CHALLENGES FACING IMPLEMENTATION OF PERFORMANCE CONTRACTING IN THE MINISTRY OF FINANCE OF THE GOVERNMENT OF KENYA

BY:
COSTANTINE MWIKAMBA MGHENYI

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SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI

OCTOBER, 2010
DECLARATION

This Management Research Project is my original work and has not been submitted for a degree award in any other University.

Signed:……………………………………..

Date:……………………………………..

COSTANTINE MWIKAMBA MGHENYI
D61/70001/2009

This Management Research Project has been submitted for examination with my approval as the University Supervisor.

Signed:……………………………………..

Date:……………………………………..

DR. JOHN YABS
Department of Business Administration
School of Business
University of Nairobi
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Special thanks to A. M. Wanjohi for his support in analysing of the data of the Project and for assisting in the compilation and organization of this report.
DEDICATION

I dedicate this Research Project to my dear wife, Sophy Mwikamba and my Children, for their continuous encouragement, prayers and support during the entire period of my study.
ABSTRACT

The purpose of this study was to examine the challenges facing the implementation of performance contracting in the Ministry of Finance. The study also sought to find out the following: The process involved in the implementation of performance contracting in the Ministry of Finance, Perception of performance contracting implementation process in the Ministry, Regulatory issues facing the achievement of performance goals in the Ministry and Suggestions on what can be done to improve performance contracting in the Ministry. The study employed a case study research design. This design was used since it allows a thorough, meticulous and systematic data collection on the research problem (Yin, 1994). It also gives a deep understanding of the issues, and allows data collection using in-depth interviews among other methods. The sampling frame for this study comprised of six (6) administrators. Purposive sampling procedure was used to arrive at this sample. This technique was used in order to single out the key informants whose views and opinions would contribute towards answering the research objectives. Interview method was used to collect an in-depth data from the selected sample. The collected data was analyzed using qualitative method, where data was categorized into themes and presented based on the areas of investigation. From the analysis, the study revealed the following: largely, the ministry involved all the processes in implementing performance contracting except in some areas like involvement of all employees and human resource department. Although there are political forces which may interfere with the timely achievement of the set goals of the ministry, there are well laid structures that counter such. The study recommends that the ministry to take keen interest in addressing the following key areas: changing the structure of the performance contracting, linking the performance contracting with reward or sanctions, Training/ sensitization of the employees on PC, adopting a participative approach in PC and equipping the Human Resource Department accordingly.
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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

This section exposes the concept of performance contracting from global to local perspective.

1.1.1 An Overview of the Concept of Performance Contracting from Global perspective

Performance Contract System’s origin can be traced in the late 1960’s in France. It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced to India (OECD, 1997). In France the first two CP’s then called "program-contracts" were signed in 1969-70; with the national electricity company and the national railway. They defined objectives, and quantified financial performance targets, for the firms for the five year period of the agreement. Agreement on objectives was reached through a process of negotiation between government and management. The basic idea was that if goals were both agreed upon and clearly set, then government could lighten its time consuming a priority controls, provide management with efficiency-enhancing autonomy, and evaluate the firm on the basis of achievement or non achievement of the set goals. (Nellis, 1988).

According to Shirley and Xu (1998), evidence in China indicate that performance contracts on average, do not improve productivity in China's state enterprises and may even reduce it. They opine that they are ineffective in competitive firms as well as monopolies and that they do more harm when
they provide only weak incentives and when they do not reduce information asymmetry.

The Chinese government was serious about implementing performance contracts, and used measures considerably more radical than other countries used, hailing the contract system as the official national mode for reforming state enterprises. But most of the contracts have had little or no effect on growth rates and the observed frequency of contracts with "good" provisions is exceedingly low (Shirley and Xu, 1998).

According to Nellis (1988), roughly 100 public enterprises in developing countries (50 of them with Bank support) are using contract plans - negotiated performance agreements between the government/owner and the enterprises' managers or directors. Contract plans have not improved the financial performance of public enterprises dramatically. The process is probably more important than the product.

Starting in France in the 1970’s, Performance Contracting has been used in about 30 developing countries in the last fifteen years. In Asia, the Performance Contract concept has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka. In Latin America, they have been used at different times in Argentina, Brazil, Bolivia, and Chile. Others include Malaysia, United Kingdom, U.S.A, Canada, Denmark and Finland. In Africa, performance Contracts have been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d’Ivoire, Gabon, the Gambia,

Governments all over the world view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods. However, it should leave day-to-day management to the managers themselves. It organizes and defines tasks so management can perform them systematically, purposefully and with reasonable probability of achievement. Performance Contracts are based on the premise that what gets measured gets done; if you cannot see and measure success, you cannot reward it; if you cannot recognize failure, you cannot correct it and if you can demonstrate results, you can win public support. (Kobia, 2006).

1.1.2 Challenges in Implementing Performance Contracting in Kenya

The concept of performance contracting was first introduced in Kenya in the management of state corporations in 1989, then focusing on the Kenya Railways Corporation and National Cereals and Produce Board (NCPB). The contracting failed for three basic reasons. First, there was a lack of political goodwill to drive the process which was then largely perceived as donor-driven. Secondly, the process did not conform to the requirements of the three subsystems of performance contracts as they lacked the performance incentive system. Thirdly, there was no provision for the impact of external factors such as changes in government policy, inflation and exchange rate fluctuations which would have made evaluation unfair. (Kumba, 2009).
In 1990 the Government approved the introduction of Performance Contracts in the management of public agencies. A few state corporations attempted to develop variants of performance contracts that were however, not implemented. In 2003, the Government made a commitment to introduce performance contracts strategy as a management tool to ensure accountability for results and transparency in the management of public resources. To that end a Performance Contracts Steering Committee (PCSC) was established in August 2003 and gazetted on 8th April, 2005 with a mandate to spearhead the introduction and implementation in the entire public sector. The performance contracts for the central government ministries for the financial year 2005/6 were negotiated by the ad-hoc negotiating task force and subsequently signed on February 7th 2006 (Obong'o, 2010).

The Government of Kenya adopted Performance Contracting in the Public Service in order to ensure that there is reduction or altogether elimination of reliance on exchequer funding for government agencies which are expected to generate revenue or make profit. In addition to this the performance contracting was meant to serves as an objective basis for divesting loss making government agencies.

1.2 Statement of the Problem

Performance Contract (PC) is an agreement between a Government and a Public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets. They include a variety of incentive-based mechanisms for controlling Public Agencies— controlling the outcome rather than the process. The factors
affecting performance contracting are both internal and external. (Dlamini, 2001).

According to Shirley and Xu (1998), evidence in China indicate that performance contracts on average, do not improve productivity in China's state enterprises and may even reduce it. They opine that they are ineffective in competitive firms as well as monopolies and that they do more harm when they provide only weak incentives and when they do not reduce information asymmetry.

According to Nellis (1988), roughly 100 public enterprises in developing countries (50 of them with Bank support) are using contract plans - negotiated performance agreements between the government/owner and the enterprises' managers or directors. Contract plans have not improved the financial performance of public enterprises dramatically. The process is probably more important than the product. According to Nellis (1988), Contract plans are not the mechanism of choice for healing a sick company. They work best with firms that operate commercially and already have decent management and sound financial and reporting procedures.

Performance Contracting has been adopted in developing countries in Africa, including Nigeria, Gambia, Ghana and now Kenya. The definition of Performance Contracts itself has been a subject of considerable debate among scholars and human resource practitioners. However, a Performance contract can be broadly defined as a freely negotiated performance agreement between
Government, organization and individuals (Kenya, Sensitization Training Manual, 2004). It is an agreement between two parties that clearly specify their mutual performance obligations.

Kenya is one of the few countries to use this approach across the entire Public Sector. However, the implementation of performance contracting has been facing a lot of challenges. The Government comes up with policies that impact on Performance Contracting and sometimes the policies may affect negatively its implementation. Moreover, the staff may not be trained in Performance Contracting issues and this could hinder its implementation. To a large extent, many Government Ministries and State Corporations have not been performing well due to these reasons. The challenges are a big impediment to the achievement of the set goals and targets.

It is on this background that the research purposes to undertake a research study in that respect. The research aims to establish the challenges facing / inhibiting implementation of performance contracting in the Ministry of Finance.

The researcher purposes to fill gaps left in earlier studies. Research work done by many scholars in Kenya has not clearly shown the successes and challenges in Performance management. The study will deeply investigate the challenges and the extent to which the Ministry of Finance is implementing Performance Contracting in Kenya.
In addition to this; the research will also focus on assessment of legal and regulatory environment to find out the extent to which it facilitates or inhibits implementation of Performance Contracting in the Ministry of Finance and its respective departments.

This is because of the Ministry of Finance’s functions which are strategic in several ways. As a main function, the Ministry is charged with the responsibility of formulating financial and economic policies. It is also responsible for developing and maintaining sound fiscal and monetary policies that facilitate socio-economic development. This responsibility makes the Ministry strategic and central to the country's economic management, as all sectors of the economy look upon the Ministry to create an enabling environment in which they can operate effectively and efficiently. The Ministry regulates the financial sector which is central to the development of the country and on which all other sectors depend for investment resources.

Another strategic responsibility of the Ministry is the management of revenues, expenditures and borrowing by the government. The Ministry must ensure that it mobilises adequate resources to support government programmes and activities. Consequently, the Ministry has the task of developing sound fiscal policies that ensure sustainable budget deficits. In addition the Ministry must ensure that government expenditure is within the revenue collected to reduce domestic borrowing, which tends to cause negative ripples in economic management.
The Ministry is also strategic as far as bilateral and multilateral development financing and technical assistance is concerned. Given the need for support from development partners to enhance the country's economic recovery and poverty reduction efforts, the performance of the Ministry in effectively coordinating this support cannot be underscored. The Ministry must therefore, provide direction in the identification, planning and management of donor support to ensure that it is targeted to those areas of the economy that need it most. On this note the research study being undertaken will fill the gaps left by earlier scholars and also help the Ministry understand the challenges inhibiting Performance Contracting and therefore hindering it in performing its constitutional mandate.

The Public Service and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy. When the delivery of services is constrained or becomes ineffective, it affects the quality of life of the people and nation’s development process. In the Republic of Kenya, the general public elects leaders (a government) who are supposed to serve the people. However, some of the leaders do not serve the public as required and instead they look for ways to enrich themselves.

Indeed, there have been widespread complaints about the level of service in a number of Public Institutions, which, in many African countries are confronted with many challenges, which constrain their delivery capacities (Lienert, 2003). They include the Human Resource constraints relating to
shortages of the manpower in terms of numbers and key competencies, lack of appropriate mindsets, and socio-psychological dispositions. There is also the perennial problem of the shortage of financial and material logistics that are necessary to support effective service delivery. On the other hand, the gradual erosion of the ethics and accountability has continued to bedevil the Public Sector in delivering public services to the people effectively. Public Sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005).

In the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 policy document, the Government accords high priority to economic recovery and improving the performance of public service to deliver results to the people. This calls for fundamental changes in the way the public sector operates in institutional organization and relationships, and in the individual and collective behavior of those serving in the sector.

In an effort to achieve the objectives and targets of ERS and to manage Performance challenges in public service, the Government had adopted Performance Contracting in Public service as a strategy for improving service delivery to Kenyans. The Performance Contract is one element of the broader Public Sector Reforms aimed at improving efficiency and effectiveness, while reducing total costs. The main aim therefore is to enhance efficiency and effectiveness together with probity and integrity of the public service.
1.3 Research Objectives

The research study sought to find out the following:

a) The process involved in the implementation of performance contracting in the Ministry of Finance

b) Perception of performance contracting implementation process in the Ministry of Finance

c) Regulatory issues facing the achievement of performance goals in the Ministry of Finance

d) Suggestions on what can be done to improve performance contracting in the Ministry of Finance.

1.4 Research Questions

The study was guided by the following research questions:

a) What is the process involved in the implementing performance contracting in the Ministry of Finance?

b) What is the perception of the implementation process of performance contracting in the ministry of finance?

c) To what extent do regulatory environment compromise the achievement of the organizational goals in the Ministry of Finance?

d) What can be done to improve performance contracting in the Ministry of Finance?

1.5 Significance of the Study

Performance Contracting (PC) in public service is a strategy for improving service delivery to Kenyans. The Performance Contract is one element of the
broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs. The study is of paramount importance to the Ministry of Finance, the Kenyan Government and the general public. The findings will be relevant and the Ministry will be better placed to address all challenges that negatively influence on Performance Contracting implementation in Kenya.

The research findings on what can be done to improve performance contracting in the Ministry of finance are expected to be of key contribution in the Ministry. The recommendation of the study are also expected to inform the ministry towards coming up with effective strategies so as to better performance contracting.

The findings are hoped to shed more light on the issues facing the implementation process of performance contracting. The findings can help the Government in establishing how well the policies they set affect the Performance Contracting and thereby come up with policies that enhance all operations of the Ministries and State Corporations.

The research study is of imperative significance to the body of academia. This is because the research findings are expected contribute in global knowledge in the area of the issues facing performance contracting. Future researchers may also use the findings, conclusions or recommendations as a source of secondary data in their scholarly work.
1.6 Scope of the Study

The scope refers not only to the geographical area to be covered by a study but also the knowledge area. This study examined the challenges facing the implementation of performance contracting in the Ministry of Finance.

In the research study, the scope was the Ministry of Finance. The researcher put into consideration only the administrators. This group of participants was settled based on their positions and the contribution they would make regarding performance contracting implementation process.

The timeframe for the research proposal is three months. The research proposal budget is Kshs. 24,200.00 (twenty four thousand, two hundred shillings).
CHAPTER TWO
LITERATURE REVIEW

Literature was reviewed from journal articles and published studies. The areas that were covered included the performance contracting process, perception of performance contracting, the regulatory environment affecting the achievement of organizational goals and strategies that can be adopted to improve the implementation of performance contracting.

2.1 The Performance Contracting Process

Performance contracting is not about a single event, such as completing a standard review form, but rather a process that is ongoing. Performance contracting activities, as an ongoing process, should connect the process to organizational functioning and have as their focus staff improvement, not simply salary adjustment and/or disciplinary action. (Creamer and Janosik, 2001).

Performance contracting process should be designed in a manners that is in agreement with individual departmental and institutional contexts. According to Brown (1988), when implementing performance contracting, the following elements are key: integration of organizational goals, involvement of staff members in the planning and implementation process, alignment with job description, involvement of experts, articulation of the purpose performance contracting, monitoring and evaluation.
Wiese and Buckley (1998) in a study on the evolution of the performance contracting process observe that the performance contracting process has been the focus of much researcher and practitioner attention. In spite of this attention, methods used in performance contracting are generally ineffective in increasing the quality of performance contracting processes. Thus, while performance contracting processes have evolved, progress has been less forthcoming. There are many areas related to the performance contracting process which are ripe for development and research creativity, hence the focus of the study. The study gave an evolution (historical) development of the performance contracting process without reference to a particular organization. The current study however was interested in finding out whether the Ministry of Finance had used various performance contracting processes in its implantation.

2.2 Perception of Performance Contracting

The employee performance appraisal process is open to various pitfalls. Performance raters are open to making a number of common mistakes if not well guided by those administering the instruments. According to Murphy and Margulies (2004) the most common mistakes include:

a) Halo effect: rating employees “excellent” in many categories when they excel only in one.

b) Leniency/stringency: very low or high ratings instead of finding any category in which the employee is average.

c) Contrast effect: evaluating an individual in relation to other employees’

d) Performance instead of on job requirements.

e) Similar-to-me effect: rating employees favourably because they mirror
theatre’s self-image.

f) Central tendency error: putting every employee’s performance in the middle of the rating scale

g) First impression: letting initial evaluations of employees overshadow actual performance during the rating period.

Accuracy of raters can pose a challenge in the performance appraisal rating process. A study on the patterns of rater accuracy shows that how long the rater has known the person has the most effect on the accuracy of a 360-degree review. The study shows that subjects in the group “known for one to three years” are the most accurate, followed by “known for less than one year,” followed by “known for three to five years” and the least accurate being “known for more than five years.” The study concludes that the most accurate ratings come from knowing the person long enough to get past first impressions, but not so long as to begin to generalize favourably (Eichinger, 2004).

Some studies have generally been conducted on the perceptions of the employee toward the performance appraisal. Dorfman, Stephan and Loveland (2006) carried out a study on Performance appraisal behaviours: supervisor perceptions and subordinate reactions. The performance-appraisal behaviours of supervisors and the reactions of their subordinates were studied in a sample of university employees. A factor analysis revealed that there were three dimensions of formal performance appraisals: two developmental dimensions (being supportive; emphasizing performance improvement) and one administrative dimension (discussing pay and advancement). Regression
analyses suggested that supervisors supported highly rated individuals and stressed improvement efforts for poor performers. After controlling for the level of previous performance ratings, results indicated that support in the appraisal review was associated with higher levels of employee motivation, while discussing pay and advancement was associated with higher levels of employee satisfaction. The perceptions of the supervisors may influence their ratings on the employees. The current study did not examine the perceptions of the supervisors but the overall perceptions (especially of employees) in the implementation process.

2.3 Regulatory Environment affecting the Achievement Organizational Goals

Just like in many other developing countries, there is a widespread perception in Kenya that ever since its independence performance of the Kenyan public service has been deteriorating. This state of affairs has resulted largely from systems of management in government which put emphasis on compliance with processes rather than results. Even when the top leadership of the country wants to deliver results to the citizens, often they are not able to do so due to various internal and external factors. (Kumba, 2009).

Usually, there are two main reasons for this: First is that, many government officials are confronted with multiple principals (bosses) with multiple goals (political, non-political, efficiency, equity) that are often conflicting. Therefore, in essence they really do not know what is really expected of them. They have only a fuzzy notion of their real responsibilities. In most cases,
these officials resolve the trade-offs to serve their personal interests and not the interests of the nation. Secondly, most government official feel they are not responsible for results and thus do not accept the responsibility. They suffer from the so called “Not-Me” syndrome: if you ask them about a problem, they would say they are not in control.

2.4 Strategies to improve the implementation of Performance Contracting

Over the years, Kenyan government implemented various strategies to address these challenges. Strategies tried include Structural Adjustments Programmes, Privatization, Commercialization, Contracting-Out, New Budgeting and Planning systems. Even after implementing these strategies, the performance of the public service did not improve. Subsequently, Kenyan government changed tact and in the Economic Renewal Strategy it decided that performance contracting process be adopted as a management tool in the management of public resources.

Thus, all Permanent Secretaries and Chief Executives of Public owed Enterprises were placed on performance contracts. Today, Performance Contracts cover all 38 government ministries, 130 state corporations (including 6 public universities) and 175 local authorities. Performance Contracts are known variously as Performance Agreements, Program Agreements, Memorandum of Understanding, Contratos de Rendimientos.
Performance Contracting which was introduction as part of Results Based Management is to ensure that the Public sector is transformed into being more focused and responsive to the needs of those it serves. The key elements of Results Based Management are: Performance target setting - the process of setting performance targets for Ministries/Departments, groups or individuals in carrying out specific work assignments. The other element is Performance planning – this is the process of establishing a shared understanding of what is to be achieved and how it is to be achieved and managing resources to ensure successful implementation.

Strategic planning in all public sector organizations should aim at strengthening and looping linkages with policy, planning and budgeting. The human resource function needs to be aligned with the strategic goals of the organizations. Individuals derive individual work plans from the strategic plan. It is this work plan that forms a basis for the performance contract, which is then implemented, evaluated and the information used to inform decisions on performance improvement.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the procedures and the methods the researcher will employ to carry out the study. The section comprises the research design, sample and sampling procedure, data collection instruments, data collection procedures and data analysis procedure.

3.2 Research Design

Research design constitutes a blue print for collection, measurement, and analysis of data (Cooper and Schindler, 2001). This study adopted a case study research design, studying the Ministry of Finance as a case. According to Robson (2002), a case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real context using multiple sources of evidence. This design was found to be appropriate since a case study strategy has considerable ability to generate answers to questions ‘why’ as well as ‘what’ and ‘how’: the data collection methods may include questionnaires, interviews, observation, and documentary analysis (Saunders, Lewis and Thornhill, 2003). The study used interview schedule as its primary tool for collection of data.

3.3 Sample and Sampling Design

According to Cooper and Schindler (2001), a sampling frame is the list of elements from which the sample is actually drawn; it is a complete and correct list of population members only. A sampling frame for this study comprised of six (6) administrators.
Non-probability sampling procedure (purposive technique) was used to select six (6) administrators from the administration in the Ministry. This technique was used in order to select the key informants whose views and opinions would contribute towards answering the research objectives.

3.4 Data Collection

Semi-structured interview schedule was used to collect primary data from the administrators in the Ministry of Finance. This method was used since it generally yields highest cooperation and lowest refusal rates, offers high response quality and takes advantage of interviewer presence and it's multi-method data collection, that is, it combines questioning, cross-examination, probing. (Owens, 2002).

The schedule is divided into the following sections, based on the main areas of investigation:

Section I: Background information

Section II: Process of Performance Contracting

Section III: Perception of Performance Contracting Implementation Process

Section IV: Performance Contracting Policy Issues/Regulatory environment

Section V: Strategies to Improve Performance Contracting

3.5 Data Analysis

The collected data was analysed qualitatively. The data was already organized in the interview guide based on the main areas of investigation. Thus categorizing and coming up with themes was easy. However, in the data
organizing process, data cleaning was maintained in order to get the most appropriate information that would answer the research objectives.

After cleaning and editing, the data was summarised in tables based on the main areas of investigation. The presentation of the results was based on the very objectives. Discussion of the findings was also made based on the key findings of the study.

Since the data was purely qualitative, only word processing (Microsoft Word) was used in developing tables and keying in the presentation of the findings. The conclusions and recommendations of the study were based on the analysis.
CHAPTER FOUR
DATA ANALYSIS AND INTERPRETATION

This chapter deals with data analysis, results and discussion of the findings on the challenges facing the implementation performance contracting in the Ministry of Finance. The study being a case study, the data was primarily analyzed qualitatively based on the data collected from six (6) administrators from the Ministry of Finance. The collected data enabled the researcher to present the thematically based on the emerging trends. The data was summarized in tables.

4.1 Results

This section is divided according to the following sub-headings: background characteristics of the respondents, the process of performance contracting, perception of performance contracting implementation process, performance contracting policy issues and strategies to improve performance

4.1.1 Background Characteristics of the Respondents

Every targeted population in any study has its own characteristics. In this study, the demographic characteristics that were considered included sex, age, designation, level of education, designation, and professional qualification. These characteristics were deemed importance since they set the ground for the kind of information the respondents would provide regarding performance contracting in the Ministry of Finance. Table 4.1 shows the distribution of the respondents by their demographic characteristics.
Table 4.1: Background Characteristics of the Respondents (n=6)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>5</td>
</tr>
<tr>
<td>Female</td>
<td>1</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
</tr>
<tr>
<td>30 – 39 years</td>
<td>1</td>
</tr>
<tr>
<td>40 – 49 years</td>
<td>2</td>
</tr>
<tr>
<td>50 years and above</td>
<td>3</td>
</tr>
<tr>
<td><strong>Departments</strong></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>6</td>
</tr>
<tr>
<td><strong>Level of education</strong></td>
<td></td>
</tr>
<tr>
<td>University level</td>
<td>6</td>
</tr>
</tbody>
</table>

Out of the six (6) respondents who took part in the study, only 1 was a female. The rest were males. This could be used to show some level of gender disparities in senior positions. All were administrators aged 40 years and above except one. This could be attributed to the fact promotion is partly based on working experience. Thus it is expected that by the time one holds a managerial position, he/she should already be advanced in age. All had attained at least university level of education.

4.1.2 Process of Performance Contracting

Creamer and Janosik (2001) note that performance contracting is not about a single event, such as completing a standard review form, but rather a process that is ongoing. This study was interested in examining whether the Ministry of finance had taken into account all the steps involved in the implementation of performance contracting. The participants were asked to indicate whether their respective departments had been involved in the process during the implementation. Tables 4.2, summarize the comments that they gave.
Selection of performance targets

This is one of the key steps of performance contracting. Asked about the basis of selecting performance targets, the interviewees had their varied comments.

Table 4.2: Whether selection of performance targets is based on job description

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection of performance targets based on job description</td>
<td>* Yes, it is true that performance target are based on job description, but individual work plan derived from departmental work plan are considered.</td>
</tr>
</tbody>
</table>

On whether selection of performance targets is based on job description, most of the interviewees agreed that performance target in the ministry were based on job description. However, one of the interviewee differed explaining that targets are based on the objectives to be achieved for the ministry or department as stipulated in the strategic plan. This view found its backing in the words of Janosik (200) who observes that performance contracting activities should seek to connect the performance targets to organizational objectives. Thus, as the ministry seeks more and more to align the targets with job description, the overall focus should much lie on the organizational/departmental goals and objectives.
Setting up of performance review period

Performance contracting (PC) process involves setting up performance review timelines. Table 4.3 presents the explanation of the administrators on the frequency of the PC review process.

Table 4.3: Whether the PC involved setting up of performance review period

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting up of performance review period (e.g. 6 months or 1 year)</td>
<td>• Quarterly performance reports and the annual performance reports should be done.</td>
</tr>
<tr>
<td></td>
<td>• It is important that the review need not necessarily be 6 months or 1 year but periodically.</td>
</tr>
<tr>
<td></td>
<td>• The period of review is on every quarter. This is to accord an opportunity to jointly review progress made and any constraints experienced.</td>
</tr>
</tbody>
</table>

On whether the ministry sets up performance review period like 6 months or 1 year, all the administrators agreed. Some reviews are done annually. However, one of them reported that in his department, the review was conducted on quarterly basis in order to accord an opportunity to jointly review progress made and any constraints experienced.

Measuring actual Performance

Measuring actual performance is an important component of performance contracting. Table 4.4 summarizes the explanation given by the administrators in the ministry about how Performance Contracting measures is done.
Table 4.4: Whether PC involves measuring actual performance

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measuring actual performance</td>
<td>• Composes actual performance with quarterly and annual targets. This is done against specific measurable outputs and indicators which were agreed upon.</td>
</tr>
<tr>
<td></td>
<td>• The following measurements are used:</td>
</tr>
<tr>
<td></td>
<td>Excellent performance (101% +)</td>
</tr>
<tr>
<td></td>
<td>Good performance (100%)</td>
</tr>
<tr>
<td></td>
<td>Fair performance (80-99%)</td>
</tr>
<tr>
<td></td>
<td>Poor performance (70-79%)</td>
</tr>
<tr>
<td></td>
<td>Very poor performance (70&lt;)</td>
</tr>
</tbody>
</table>

All the managers who were interviewed agreed that performance contracting in the Ministry involved measuring actual performance of each employee. One of them went on to explain that the measurement was based on a certain scale. (See Table 4.4). The ratings were very high. As the table shows, below 70 is very poor performance and excellent performance is 101 and above.

Comparing Performance with Set Standards

The participants were whether performance contracting in the ministry involved comparing performance with set standards and rating.

Table 4.5: Whether PC involves comparing performance with set standards

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparing performance with set standards and rating it</td>
<td>• Performance targets are against the previous performance levels and also based on international best practices.</td>
</tr>
<tr>
<td></td>
<td>• For review purposes.</td>
</tr>
<tr>
<td></td>
<td>• It is important to note if there were other assignments, exogenous factors would have affected performance.</td>
</tr>
<tr>
<td></td>
<td>• The set standards are used in the evaluation of the actual performance.</td>
</tr>
</tbody>
</table>
All the respondents agreed that performance contracting process in the ministry involved comparing the performance with already set standards. One of the managers explained that performance standards in his department were set against the previous performance. However, another manager reported that comparing of performance against previous performance cannot hold all the time since there is certain factor that could influence the performance.

**Communicating PC ratings and rewarding or sanctioning**

The interviewees were asked to point out whether the PC ratings were communicated to the employees and whether there was rewarding or sanctioning based on the performance.

**Table 4.6:** Whether PC is communicated to the staff and used for rewarding or sanctioning

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicating the rating to the employee</td>
<td>• This is to ensure that there is transparency and to speed the employee on what he/she is supposed to do to improve performance. This may be positive rather than being negative.</td>
</tr>
<tr>
<td></td>
<td>• The performance contracting has not been cascaded to the employee level. It is done at the level of Departments.</td>
</tr>
<tr>
<td>Using the performance contracting for the desired purpose (e.g. promotions, further training, termination)</td>
<td>• There are rewards or sanctions depending on once performance.</td>
</tr>
<tr>
<td></td>
<td>• This is yet to be done. Not cascaded to the employee level.</td>
</tr>
</tbody>
</table>

All the six respondents except one reported that performance contracting in the ministry involved communicating the performance rating to the employees. This, according to them was to ensure transparency and to let the
employee know what he/she is supposed to do in order to improve performance. However, there was one of the managers who reported that the communicating the rating of performance was not done at the level of employees but at departmental level. This has its own drawback since the overall departmental rating is based upon individual performance.

With regard to whether the performance contracting was used for promotion or demotion purpose. All the six except one agreed. They reported that employees could be rewarded or sanctioned depending on their performance. However, one the managers in the study differed saying that promotion or demotion was yet to cascade to the employees’ level.

Deductively, the ministry of finance appeared to be using all the crucial steps of performance contracting. However, the findings revealed that are certain areas like setting up of performance review period, communication of the ratings to the employees and using the performance contracting for promotion or demotion could be re-examined.

4.1.3 Perception of the Implementation of Performance Contracting

The introduction of performance contracting by the Government of Kenya in all government ministries was not received quite well. This could have been driven by the outcome of the entire process, where failure to deliver could attract dismissal. However, the rationale behind its introduction rested upon the revolution it can bring in a resulted-oriented global economy. This study
was interested in examining key perception areas of the process based on the views of key administrators in the Ministry of Finance.

**Perception on whether PC is goal based and open to evaluation**

The participants were asked to indicate whether PC was goal based and whether there was regular evaluation based on its provisions.

**Table 4.7: Perception on whether PC is goal based and open to evaluation**

<table>
<thead>
<tr>
<th>Perception</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implemented according to ministry’s goals, vision and mission</td>
<td>• Performance contracting targets are based on strategic objectives which are linked to the goals, vision and mission of the Ministry&lt;br&gt;• The performance contradicting is based on the strategic plan which has the vision and vision of the ministry&lt;br&gt;• Performance is monitored and reports prepared on quarterly basis for submission to the performance-contracting department. Annual report is also prepared and used for final evaluation of the Ministry&lt;br&gt;• There is a quarterly performance contract evaluation and quarterly PAS</td>
</tr>
<tr>
<td>It is regularly monitored and evaluated</td>
<td></td>
</tr>
</tbody>
</table>

All the administrators who were interviewed agreed that the implementation of PC was purely based on the set goals and objectives. One of them explained that PC targets are based on strategic objectives which are lined to the organizational goals, vision and Mission. With regard to whether the PC involves regular monitoring and evaluation, all agreed pointing out that there was quarterly, and annual evaluation. These findings show some positive aspects of PC which could giver positive impression to someone doubting about the process.
Employee involvement in PC implementation

The interviewees were asked to indicate whether the employees had been involved in the implementation and whether they had been trained.

Table 4.8: Perception on whether the employees were prepared to receive PC

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
<th>Not True</th>
</tr>
</thead>
<tbody>
<tr>
<td>The employees were fully involved in its</td>
<td>• Since the targets were set on the output of each department, by default the employees became involved</td>
<td>• All the employee were represented but not all involved</td>
</tr>
<tr>
<td>implementation</td>
<td>• Yes, particularly on the filling of the PAS forms</td>
<td>• Only a few were trained</td>
</tr>
<tr>
<td>The employees received training on its</td>
<td></td>
<td>• Since not all were involved, more training and sensitization is required on regular basis.</td>
</tr>
<tr>
<td>implementation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to most of the interviewees, employees had been involved in the PC implementation process virtually, that is through representation. On whether the employees had received some training during the implementation, most of the interviews pointed out that not all had been. This shows loopholes in the implementation process where key stakeholder had not been fully involved, yet paradoxically expected to abide with its terms.

Human Resource Department Preparedness

Human Resource Department is entitled with all human resource related functions. Asked about whether the department had been well equipped to handle the implementation of PC, the participants gave varied answers.
Table 4.9: Perception on whether Human Resource Department was well prepared to implement PC

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
<th>Not True</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource department was adequately equipped to implement it</td>
<td>Were trained and well equipped but overwhelmed</td>
<td>The department does not appear to be fully involved in performance contracting exercise</td>
</tr>
<tr>
<td>It is clearly articulated</td>
<td>Yes, it is well articulated since all the employees are aware of its requirements and provisions.</td>
<td>it is not particularly articulated since the are a few areas with some gaps that need to be filled</td>
</tr>
</tbody>
</table>

Four out of six interviewees in the study reported that human resource department had not been fully equipped to embrace an added role of implementing PC in the Ministry. However, it was also pointed out by one of the interviewees that there was another department (Performance Contracting) which deals with performance contracting role.

The overall impression is that the PC implementation process was not well done in terms of involving fully all the stakeholders and equipping the human resource department in order to embrace added function.

4.1.4 Regulatory Environment Affecting Achievement of Organizational Goals

Whereas the general public and even some high ranking public servants may very much welcome the idea of performance contracting and measuring performance, there are certain regulatory issues that may affect the
achievement of its noble goal. This study examined, from the participants’
point of view, the key issues that may affect the achievement of the PC’s
noble goals.

**Whether existing organizational goals are at times compromised by some
external influence**

There are certain external forces that may affect the achievement of PC’s
targets. The interviewees were asked to note these forces and how they went
about them.

**Table 4.10:** Whether existing organizational goals are at times compromised
by some external influence

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you think your organizational goals are at times compromised by some external influence (political, non-political, efficiency, equity etc).</td>
<td>Yes they are there. For instance, the role of the ministry to mobilize resources and coordinate the budgeting. The budget has to be presented to parliament by 20th June of every year. This is clearly defined.</td>
</tr>
<tr>
<td></td>
<td>Goals are there but may be compromised at times due to vested interests.</td>
</tr>
<tr>
<td></td>
<td>Yes there are certain external factors that may affect the ministry’s goals</td>
</tr>
<tr>
<td></td>
<td>Yes the ministry has goals that are well defined but at times bound. At times, there are queries from politicians who do not seem to understand outputs of the ministry, eg., GDPs, census results, etc.</td>
</tr>
<tr>
<td></td>
<td>Yes, there are there but inefficiencies tend to affect the performance. This include lack of performance by external stakeholders.</td>
</tr>
</tbody>
</table>

The interviewees reported that there are of course political forces which may
interfere with the timely achievement of the set objectives of the ministry. But
in any case, whatever the influence, certain objectives have to be achieved.

For instance the role of the ministry to mobilize resources and coordinate
budgeting. The budget has to be presented in the parliament by June. Thus, despite the external influences, the ministry tries to live to its goals.

**Action plan when goals are compromised by certain external forces**

The participants were asked what action plan they took when the achievement of ministry’s goals is compromised by external forces.

**Table 4.11:** Action plan when goals are compromised by certain external forces

<table>
<thead>
<tr>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| In such situation where goals are compromised by external forces, do you or the ministry take responsibility? | • Certainly, at times I feel that my position as an administrator is compromised. The action plan is to take collective responsibility without necessarily resulting to blame game.  
• The external influence may occur with regard to the resource allocation but does not necessarily compromise the performance of individual administrator in the Ministry. The role of the administrator is simply to coordinate once such allocations have been made  
• The ministry has well laid structures of absorbing shocks  
• However challenged, there are certain output that have been scientifically driven that cannot be changed. As a ministry, we stand by the outputs generated and offer explanation as to how they have been derived. |

Asked whether they took responsibility in situation where goals are compromised by external forces, all the administrators who were interviewed agreed. Although some indicated that they felt compromised, one thing was quite clear, that they all took responsibility and defined the way forward. One of them explained the very Ministry has structures in place that ensure achievement of goals. Another one reported that ‘however challenged, there are certain output that have been scientifically driven that cannot be changed. She continued ‘as a ministry, we stand by the outputs generated and offer
explanation as to how they have been derived.’ This shows high sense of commitment to duty and result oriented work ethics, which is the foundation and principle governing performance contracting.

4.1.5 Suggestions on what can be done to Improve Performance Contracting

The implementation of performance contracting not only in the Ministry of finance but in its entirety was marked by numerous challenges. This study was interested mainly in finding out what measures can be put in place to improve the performance contracting processes in the Ministry of Finance.

When the participants were asked to suggest, they pointed out a good number of measures. This section highlights the key measures that came up during the interview.

Changing the structure of the performance contracting

According to one of the administrators, the operations part of the performance contracting should constitute the major part of the contract. He said “right now, the section has only a weight of 25%”. In general, performance contracting is an interactive process. Since it is not a perfect process, it requires constant review.

Linking the performance contracting with reward or sanctions

As reported by most of the administrators in the study, the performance contracting can be improved through rewarding the performers and
sanctioning the under-performers. This could be achieved by promotion or even demotion.

**Training/ sensitization of the employees**

One of the administrator suggested that employees should be trained on regular basis to bring them to terms with critical performance contracting issues. Another insisted on “communication, communication and communication”. This is basically training, training and training. Such training should be taken in view of changing employees’ attitude towards the performance contracting.

**Adopting a participative approach**

One of the administrators reported that the process of performance contracting can be improved by involving all the stakeholders. Further, all the stakeholders should be involved in setting up the desired targets.

**Equipping the Human Resource Department**

According to one of the interviewees, Human Resource Department in the Ministry of Finance is not the real driver of Performance Contracting (the main being Performance Contracting Department), but could be equipped to adopt the new role. Another interviewee pointed out that the department should be reinforced by the ministry in order to deliver performance targets. He maintained that there is no use of having human resource function which is not aligned to the strategic goals.
4.2 Discussion

The discussion of the findings is based on the main areas of investigation, namely the process of performance contracting, the perception of the PC implementation process, the regulatory environment affecting set goals and measures that can be adopted to improve PC.

Process of Performance Contracting

The findings of this study reveal that the Ministry of Finance uses the entire all the crucial steps of performance contracting. However, there were certain steps of PC that appeared to have had some issues, with varied responses given by the interviewees. These steps included setting up of performance review period, communication of the ratings to the employees and using the performance contracting for promotion or demotion. The steps that were considered in this study are crucial in the implementation of any performance contracting in any organization. (Brown (1988).

The most critical aspect of performance contracting as the study established included measurement of performance. This is the main rationale of performance contracting which include: improved service delivery; improved efficiency in resources utilization; institutionalization of a performance-oriented culture in the public service; measurement and evaluation of performance; reduction or elimination of reliance of public agencies on exchequer funding and enhancing overall performance. The underlying assumption driving the performance contracting concept is that ‘once performance can be measured and performance shortfalls identified (including non-performers), actions can be taken to address the shortfall (Jones and
Thompson, 2007). From the findings, the ministry had set quite high measurement scale. This could mean that quite much is expected from the employees.

**Perception of the PC Implementation Process**

Whereas the general public and even some high ranking public servants may very much welcome the idea of performance contracting and measuring performance, it might not be readily accepted by everybody, especially those who might feel exposed (negatively in terms of poor performance) by the outcomes (Obong’o, 2010). Since this contract is based on measurement of performance, the likelihood is that people have their own impression.

According to this study, the overall impression was that its very implementation was not inclusive. The main stakeholders like employees were virtual participants in the process, thus they could not set their own targets as such. Further, human resources department appeared not to have been quite well equipped to handle the implementation process.

**Regulatory Environment affecting the achievement of goals**

According to the findings of this study, there are certain external factors that affect the achievement of organizational goals. Such include political interference among other challenges. Review of literature reveals that there are certain factors that may affect the achievement of organization goals. These may include excessive regulations and controls, frequent political
interference, poor management, outright mismanagement and bloated staff establishment. (Abong’o, 2009).

Although there could be these challenges, all the participants indicated that such challenges could not deter them from achieving the organizational objectives. The main reason they gave included existence of well laid structure of the Ministry and taking common responsibility.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary, conclusions and recommendations on the challenges facing the implementation of performance contracting in the Ministry of Finance.

5.1 Summary

The purpose of this study was to examine the challenges facing the implementation of performance contracting in the Ministry of Finance. The study also sought to find out the following:

a) The process involved in the implementation of performance contracting in the Ministry of Finance,

b) Perception of performance contracting implementation process in the Ministry,

c) Regulatory issues facing the achievement of performance goals in the Ministry and

d) Suggestions on what can be done to improve performance contracting in the Ministry.

The study employed a case study research design. This design was used since it allows a thorough, meticulous and systematic data collection on the research problem (Yin, 1994). It also gives a deep understanding of the issues, and allows data collection using in-depth interviews among other methods.
The sampling frame for this study comprised of six (6) administrators. Purposive sampling procedure was used to arrive at this sample. This technique was used in order to single out the key informants whose views and opinions would contribute towards answering the research objectives. Interview method was used to collect an in-depth data from the selected sample.

The collected data was analyzed using qualitative method, where data was categorized into themes and presented based on the areas of investigation. From the analysis, the study revealed the following:

i. Performance target in the ministry were based on job description. However, one of the participants reported that performance targets are also linked to the ministry’s goals and objectives.

ii. The ministry sets up performance review either on quarterly basis or annually. One of them reported that in his department, the review was conducted on quarterly basis in order to accord an opportunity to jointly review progress made and any constraints experienced.

iii. Performance contracting in the Ministry involved measuring actual performance of each employee.

iv. Performance contracting process in the ministry involved comparing the performance with already set standards like the previous performance. It also involved communicating the performance rating to the employees. This, according to them was to ensure transparency and to let the employee know what he/she is supposed to do in order to improve performance.
v. Employees in the ministry could be rewarded or sanctioned depending on their performance.

vi. Employees had been involved in the PC implementation process virtually, that is through representation by their bosses.

vii. Human resource department in the Ministry had not been fully equipped to embrace an added role of implementing PC. However, performance contracting department had been set.

viii. Although there are political forces which may interfere with the timely achievement of the set goals of the ministry, there are well laid structures that counter such.

5.2 Conclusions

From the findings, the study makes the following conclusions:

a) Although to a larger extent all the processes of performance contracting were involved by the ministry, there were certain areas that need a closer look. These include involvement of all the stakeholders, sensitization process on the PC, equipping the human resource department in order to embrace added function.

b) Whereas the general public and even some high ranking public servants may very much welcome the idea of performance contracting and measuring performance, the receivers may not positively perceive it as such owing to the fact that it is purely based on performance. Bearing in mind that the whole process was not inclusive, the PC may be viewed simply as another tool of management rather than result-oriented tool.
c) Despite the fact that there are certain external factors like political interference that may influence performance, the ministry has well grounded structures to achieve its goals and objectives.

d) There are a number of measures that could be taken to improve the performance contracting in the Ministry. These included changing the structure of the performance contracting, linking the performance contracting with reward or sanctions, Training/ sensitization of the employees on PC, adopting a participative approach in PC implementation process and equipping the Human Resource Department to handle performance contracting.

5.3 Recommendations

Based on the key findings, the study recommends the following:

i. As there are certain areas of performance contracting that are not upto the mark, the Ministry should consider review. This should be aimed at improving the tool, to make it all encompassing.

ii. Since employees form a core component of performance contracting, the Ministry should consider initializing sensitization programmes meant to bring about change of perception about the concept.

iii. The ministry should also form structures that employ participative approach, applying bottom-top approach in the evaluation processes of the performance contracting. Such approach has potential of bringing about “a deep sense of ownership.”

iv. Although the ministry has performance contracting department, there is need to look deeply on the role of Human resource department, which
in essence should be well equipped to handle the new role. Perhaps, the ministry should consider merging the department.
REFERENCES


APPENDICES

Appendix 1: Introduction Letter

Costantine Mwikamba
Mghenyi
University of Nairobi
Business School
P.O BOX 28951
Mobile 0722611053
Nairobi - KENYA

Dear Respondents,
I am very grateful for your time in filling the research questionnaire. It’s for scholarly purpose and the questionnaire is intended to collect information for the academic research study only. The research topic is to find out the challenges facing implementation of performance contracting in the Kenya Government with reference to the Ministry of Finance. The information given is for educational purpose and will be highly confidential.

I kindly request you to complete the questionnaire and fill in the blank spaces provided. Your timely assistance is highly appreciated.

Yours Sincerely,

Costantine Mwikamba Mghenyi

University of Nairobi

October, 2010
Appendix II: Interview Guide for Administrators

I am a student at the University of Nairobi Business School pursuing a masters degree in Business Administration. I am conducting a research on Challenges Facing the Implementation of Performance Contracting in the Ministry of Finance. Your responses will be used for research purpose only and your identity kept confidential. You are kindly requested to sincerely respond to the items in the interview guide. Thank you for accepting to be interviewed. Costantine Mwikamba Mghenyi

Section I: Background information

1. Name (Optional) ______________________________________

2. Gender of the respondent
   a) Male ( )
   b) Female ( )

3. Select the department in which you work.
   i. Administration ( )
   ii. Finance ( )
   iii. Supervisors and Staff ( )

4. Designation (Specify) ________________________________

5. Age group
   21 - 29 years ( ) 30 - 39 years ( )
   40 - 49 years ( ) Over 50 years ( )

6. Level of education
   College level
   University level
   Other (Please Specify) ________________________________

7. Professional qualifications (please specify): __________
## Section II: Process of Performance Contracting

8. What are the steps involved in performance contracting process in the ministry?

<table>
<thead>
<tr>
<th>Steps</th>
<th>Yes</th>
<th>No</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Selection of performance targets based on job description to be evaluated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Setting up of performance review period (e.g. 6 months or 1 year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Measuring actual performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Comparing performance with set standards and rating it</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Communicating the rating to the employee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Using the performance contracting for the desired purpose (e.g. promotions, further training, termination)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Do you think the process of setting performance target has been efficient? (in terms of having well-formulated objectives based on strategic plan) Please elaborate.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

48
10. Did the formulation of strategic plan in your organization involve all the stakeholders (including junior staff)? Do you think all stakeholders identified themselves with the strategic plan? Please explain.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Section III: Perception of Performance Contracting Implementation Process

11. What do you think of performance contracting in relation to your ministry?

<table>
<thead>
<tr>
<th>Perception</th>
<th>True</th>
<th>Not True</th>
<th>Explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) It was implemented based on ministry’s goals, vision and mission.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) The employees were fully involved in its implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Employees received training on its implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Human resource department was adequately equipped to implement it</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) It is clearly articulated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) It is regularly monitored and evaluated</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section IV: Performance Contracting Policy Issues/Regulatory environment

12. Do you think that there are certain policies related to performance contracting that should be improved? (Yes/No). Please explain your answer.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

13. As a top government official, are you at times confronted with a dilemma of who to answer? (your boss or a certain political elite). Please explain your answer

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

14. Do you have well defined set goals that your organization has to adhere to come what may? Do you think such organizational goals are at times compromised by some external influence (political, non-political, efficiency, equity etc). Please explain

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

15. In such situation (where goals are compromised by external forces), do you feel your position is compromised and not able to perform as expected? Do you take responsibility when things go wrong (to avoid “Not-Me Syndrome)? Please explain

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
Section V: Strategies to Improve Performance Contracting

16. What strategies have been put in place to improve policies issues facing performance contracting? (have Structural Adjustments Programmes, privatization, Commercialization, Contracting-Out, New Budgeting and Planning systems been of any assistance?) Please explain.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

17. Has the implementation of the mentioned strategies improved the performance? (or has there been change of tact – may be implementation of other strategies like using performance contracting as a management tool as opposed to performance tool).

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

18. What do you think should be done to improve the process of performance contracting? (in terms of setting performance targets and performance planning). (Probe: Do you think there is need to re-align human resource function with the strategic goals of the organizations. Do you think individuals employees should derive individual work plans from the strategic plan?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

19. What do you think can be done to improve the perception of performance contracting amongst government employees?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

Thank you for your cooperation
Appendix 3: Budget Estimate

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Cost (Kshs)</th>
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<tbody>
<tr>
<td>1.</td>
<td>Literature Retrieval</td>
<td>4,500.00</td>
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<tr>
<td>2.</td>
<td>Typing Expenses</td>
<td>2,500.00</td>
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<tr>
<td>3.</td>
<td>Stationery, Printing &amp; Binding Charges</td>
<td>5,000.00</td>
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<tr>
<td>4.</td>
<td>Photocopying Expenses</td>
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<td>5.</td>
<td>Library, Internet and Communication Expenses</td>
<td>3,000.00</td>
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<td>6.</td>
<td>Data Analysis (SPSS)</td>
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<td><strong>Sub-Total</strong></td>
<td><strong>22,200.00</strong></td>
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<td>6.</td>
<td>Miscellaneous (10% of Sub Total)</td>
<td>2,200.00</td>
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<td><strong>Grand Total</strong></td>
<td><strong>24,200.00</strong></td>
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