>
<th>Type of variable</th>
<th>Indicator</th>
<th>Measurement scale</th>
<th>Research instrument</th>
<th>Method of analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting of clear objectives in performance contracting</td>
<td>Influence organizational performance of KCB</td>
<td>Involvement of employees in the setting of objectives. The time of setting the objectives. Communication of the objectives to employees.</td>
<td>Nominal Interval</td>
<td>Qualitative and Quantitative</td>
<td>Descriptive statistical analysis by computing the frequency and percentages for responses to questionnaire items.</td>
</tr>
<tr>
<td>Provision of incentives to employees in performance contracting</td>
<td>Influence organizational performance of KCB</td>
<td>Recognition by way of letters of commendation to employees. Monetary rewards. Gifts in recognition of outstanding employees.</td>
<td>Nominal Interval</td>
<td>Qualitative and Quantitative</td>
<td>Descriptive statistical analysis by computing the frequency and percentages for responses to questionnaire items.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Training of employees in performance contracting</td>
<td>Influence organizational performance of KCB</td>
<td>Academic training. Professional training.</td>
<td>Nominal Interval</td>
<td>Qualitative and Quantitative</td>
<td>Descriptive statistical analysis by computing the frequency and percentages for responses to questionnaire items.</td>
</tr>
</tbody>
</table>
4.1 Introduction

This section shows the examination and elucidation of the information gathered. The fundamental goal of the study was to assess the impact of performance contracting on association execution.

4.1.1 Response Rate

The researcher conveyed surveys to 180 staff of KCB. Out of these, 150 filled and gave back the polls making a reaction rate of 83%. This falls inside Mugenda and Mugenda's (2003) endorsed noteworthy reaction rate for measurable investigation, set up at a minimal value of 50%.

4.1.2 Demographic information

This captures the respondents’ gender, education level, department, length of service and the designation.

<table>
<thead>
<tr>
<th>Table 4.1: Gender of the respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The study thought important to establish the respondents' gender with a specific end goal to discover whether there was gender equality in the positions showed by the respondents. The discoveries of the study are shown in Table 4.1. It is clear that greater part of the respondents were male as spoke to by 90 (56.0%) male respondents and 60 (44.0%) female respondents. It can along these lines be derived that males are the most overwhelming gender in different positions at the bank.
Table 4.2: Respondents’ education level

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post graduate</td>
<td>35</td>
<td>32.0</td>
</tr>
<tr>
<td>Graduate</td>
<td>100</td>
<td>34.0</td>
</tr>
<tr>
<td>Diploma</td>
<td>12</td>
<td>26.0</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The study also sought to find out the respondents’ level of education, findings of which are displayed in Table 4.2. From the findings, a majority 100 (34.0%) are graduates, closely followed by post graduate holders as represented by 35 (32.0%) of the respondents, while 12 (26.0%) have Diploma. A distant fourth as represented by 3 (8.0%) of the respondents affirmed to the ‘others’ category. All of whom indicated certificate education level. This reflects the higher affinity to employment among individuals with the higher levels of education in such institutions as the university.

4.2 Setting of clear objectives in performance contracting and organization performance.

The study sought to find out if the setting of clear objectives in performance contracting influences organization performance. The findings are recorded in the table below.

Table 4.3 The adequacy of the involvement of employees in the setting of clear objectives.

The study sought to establish whether the employees felt adequately involved in the setting of objectives. The findings are recorded in Table 4.3.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Strongly agree</td>
<td>34</td>
</tr>
<tr>
<td>b) Agree</td>
<td>100</td>
</tr>
<tr>
<td>c) Strongly disagree</td>
<td>5</td>
</tr>
<tr>
<td>d) Disagree</td>
<td>6</td>
</tr>
<tr>
<td>e) Neutral</td>
<td>2</td>
</tr>
<tr>
<td>f) Others</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
</tr>
</tbody>
</table>

As indicated by the discoveries, 67% of representatives concurred that they had been adequately involved in the setting of targets, with 23% firmly concurring. 6% of the workers differ that they had not been adequately involved in the setting of the goals. 2% of the representatives were
unbiased on whether they had been adequately involved in the setting of targets. From the discoveries, greater part of the representatives at Kenya Commercial Bank felt that they had been adequately involved in the setting of clear targets.

**Table 4.4 Timing of setting of objectives**

The study sought to find out whether the employees were satisfied with the timing of setting of the objectives. The findings are recorded in Table 4.4.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Very good</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Good</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Fair</td>
<td>78</td>
<td>52</td>
</tr>
<tr>
<td>Poor</td>
<td>17</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The study sought to find out whether the employees were satisfied with the timing of setting of the objectives at KCB. From the findings, 52% of the respondents rated the timing of the setting of objectives as fair, 30% rated the timing of the setting of objectives as good, 15% rated the timing of the setting of objectives as very good, 17% rated the timing of the setting of objectives as poor and 10% rated the timing of the setting of objectives as excellent. From the findings a majority of the employees felt that the time of setting the objectives was fair.

**Table 4.5 Communication of objectives to employees**

The study sought to find out whether the objectives were effectively communicated to the employees. The findings are recorded in Table 4.5.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>115</td>
<td>76.7</td>
</tr>
<tr>
<td>No</td>
<td>35</td>
<td>23.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The study sought to find out whether the objectives were effectively communicated to the employees. From the findings, 76.7% of the respondents indicated that the objectives were effectively communicated to them while 23.3% indicated that the objectives were indeed effectively communicated to them.
4.3 Motivation of employees and organizational performance contracting
The study sought to evaluate how provision of incentives to employees in performance contracting influences organizational performance of KCB. The findings are recorded in the table below.

Table 4.6 Employee satisfaction and remuneration
The study sought to establish the influence of remuneration as an incentive for motivation on organization performance at KCB. Findings are recorded in the Table 4.6.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>5</td>
<td>3.3</td>
</tr>
<tr>
<td>Very good</td>
<td>20</td>
<td>13.3</td>
</tr>
<tr>
<td>Good</td>
<td>35</td>
<td>23.3</td>
</tr>
<tr>
<td>Fair</td>
<td>75</td>
<td>50.0</td>
</tr>
<tr>
<td>Poor</td>
<td>15</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The study sought to find out whether the employees are satisfied with their remuneration as an incentive for motivation at KCB. From the findings, 50.0% of the respondents rated their remuneration as fair, 23.3% their remuneration as good, 13.3% rated their remuneration as very good, 10% rated their remuneration as poor and 3.3% rated their remuneration as excellent. From the findings majority of the staff felt that their remuneration as an incentive for motivation was fair.

Table 4.7 Employee satisfaction and promotion
The study sought to establish the influence of promotion as an incentive for motivation on organization performance at KCB. Findings are recorded in the table 4.7.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Very good</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Good</td>
<td>32</td>
<td>21</td>
</tr>
<tr>
<td>Fair</td>
<td>64</td>
<td>43</td>
</tr>
<tr>
<td>Poor</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
The study sought to establish the influence of promotion as an incentive for motivation on organization performance at KCB. From the findings, 43% of the respondents rated promotion as an incentive for motivation on organization performance as fair, 32% rated promotion as an incentive for motivation on organization performance as good, 16% rated promotion as an incentive for motivation on organization performance as very good, 13% rated promotion as an incentive for motivation on organization performance as poor and 7% rated promotion as an incentive for motivation on organization performance as excellent. From the findings majority of the staff felt that promotion as an incentive for motivation on organization performance was fair.

**Table 4.8 Employee recognition**
The study sought to find out whether the employees are recognized with awards as an incentive to motivation. Findings are recorded in Table 4.8.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>100</td>
<td>66.7</td>
</tr>
<tr>
<td>No</td>
<td>50</td>
<td>33.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The study sought to find out whether the employees are recognized with awards. From the findings, 66.7% of the respondents indicated that outstanding employees were recognized by way of awards while 33.3% of indicated that outstanding employees were not recognized.
4.4 Training of employees and organizational performance
The study sought to establish whether training of employees at KCB was adequate. The findings are recorded in the table below.

Table 4.9 Professional training of employees and organization performance
The study sought to establish whether professional training of employees at KCB was adequate. The findings are recorded in Table 4.9.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Strongly agree</td>
<td>29</td>
<td>19.3</td>
</tr>
<tr>
<td>b) Agree</td>
<td>105</td>
<td>70</td>
</tr>
<tr>
<td>c) Strongly disagree</td>
<td>5</td>
<td>3.3</td>
</tr>
<tr>
<td>d) Disagree</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>e) Neutral</td>
<td>2</td>
<td>1.3</td>
</tr>
<tr>
<td>f) Others</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

As indicated by the discoveries, 70% of workers concurred that professional training of employees at Kenya Commercial Bank was sufficient, with 19.3% firmly concurring. 4% of the representatives differ that professional training of employees at Kenya Commercial Bank was sufficient. 1.3% of the workers were unbiased on whether professional training of employees at Kenya Commercial Bank was satisfactory. From the discoveries, a dominant part of the workforce at KCB felt that professional training of employees was satisfactory.
The study sought to establish whether skill based training of employees enhanced organization performance at KCB. The findings are recorded in Table 5.0.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Strongly agree</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>b) Agree</td>
<td>102</td>
<td>68</td>
</tr>
<tr>
<td>c) Strongly disagree</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>d) Disagree</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>e) Neutral</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>f) Others</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

According to the findings, 68% of employees agreed that skill based training enhanced organization performance at KCB, with 19% strongly agreeing. 8% of the employees disagreed that skill based training enhanced organization performance at KCB. 2% of the employees were neutral on whether skill based training enhanced organization performance at KCB. From the findings, majority of the employees at KCB felt that skill based training of employees enhanced organization performance at KCB.
4.5 Measuring performance indicators and organization performance

The study sought to establish the influence of measuring performance indicators on organization performance. The following scale was used: 5 = strongly agree 4= agree 3= undecided 2= disagree 1= strongly disagree. The findings are recorded in Table 4.5.

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>New customer acquisition</td>
<td>4.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>3.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Collection of bad debts</td>
<td>3.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Profitability</td>
<td>3.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Customer turnover</td>
<td>4.2</td>
<td>0.4</td>
</tr>
</tbody>
</table>

The study sought to find out the respondents agreement level with the measurement of performance indicators. According to the findings, the respondents strongly agreed that performance contracting enhanced customer acquisition as shown by a mean of 4.2. In addition, the respondents agreed that performance contracting also led to increased profitability, improved customer satisfaction and new customer acquisition as shown by a mean of 3.5, 3.9 and 4.1 respectively. Moreover, the respondents agreed that the management ensures that the performance contract is done according to an individual’s job description and specification, every employee supports the method used for performance contracting and performance contracting has in turn enhanced the overall organization performance. As per the findings it is evident that majority of the employees perceived performance contracting to have a positive impact on organization performance as reflected in the various measurement indicators such as increased customer acquisition, profitability and customer satisfaction. This is in agreement with Letsoalo (2007) who argues that performance measurement enhances performance both for the individual and the organization.
CHAPTER FIVE
SUMMARY OF THE FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter contains the rundown of the discoveries of the study. It comprises of synopsis of the discoveries, talks, conclusions and proposals and recommendations for further studies.

5.2 Summary of findings
The study looked to assess the impact of performance contracting on organisation performance at the Kenya Commercial Bank.

Majority of the staff felt they had been adequately involved in the setting of clear objectives with 67% of the employees in agreement. This sense of ownership towards the laid down objectives enhanced accountability among the employees which resulted in more productivity.

The study also found out that 52% of the respondents rated the timing of clear objectives in performance contracting as fair. 17% of the respondents however felt that the timing of setting of the objectives was poor.

The study established that objectives were effectively communicated to employees as reflected by the 76.7% of the respondents.

5.3 Discussions
From the discoveries, greater part of the representatives at Kenya Commercial Bank felt that they had been adequately involved in the setting of clear targets.

As per the findings a majority of the employees felt that measurement of performance indicators in performance contracting impacted on organization performance as reflected in the various measurement indicators such as increased customer acquisition, profitability and customer satisfaction. This is in agreement with Letsoalo (2007) who argues that performance measurement enhances performance both for the individual and the organization.

From the findings, it was evident that a majority of the employees felt that motivation contributed towards organization performance with 50.0% rating their remuneration as fair as an incentive for motivation on organization performance at KCB. 43% of the respondents rated promotion as an
incentive for motivation on organization performance as fair, meaning majority of the employees at KCB felt that promotions were granted fairly. From the findings, 66.7% of the respondents indicated that outstanding employees were recognized by way of awards. The organization has put up incentive measures to ensure high employee productivity such as a remuneration programme that 50% of the employees felt was fair. This is in agreement with Adams (2000) who indicated that there are various ways of conceiving motivation in relation to capacity. On the individual and organizational levels, one can easily conceive of motivation being complementary to capacity. On the individual level, capacity to perform is a combination of personal skills and motivation of people.

Professional based training as well as skill based training has enhanced the implementation and adoption of performance contracting by employees. This is in agreement with Nuthu (2008) who stated that, it would be unfair to the employee and unrealistic for the organization to expect results from employees who do not have the necessary skills and competencies for effective performance of tasks.

5.4 Conclusions

It was clear that KCB experienced high efficiency of the representatives because of performance contracting, with the institution encountering increased profitability and consumer loyalty.

From the disclosures, larger part of the agents at Kenya Commercial Bank felt that they had been adequately involved in the setting of clear targets and that the said targets had been effectively communicated to them.

From the discoveries larger part of the staff felt that their compensation as a motivator was reasonable. From the discoveries lion's share of the staff felt that advancement as an impetus for motivation and organization performance was reasonable.

From the discoveries, larger part of the workers at Kenya Commercial Bank felt that expertise based preparing of representatives upgraded association execution at the organization.
5.4 Recommendations

i. The study recommends the administration and Human Resources departments in all organizations to introduce performance contracting so that they are able to increase their staff productivity.

ii. Clear objectives should be set when introducing performance contracting. This will help to check if it is beneficial or not. Employees should be involved in the setting of clear objectives in performance contracting.

iii. Management needs to provide incentives to employees. This will motivate them to be more productive which will result in the overall improved performance of an organization.

iv. Management needs to invest in training of employees, both professional and skill based training. This will help employees understand what needs to be done to improve the organization. They should be given all the skills and resources necessary to be able to accomplish their own objectives as well as the overall organization objectives towards improving both personal and organization performance.

5.5 Suggestions for further research

i. The study concentrated on impact of performance contracting on organisation performance at Kenya Commercial Bank in Kenya. In this way a similar study ought to be done in different institutions to check whether similar results will be acquired.

ii. The study focused on the banking industry thus the same ought to be carried out in different sectors in other industries to see whether similar results will be acquired.

iii. A study on difficulties confronting implementation of performance contracting ought to be undertaken.
REFERENCES

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear Respondent

RE: INTRODUCTION LETTER

I am a student undertaking a Master Degree in Project Planning and Management at University of Nairobi. To qualify for the award of the said Degree, the University requires students to carry out a research in their field of study.

With the foregoing, I intend to carry out a research on Influence of Performance Contracting on Organisation Performance: A Case of KCB, Kenya.

Kindly assist me to achieve my objective by filling in the attached questionnaire. The information provided in the questionnaires will be kept confidential and used for academic purposes only.

Thank you for your cooperation and support.

Yours faithfully,

FLORENCE MWANGI

UNIVERSITY OF NAIROBI
APPENDIX II: QUESTIONNAIRE

SECTION A: General Information

This questionnaire is intended to collect information on the influence of performance contracting on organisation performance: a case of Kenya Commercial Bank. You are kindly requested to complete the questionnaire by giving your honest opinion. Please do that by writing in the space provided or put a tick where required. Information given will be treated with a lot of confidentiality.

Section A: Demographic Information

1. Gender (please tick one)  Male [ ]  Female [ ]

2. Age of the respondent
   Below 30 years [ ]
   30-35 years [ ]
   36-40 years [ ]
   41-45 years [ ]
   46-50 years [ ]
   Over 50 years [ ]

3. Section /Department..........................................................

4. Position held in KCB..........................................................

5. Academic qualifications
   Primary ()  Secondary ()  Diploma ()  University Degree ()

Section B: Setting of clear objectives

6. Is your involvement in the setting of clear objectives in performance contracting adequate?
   a) Strongly agree [ ]
   b) Agree [ ]
   c) Disagree [ ]
   d) Strongly disagree [ ]
7. How would you rate the timing of the setting of clear objectives in performance contracting?
   a) Excellent [ ]
   b) Very good [ ]
   c) Good [ ]
   d) Fair [ ]
   e) Poor [ ]

8. Were the objectives in the performance contract effectively communicated to you?
   Yes [ ] No [ ]

Section C: Motivation of employees and organization performance

9. How would you rate your remuneration?
   Excellent [ ] Very good [ ] Good [ ] Fair [ ] Poor [ ] Very Poor [ ]

10. How would you rate the process of promotion in your organization?
    Excellent [ ] Very good [ ] Good [ ] Fair [ ] Poor [ ] Very Poor [ ]

11. Are outstanding employees recognized?
    Yes [ ] No [ ]

Section D: Training of employees and organization performance

12. Is your professional training at KCB adequate?
    a) Strongly agree [ ]
    b) Agree [ ]
    c) Disagree [ ]
    d) Strongly disagree [ ]
13. Is your skill based training at KCB adequate?
   a) Strongly agree
   b) Agree
   c) Disagree
   d) Strongly disagree
   e) Neutral
   f) Others (specify)

Section E: Measurement performance indicators and organization performance


Using the given scale, select the alternative that best fits your opinion.

5= Very high, 4= High, 3= Moderate, 2= Low, 1= Very low

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<thead>
<tr>
<th>Item</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
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<tbody>
<tr>
<td>New customer acquisition</td>
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<td>Profitability</td>
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<tr>
<td>Customer turnover</td>
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</table>
Appendix III: Research Authorization Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

DATE

TO WHOM IT MAY CONCERN

RE: LETTER OF INTRODUCTION

The bearer of this letter, Florence Mbugui, is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

They are required to submit as part of their coursework assessment study report on a marketing management problem. We would like the students to do their study on real problems affecting government institutions in Kenya. We would, therefore, appreciate your assistance to enable them collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

23 NOV 2016