

**THE EFFECT OF PERFORMANCE CONTRACTING ON PRODUCTIVITY OF
PUBLIC SECTOR ORGANIZATIONS**

A CASE OF POSTAL CORPORATION OF KENYATM

BY

MOHAMMED BIKO CALVINS

**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS
IN PROJECT PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI**

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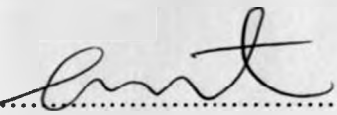
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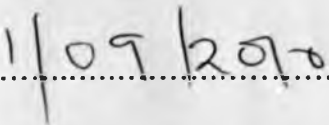
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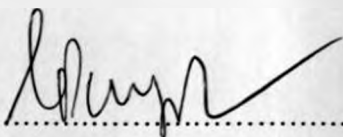
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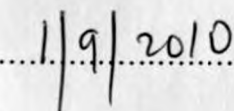
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This research project has been submitted for examination with my approval as the University supervisor.

Signature: 

Date: 

Supervisor: Prof. G.P. Pokhariyal
Applied and Industrial Mathematics
University of Nairobi

DEDICATION

To my dad Salim Mohammed and mum Margret Mohammed, my sisters Liz, Jane and Joy, my wonderful brothers Leopold and Noel and the love of my life Emily Rashida who have patiently and unconditionally endured and cheered me all through during the period it has taken me to complete this research project.

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LIST OF ACRONYMS

- AAPM:** Association of African Public Management
- AT:** Achievement of Targets
- CCK:** Communication Commission of Kenya
- CS:** Customer Satisfaction
- CSRFP:** Civil Service Reform Programme
- ERS:** Economic Recovery Strategy
- GOK:** Government of Kenya
- GPO:** General Post Office
- KP&TC:** Kenya Post and Telecommunication Corporation
- MBO:** Management by Objectives
- MOU:** Memorandum of Understanding
- OECD:** Organization for Economic Co-operation and Development
- PC:** Performance Contracting
- PCK:** Postal Corporation of Kenya
- PPSO:** Productivity in Public Sector Organizations
- PRS:** Public Reform Strategy
- SAP:** Structural Adjustment Programme
- SSD:** Speed of Service Delivery
- TQM:** Total Quality Management
- UPU:** Universal Postal Union

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ABSTRACT

The aim of this research was to assess the effect of performance contracting on public sector organizations productivity taking Postal Corporation of Kenya as a case study. The study relied on both primary data completed by the case method and secondary data scanned from literature review and previous studies. The study applied stratified random sampling technique where the respondents were given time to complete the questionnaires. Data was analyzed using descriptive and inferential statistics such as mean, standard deviation, correlation and multiple regression analysis. The higher the absolute value of Beta the more important the variable in the predicting the productivity in public sector organization. In assessing the effects of performance contracting on productivity of public sector organizations the predictors were Employee perception with (Beta 0.10), Speed of Service delivery with (Beta 0.09), Customer satisfaction with (Beta 0.06) and finally Achievement of targets with (Beta 0.03). The results revealed that general managers, heads of department, managers and assistant managers from the selected state corporation believe that Employee perception has the first priority, followed by Speed of Service delivery, Customer satisfaction and Achievement of targets respectively, toward productivity in public sector organizations through performance contracting initiative. The study observed that public corporations should be able to sustain themselves in order to remain viable and survive. This requires inculcating and exercising entrepreneurial knowledge, skills and attitudes in the day-to-day operations of the organization and performance target annually. Performance contracting training is important to inculcating requisite skills towards development. This means that there is a need for training and educational institutions to review curricula to make it relevant to a developmental state.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance Contract System originated in France in the late 1960s. It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced to India (OECD, 1999). It 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 the scholars and human resource practitioners. Performance Contracting is a branch of management science referred to as Management Control Systems.

A Performance contract is freely negotiated performance agreement between Government, organization and individuals on one hand and the agency itself (Kenya, Sensitization Training Manual, 2004). It is an agreement between two parties that clearly specify their mutual performance obligations, and the agency itself. The push factor for introduction of performance contracting in Kenya underlies the assumption that institution of performance measurements, clarification of corporate objectives, customer orientation and an increased focus towards incremental productivity and cost reduction can lead to improvements in service delivery (GOK, 2003).

Suresh Kumar (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures improvement of performance management and industries by making the autonomy and accountability aspect clearer and more transparent. OECD (1999) defines Performance Contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements.

The Kenyan Government responded to public service delivery challenges by formulating and implementing Public Sector Reforms (PRS) way back in 1993. The program implementation was in three phases. The first phase focused on cost containment, which entailed staff rightsizing initiatives and rationalization of government functions and

structures. Under the first phase, a Voluntary Early Retirement Scheme was put in place that targeted civil servants in job group A-G in which 42,132 civil servants retired. The second phase of the reform program focused on rationalization of government ministries/departments to determine appropriate structures and optimal size of the civil service for effective performance of the government's core functions within budgetary limits. While there was a reduction in the size of the core civil service, it was noted that productivity and performance in the public service was not as expected (Opiyo, 2006).

Further reform initiatives targeting performance improvement and management in the public service were required, thus introducing the third phase of the public sector reforms guided by Economic Recovery policy direction (DPM, 2004). 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. Up to this point, the goal of public sector reform was the restoration so as to equip it well in order to play a pivotal role in national development. This called for fundamental changes in the way the sector operates in institutional organization and relationships, and in the individual and collective behavior of those serving in the sector. The aim is to enhance efficiency and effectiveness together with probity and integrity.

In effort to achieve the objectives and targets of ERS and to manage performance challenges in public service, the Government adopted Performance Contracting (PC) in public service as a strategy for improving service delivery to Kenyans. The Performance Contract is thus one element of the broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs.

The concept of performance Contracting was first introduced in the management of state corporations in Kenya in 1989. A Parastatal Reform Strategy Paper, which was approved by cabinet in 1991, was the first official recognition of the concept of Performance Contracting as it was part of the following policies that were recommended to streamline and improve the performance of State Corporations:

1. Divestiture or Liquidation of non-strategic parastatals
2. Contracting out Commercial activities to the private sector
3. Permitting private sector competition for existing state monopolies

4. Improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives.

The first two parastatals to be on Performance Contracting were Kenya Railways Corporation and the National Cereals and Produce Board. Kenya Railways now Rift Valley Railways signed PC's in April 1989 and National Cereals and produce Board signed in November 1990.

Postal Corporation of Kenya (PCK) is a corporate body duly established under the Postal Corporation of Kenya Act, 1998 and licensed accordingly to operate as the Public Postal licensee by the Communications Commission of Kenya (CCK) in accordance with section 51 of the Kenya Communications Act, 1998 for a period of 25 years with effect from July 1st 1999.

The Postal Corporation of Kenya (PCK) was started as a Kenya Government parastatal following the dissolution of the defunct Kenya Post and Telecommunications (KP&TC). Under section three (3) of the Postal Corporation Act, 1998, PCK is mandated to provide and operate postal services and perform any other function and duties as may be assigned by the Minister of Information and Communications. PCK mission is to deliver superior financial, distribution and communication solutions to its customers and create value to its stakeholders. Performance contract was introduced in postal Corporation of Kenya in the year 2006 as part of a government initiative to enhance service delivery to the public in the civil service and Parastatal organizations.

1.2 Problem Description

1.2.1 Background of the Problem

It is evident from the research background that smog exists on whether performance contracting has achieved its intended purpose. The main objective of performance contract is to achieve sustainable improvement in organizations performance, increase motivation of employees, increase productivity, and change in performance-oriented culture, enhanced development of team cohesion and performance and provision of individual opportunities to express their aspirations about their work. Persistent complains from members of the public on poor service delivery, failure to meet targets, increased burden on the exchequer in terms of wage bill, failure by Parastatal bodies to be

self sustaining and their continued reliance on treasury for bail outs incase of financial difficulties made the government seek alternatives to address these issues.

Performance contract therefore seemed to be the way to address these challenges. The key issues that Postal Corporation of Kenya faces currently have been, increased competition due to shrinking market share and shift from the traditional mail to electronic Mail, the need to improve customer service, offer quality product, linking pay to performance, need for culture change in the way of doing business, the need to improve efficiency, reduce costs and rapid change in technology. This meant that the corporation needed to have a complete shift on the way of doing business and therefore the embracing of performance contract in an effort to address these challenges.

Though the above challenges seem to have been addressed, by introduction of performance contract, the desired changes have not led to better performance in the organization. This provoked the researcher to attempt to establish whether these expectations have been achieved since the introduction of performance contracting in the organization and whether these have led to increased productivity. The study therefore attempted to fill these gaps.

1.2.2 Statement of the Problem

This research study was therefore carried out with the sole aim of establishing the effects of performance contract on the productivity of public sector organizations.

1.3 Research objectives

To achieve the above stated purpose, the study was guided by the following research objectives, to:

1. Establish the effect of performance contract on the speed of service delivery in Postal Corporation of Kenya.
2. Find out the effects of performance contract on customer satisfaction in Postal Corporation of Kenya.
3. Establish the effects of performance contract on achievement of targets set by Postal Corporation of Kenya.
4. Find out the perception of employees on performance contract in Postal Corporation of Kenya.

1.4 Research Questions

Based on the above research questions, the study formulated the following research questions;

1. What is the effect of Speed of Service Delivery on productivity of public sector organizations?
2. To what extent does customer satisfaction affect productivity in public sector organizations?
3. Does achievement of targets increase productivity in public sector organizations?
4. How does employee perception on performance contracting affect productivity in public sector organization?

1.5 Significance of the study

The study is relevant in that its findings will assist policy makers in Postal Corporation of Kenya and the public sector in formulating effective strategies of reinforcing performance contracts.

It is hoped that the findings will enable the management achieve financial targets and reduce costs and wastages in view of increasing competition in the business environment. These findings may also help them to take opportunities that may open up as a result of prudent management of resources.

The study will enable employees appreciate their role in performance contracting and overall organization productivity. They will be motivated to provide alternative strategies in the implementation of performance contracting process.

The study is significant to the general public because it increases the general knowledge on performance contracting and the role of any parastatal in enhancing citizen satisfaction

1.6 Delimitation of the study

This research was conducted within the following parameters:

1. The study was limited to public sector organizations in Kenya
2. The steps involved in this research were limited since the researcher was expected to complete the study within a two month period (May to July 2010). This placed a limit on the overall scope of the study.
3. The study was limited to Postal Corporation of Kenya headquarters and its branches in Kenya.

1.7 Limitations of the study

1. Timely completion

Time taken for the research was so limited and could not allow for the collection of detailed information. The data collected was therefore not a sufficient representation of the population in the organization. The researcher extensively used secondary data to bridge this gap.

2. Confidentiality

Organizations do not usually provide information regarding matters they treat private and confidential to members of the public hence making it difficult to get the information required by the research study. The researcher developed an introductory letter to management of Postal Corporation of Kenya and got an entry meeting with the management to assure them that the research was purely for academic purposes.

1.8 The scope of the study

The study focused on the effect of performance contracting on public sector organizations productivity taking a case of Postal Corporation of Kenya. This study was confined to Postal Corporation of Kenya headquarters and its branches in Kenya. The study targeted top management, middle level management and the support staff. The study was carried out between May and July 2010.

1.9 Assumptions of the study

In assessing the effect of performance contracts on the productivity of public sector organizations, the study assumed that performance contracting had been fully implemented by the corporation and the study sought to measure its relevance. It was assumed that the target population was representative and respondents answered the questionnaire truthfully.

1.10 Definition of key terms/words

1.10.1 Performance

Decenzo (2008) defines performance as, effective and efficient work, which also considers personnel data such as measures of accidents, turnover, absence and tardiness.

1.10.2 Productivity

This is the quantity or volume of the major product or service that an organization provides. It includes capital, investments, innovation, learning, and an employee's motivation.

1.10.3 Corporation

It is a legal entity, which has its own rights and obligations separate and distinct from owners.

1.10.4 Management by objectives (M B O)

This is a performance appraisal method, which includes mutual objective setting and evaluation based on the attainment of the specific set objectives.

1.11 Organization of the Study

Chapter one outlines the Research background, the Statement of the problem, Research objectives, Research hypotheses, and Significance of the study. It also looks into the Limitations of the study, the Scope of the study and the Definition of key terms or words.

Chapter two contains various literatures that exists on the topic the effects of performance contract on organization productivity.

Chapter three outlines the research methodology used in this study. The chapter is arranged under the following headings; Introduction, Research Design, Target Population, Sampling Design, Data Collection and Data Analysis.

Chapter four focuses on the analysis and report of the results of the study. The main issues covered are demographics of the respondents, profiles of the sample organizations, descriptive statistics, correlation analysis and multiple regression analysis

Chapter five looks at the summary, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains various literatures that exist on the topic of the effects of performance contracts on organizational productivity. In view of poor service delivery by the various government ministries and institutions, there arose a need to change the way management of public institutions and resources is done. This led the government to adopt the performance contract as a way of improving service delivery to the public and creating accountability in all employees. Postal Corporation is a government Parastatal which is governed by the state corporation act.

2.2 Performance Contracting

Performance contract is a new systematic approach and process introduced by the government of Kenya to all sectors in the Public service and Parastatal bodies with a view of improving individual, organizational, and general improvement in service delivery in the Public service in order to increase productivity in the economy. Relatively new concept in the public service and in Postal Corporation of Kenya, as a parastatal, the new concept has generated varied views in terms of acceptance, challenges and interpretation.

Performance contracting is a product of performance management, which has been put forward by various authors. Armstrong (2004), states that performance management is an integration of organizational and individual goals (the old management by objectives). Performance management as a goal setting based form of moderation. It has also been defined as an innovative approach to appraisal process. Several authors have also pointed out performance differently. Bates and Holton (1995) points out that performance is a multi dimensional construct, measurement of which varies depending on variety of factors. They have also stated that it is important to determine whether the measurement objective is to assess performance outcome or behaviour. Kane (1996) argues that performance is something that the person leaves behind and that exist a part from the purpose.

Performance management concerns everyone in the business not just managers. It rejects the cultural assumption that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is shared between managers and team members. Managers and their teams are jointly accountable for results and are jointly involved in agreeing what they need to do both in monitoring performance and in taking action. Performance management is concerned with outputs achievement of results and with outcomes, the impact made on performance.

The primary development goal for any country is to achieve broad-based, sustainable improvement in the standards of the quality of life for its citizens. 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. Public services in many African countries are confronted with many challenges, which constrain their delivery capacities (Lienert, 2003). They include the human resource factor, relating to shortages of the manpower in terms of numbers and key competencies, lack of appropriate mindsets, and socio-psychological dispositions.

The Civil Service inherited at independence had not been designed to grapple with development needs of post-independence Kenya. The pre-occupation of the administration throughout the colonial period had been with system maintenance. As a result the only institutions that were well developed were those responsible for maintenance of law and order. The reforms being undertaken are nevertheless a continuation of activities which the government has engaged in since independence.

What is important to take account of is that the launching of the on-going reform efforts was necessitated by need to address the declining performance of the Public Service in spite of the many reforms which had been carried out.

The public sector has been faced with 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 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).

The implementation of systematically planned public sector reforms in Kenya can be broadly classified into two generations. The first generation saw the introduction of civil service reforms coming soon after the structural adjustment programmes. Logically, the primary focus of these first generation reforms was to deal with the emerging economic challenges brought about by globalization and also the after shock waves of the SAPs. The reforms were about dealing with issues that needed both immediate attention and solution, and reshaping the state for long term goals.

These challenges are clearly stated in the introduction of the Civil Service Reform Strategy (CSRS) document (1993) “As the third decade of independence draws to a close, Kenyans are facing new challenges in economic management and public policy. Quality public services remain a priority, but cost considerations have become significantly more important. Not only must Kenyans needs be met, they must be met efficiently. Pervasive reform of the Civil Service is therefore required. In response to this imperative, a wide ranging review of the structure and functions of the Civil Service has been conducted, and extensive recommendations and an action plan for reform have been developed.”

It had become evident that the Government was unable to sustain service delivery standards to the satisfaction of the citizens and pressure was mounting. Attempting to meet the high wage bill and maintain services demanded finance beyond that obtained through revenue and as a result the Government was forced to borrow money from the domestic market. Rising domestic debt forced up interest rates that were a major cause of slow down in the economic growth and rising levels of poverty. With national economic and global competitive success becoming increasingly determined by open markets, dynamic enterprises and highly skilled workforce, the public service had to enter the equation as an active player; proactively developing and responding to growing expectations of service quality. While the public service was being forced to produce more from fewer resources, it also had to ensure that those products were the right ones.

In 1993 the Government formally initiated the Civil Service Reform Programme (CSRP). The CSRP was envisaged for implementation in three phases. The first phase 1993-1998, focused on cost containment, the second phase 1998-2001 focused on performance improvement and the last phase focused on refinement, consolidation and sustenance of

reform gains. The epicenter of the three phases of reform was to build a public service that is capable of meeting the challenges of improving service delivery to Kenyans.

The endeavor to improve service delivery saw a number of performance improvement initiatives being put in place. These included emphasis on the adoption of private sector business management ethos in the lines of New Public Management principles. The reform programme in Kenya as in many countries, promised a lot both to the citizens and the public servants, promises which were not being fulfilled fast enough. With very little results to show after about five years of implementing reforms, the Government through a World Bank sponsored programme and policy hired a team of private sector experts into the public sector through short term contracts to inject the sense of urgency in improving service delivery which was thought to be lacking in career public servants.

Performance contracting is concerned with the process required to achieve these results, competences and the inputs in terms of capabilities expected from the teams and individuals involved. Performance management has been viewed as a sequence into the organization and the activities carried out at each stage are interlinked from the top management to the lower cadre of employees. This is termed as cascading Armstrong and Baron (2004) have elaborated these sequences in the organization set up process. At the top are the corporate mission and strategic goals. These normally provide the starting point of the performance management process. The aim is to ensure that each of the activities in the sequence is aligned to those goals and contributes to their achievements.

The next level is the business and departmental plans and goals. This flow directly from the corporate goals but some alteration may take place so that departmental views about what can be achieved are taken into account. The next crucial stage is performance and development agreement. The performance and development agreement, which is the performance contract, is quite critical. It is the agreement on objectives and accountability reached by individuals with their managers.

The agreement is usually reached at a formal review meeting and recorded during or after the meeting on performance review form. The process of discussion and agreement are easier if both parties, the manager and the individual prepare for the meeting by reviewing progress against agreed work or the objectives considering what plans need to be made to improve performance or develop competence and skills, thinking about future

objectives as well as examining any areas where the manager could provide more support through help, guidance, coaching or provision of additional resources or facilities. A performance agreement will therefore define the work to be done, the results to be achieved, the performance standards to be achieved and the competence levels required. These agreements should be based on an open two way unambiguous discussion.

Antonioni (1994) emphasizes, it is essential that agreement is concluded on process goals, how the work is done as well as output goals what has to be achieved and looking at it from a total quality management (TQM) view. He also stressed that most important needs center on information regarding key external and internal customers needs and expectations. Each internal customer has performance requirements that must be made explicit. The performance and development plan stage is the next part of the performance management sequence. It is primarily a joint exploration of what individuals need to do and know to improve their performance and develop their skills and competencies and also how their managers can provide the support and guidance they need. The performance aspect of the plan obtains agreement on what has to be done to achieve objectives, raise standards and improve performance. It also establishes priorities the key aspects of the job to which attention have to be given. Agreement is also reached at this stage on the basis upon which performance will be measured and the evidence that will be used to establish levels of competence.

Once the performance and development plan has been achieved the next phase is action work development and support plan needs to be analyzed. It is a work and people related activity and focuses on what has to be done, how it is done and what is achieved. It is also concerned with developing people, helping them to learn and providing them with the support they need to do well now and in the future. Emphasis is always on managing performance throughout the year. This will involve continuous monitoring feedback, and formal reviews support which should be provided on a continuing basis through coaching and counseling and by providing the facilities and resources necessary to meet the expectations.

Continuous monitoring and feedback is the next stage and important concept of performance management. It bears frequent repetition that is continuous process in managing performance standards which reflects normal good practice of direction setting,

monitoring and measuring performance by providing feedback and taking action accordingly. Performance management should not be imposed on managers neither should it be imposed on individuals and teams as something special that is done to them. The American Compensation Association (1996) states that it is important to develop performance management on the basis of open, honest, positive, two way communication between supervisors and employees throughout the period. On performance view point, this means instant feedback to individuals and teams on the things they have done well or not so well. If people can be provided with the information they need to monitor their performance so much the better.

The last stage of performance contract is the formal review and feedback. Formal review meetings between managers and individuals or team leaders and their teams may be held annually, but may also take place more frequently like quarterly or half yearly basis. They provide an occasion for structured feedback and reflection. The purpose of the review is to develop and not to judge. The review should be noted on the reality of what the individual has been doing. It is concrete not abstract and allows managers and individuals together to take a positive look at how performance can become better in the future and have problems in achieving objectives or meeting standards can be resolved by the individual and the manager.

The role of managers during the meeting is to provide constructive feedback and also to listen to what individuals have to say about the performance and development needs. Review should also identify areas for improvement in the future and assess development needs. It therefore provides the foundation for a new performance agreement.

2.3 Theoretical Orientation

The service sector is faced with a lot of challenges, key among them being high competition, highly informed customer, various stakeholders demanding value for the taxes they pay and which has led organizations and the government to respond to these challenges. This part of the research study focuses on theories relevant to the research problem that address issues of performance contract and if its introduction as had any effect on the organizations productivity.

2.3.1 Contingency Theory

Contingency theory model as developed by Silverman (1970) suggests that the internal structure of an organization and its systems are a direct function of its environment. The theory traces the factors linking organizational performance to critical environmental pressures. Contingency theory states that whatever is done within an organization must fit its circumstances. That is why no non performance management system can be safely transferred from one organization to another. These issues are changing rapidly and the processes for managing performance in organization are too dynamic.

2.3.2 Expectancy Theory

Decenzo (2008) on his analysis of motivation argues that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual. He says that it includes three variables. The first is attractiveness. This includes the importance that the individual places on the potential outcome or reward that can be achieved on the job. This considers the unsatisfied needs of individual.

The second variable is the performance reward linkage. This refers to the degree to which the individual believes that performing at a particular level lead to the attainment of each job outcome. Thirdly is the effort performance linkage. This mainly deals with the perceived probability by the individual that exerting a given amount of effort will lead to the performance of a job. Though these may sound complicated it is evident that individuals have the desire to produce at any given time depending on their particular goals and their perception of the relative worth of performance as a path to the attainment of these goals.

2.3.3 Attribution Theory

In attribution theory, Decenzo (2008) suggests that employee's evaluations are directly mediated by manager's attributions as to who is perceived to be in control of the employee's performance, the employer or the manager. Research study supporting this theory suggests that when managers attribute an employee's supporting poor performance to employee's own motivation, judgments are harsher that when the same poor performance is attributed to external factors. It further says that when an employee is performing satisfactorily, managers will evaluate the employee favorably if the

performance is attributed to the employee's own efforts than if the performance is attributed to outside forces. This is therefore a theory of performance evaluation based on the perception of who is in control of an employee's performance.

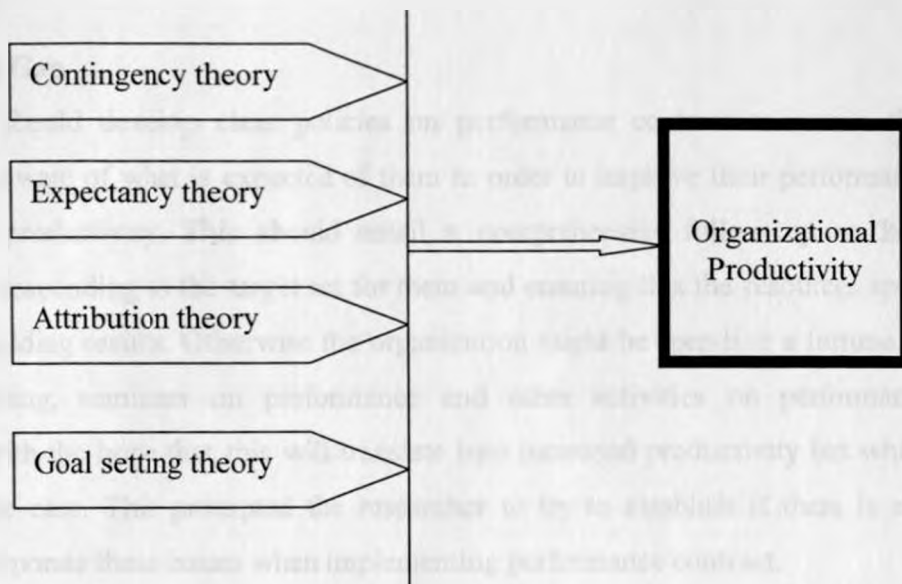
2.3.4 Locke's goal setting Theory

Goal setting is a powerful way of motivating people. The importance of goal setting is critical to entire management systems. Dr Edwin Locke's in his 1968 article "Towards a theory of task motivation and incentives" He stated that employees were more motivated if clear goals and appropriate feedback is given. Locke's went on to say that working towards a goal provided a major source of motivation to actually reach the goal, which, in turn improve performance. Locke's research shows that there was a relationship between how difficult and specific a goal was and people's performance of tasks. This theory emphasizes on being specific on targets for instance giving employees a target of 75% within a set time frame. Achieving hard goals has also been found to be more motivating than easy goals because it shows achievement of an objective.

Dr Gary Latham reinforces Locke's view in his research studies on the effect of the goal setting and performance at work place. In 1960, Locke's and Latham published their seminar work;" Theory of goal setting and task performance". In order to motivate, goals must take into consideration the extent of the following; Clarity, challenge, commitment, feedback and task complexity. For the organization, its objectives and goals must be clear, specific, with a definite time frame of accomplishment. When a goal is vague or ambiguous, it will have less motivation value. When people know that what they do will be well received, they tend to be naturally motivated to do a good job. Goals must also be understood as agreed upon if they are to be effective.

Employees will normally accept a goal if they are part of creating the goal. Including people in their own goal setting is therefore vital. Feedback is another important factor for effective goal setting program. Feedback provides ways of clarifying expectations, difficult encountered and gain recognition. In addition to feedback, task complexity is also an important factor in goal setting theory. For those assignments that are highly complex, special care should be taken to ensure that the workload is not overwhelming. Goal theory is thus critical in execution of performance contract because without which productivity will not be achieved.

Figure 2.1 Theoretical Orientation



2.4 Empirical Review

Armstrong (2006), states that performance agreement forms the basis of performance contract and development, assessment and feedback. He says that expectations are defined in the form of a role, profile and sets out role requests in forms of key result areas, and competencies required for effective performance of a job.

Armstrong and Baron (1998) obtained the following additional views from practitioners about performance management. It says that management tools help managers to obtain solutions at work, focus on changing behavior rather than paperwork. It also says that performance management is what managers do. Dessler (2008) says that performance management recognizes that in today's globally competitive environment, every employee's competencies and efforts must focus on helping the company achieve its strategic goals. The basic idea is that management and each worker and work team should continuously monitor performance relative to goals and continuously improve results. This in the end will improve productivity of the company.

Performance management process has become prominent in recent years as means of providing a more integrated and continuous approach to the management of performance than was previously provided by merit rating or performance appraisal schemes. Performance management is based on the principle of management by agreement or contract rather than management by command. It emphasizes development and initiation

of self-managed learning plans as well as the integration of individual and corporate objectives (Michael Armstrong 2006).

2.4.1 Research Gap

Organizations should develop clear policies on performance contract to ensure that employees are aware of what is expected of them in order to improve their performance and company productivity. This should entail a comprehensive follow up on how employees are responding to the target set for them and ensuring that the resources spent on them are yielding results. Otherwise the organization might be spending a fortune on employee training, seminars on performance and other activities on performance management with the hope that this will translate into increased productivity but which may not be the case. This prompted the researcher to try to establish if there is any attempt to incorporate these issues when implementing performance contract.

2.5 Conceptualization

This section discuss the following parameters: Service delivery, Employee perception, Targets and Customer satisfaction

2.5.1 Service delivery

This refers to a set of components that provide a platform for efficient and effective service provision. A variety of forces shape the services industry from fierce competition and globalization to the modularization of business processes and technology. Clients want services firms to deliver cost-effective services in smaller, fixed price contracts, but at the same time want to retain highly seasoned professionals equipped to address their most challenging industry-specific process needs.

To succeed in this environment, services firms must continually improve their service delivery methods to increase client value and profitability and lower costs. This involves implementing more efficient resourcing and partnering processes, creatively packaging services, and co creating value with clients. However, for any of these endeavors to work, a firm must have a foundation that supports global processes and workflows that enhance client and supplier collaboration. For the firms that succeed, the rewards are great. They can differentiate themselves in a crowded marketplace, lock in loyal clients, use internal and external resources more profitably, and improve time to market.

2.5.2 Employee Perception

This refers to the attitudes and interpretations that employees have about the organization and the various processes within the organization. This is discrete information provided through the eyes of the employees.

2.5.3 Targets

Objectives are the aims or targets put forward for an individual or a group with a view of achieving certain goals or results within a set time frame. Performance contract is about agreeing on set objectives to be accomplished within a certain time frame with periodical reviews being done to ensure everything is on track. This is critical for its success without which the essence of the contract is lost. Employees and their supervisors should be involved from the first to the last stage for the desired results to be achieved.

2.5.4 Customer Satisfaction

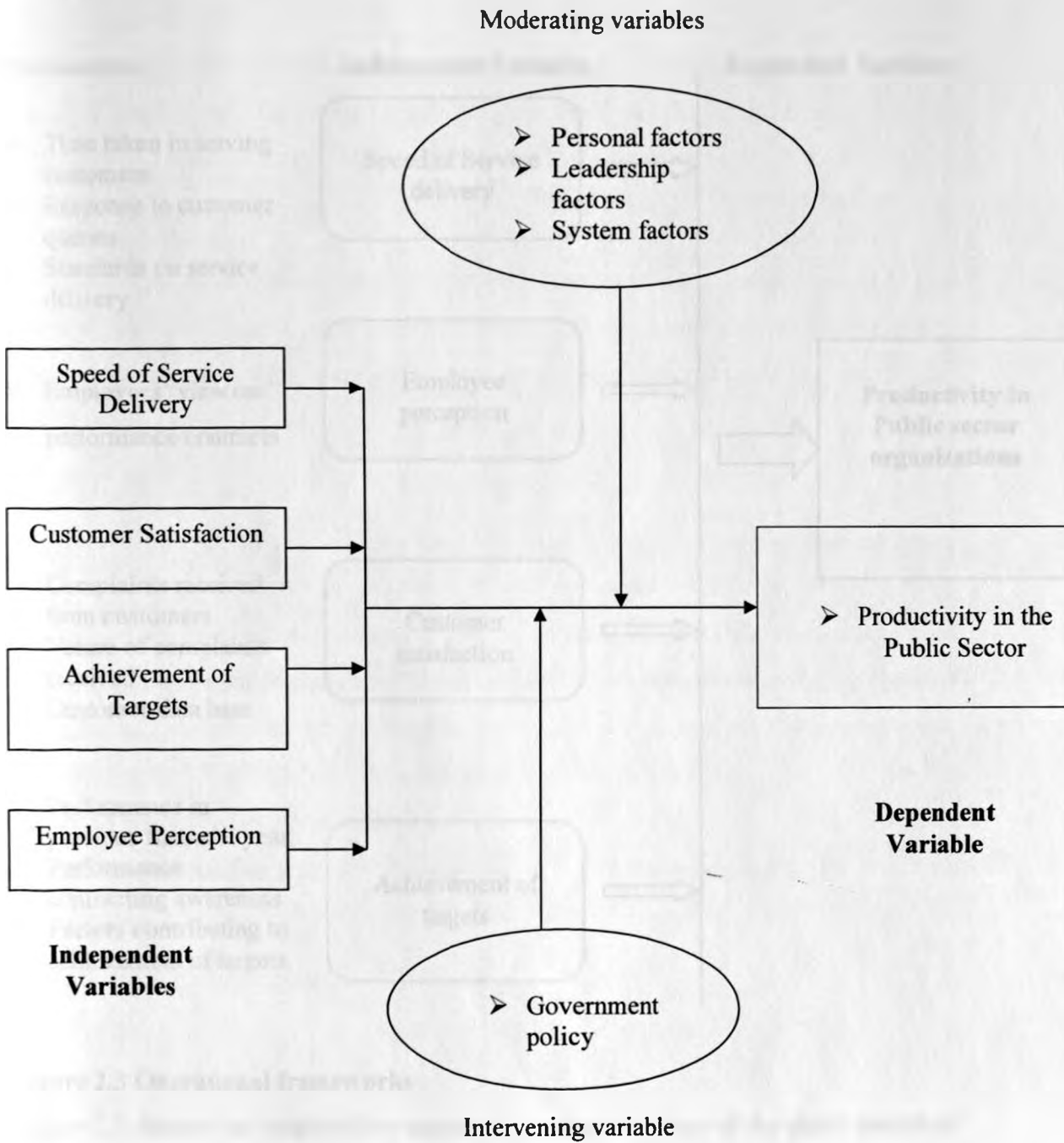
Customer satisfaction is a perception. It is also a question of degree. It can vary from high satisfaction to low satisfaction. If customers believe that you've met their requirements, they experience high satisfaction. If they believe that you've not met their requirements, they experience low satisfaction. Since satisfaction is a perception, customers may not be satisfied even though you've met all contractual requirements. Just because you haven't received any complaints doesn't mean that customers are satisfied.

There are many ways to monitor and measure customer satisfaction. You can use customer satisfaction and opinion surveys; you can collect product quality data (post delivery), track warranty claims, examine dealer reports, study customer compliments and criticisms, and analyze lost business opportunities.

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

Figure 2.2 Conceptual Framework

This shows how the independent variable interconnects with the dependent variable.



2.6 Operationalization of Variables

This involves identifying the parameters that the researcher used in the analysis of the statistics.

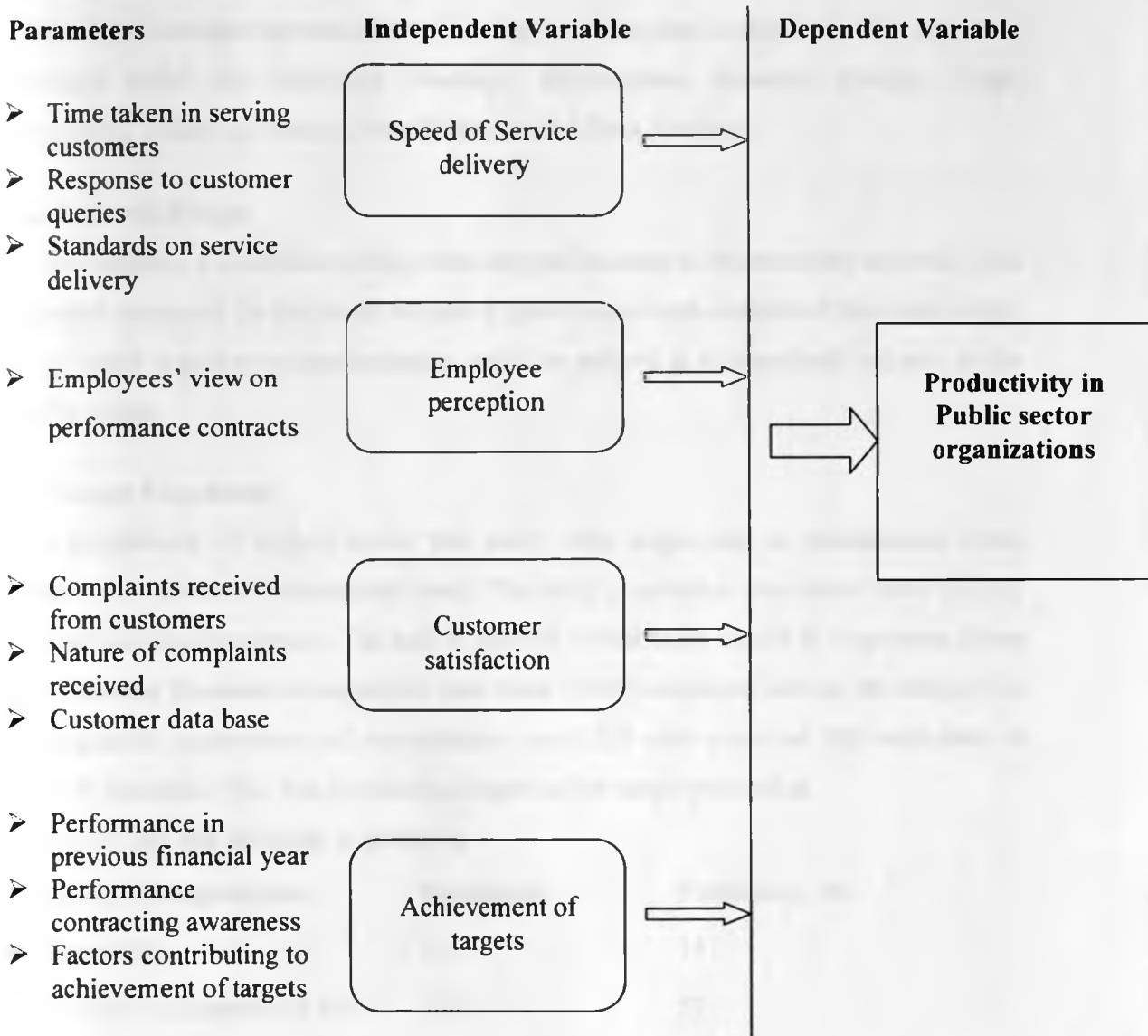


Figure 2.3 Operational frameworks

Figure 2.3 depicts the relationships among the various variables of the study identified and explained in the study objective. The operational framework suggests an interrelationship between productivity in public sector organizations and the four groups of variables emanating from the implementation of performance contract: Speed of Service delivery, Customer satisfaction, Employee perception and Achievement of targets.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was used in this study. The chapter is arranged under the following headings; Introduction, Research Design, Target Population, Sampling Design, Data Collection and Data Analysis.

3.2 Research Design

In this research, a correlation design was adopted because of the variables involved. This approach was ideal for this study because it gives an in-depth analysis of the single entity, from which a policy recommendation could be arrived at to spearhead reforms in the public sector.

3.3 Target Population

The populations of interest under this study were employees on management level, supervisory level and subordinate level. The study population was drawn from the key segments of the corporation. The unit of analysis in this study was PCK employees. From PCK Human Resource Management Data Base (2010) employee ratio in the category of management, supervisors and subordinates was 1:3:5 with a total of 350 employees in Nairobi branches. This was adopted to categorize the target population.

Table 3.1 the size of target population

Category of respondents	Population	Percentage %
Management	50	14
Employees on supervisory level	200	57
Subordinates	100	29
Total	350	100

3.3.1 Sampling size and Sample selection

The sample comprised three strata from 27 branches across the corporation: Management, Supervisory and Subordinate staff. Simple random sampling was used in each stratum. This method is not biased and it ensured that each and every unit in the

stratum had an equal chance of being included in the study. Assumption of normal approximation is poor (Yamane, 1967). Yamane (1973) recommended the formula for random sample as below:

$$n = N / (1 + Ne^2)$$

where, n is size of sample,

N is population of sample, and

e² is probability of error.

So, the sample size for the study has been calculated according to the recommendation as follows:

$$n = 350 / \{1 + 350(0.05)^2\} = 187$$

With N = 350, e = 5% (at 95% confidence level), hence the sample size is 187 respondents.

Table 3.2 sample frame

Category of respondents	Target population	Sample population	Percentage %
Management employees	39	20	51
Employees on supervisory level	117	62	52
Subordinates	194	103	53
Total	350	187	53

3.4 Data Collection Technique

3.4.1 Data collection instrument

The study used questionnaires as the instrument of data collection. These were predetermined questions whereby the respondents were served with the questionnaires and given time to fill. The questionnaires gathered information on performance contracting as follows: speed of service delivery, customer satisfaction, and achievement of targets and employee perception. The ratings ranged from 1 (lowest) to 5 (highest).

3.4.2 Data collection procedure

A letter was written to the management of PCK requesting for authority to collect information regarding performance contracting. There after an entry meeting was held with the management to assure them that the research was purely for academic purposes. The questionnaires were distributed around the month of May and June, 2010, right after the presentation of proposal during the month of May, 2010. Questionnaires were hand delivered to the employees at PCK headquarters and its branches in Nairobi. The questionnaires were explained to each employee and there after collected once they were completed.

In total, 350 questionnaires were distributed, and 161 respondents returned with fully furnished information, making a satisfactory respondent rate of 86% as required sample size is only 187 as worked out using Yamane (1973) formula.

3.5 Validity and reliability

Reliability refers to the consistency of the scores obtained from one administration of an instrument to another while validity refers to the appropriateness and usefulness of the inferences a researcher makes (Scarborough,1998).To achieve reliability each respondent was asked the same set of questions (Fowler, 2002). Reliability of the questionnaire was tested through a pilot test which was carried out. The pilot test sought to know whether the questionnaire was consistent in its measurement. Reliability was established using a pilot test by collecting data from subjects not included in the sample. Pilot study assisted in detecting possible flaws in measuring procedures and helping identify unclear formulate items.

Review of the instrument by using subject matter experts and a field test helped to achieve construct, face and content validity. The instrument was reviewed and revised by the academic supervisor and peers. Changes were made as appropriate, based on expert opinion. To eliminate the threat of instrument decay, the questionnaire was piloted to a select sample that was similar to the final one in terms of all parameters. This enabled the researcher to fine tune questions in order to elicit findings that would beneficial to the study.

3.6 Data analysis techniques

Before analyzing the responses, the completed questionnaires were edited for completeness and consistency. The data was coded for errors and omissions; this was done to ensure precision. Statistical Package of Social Science (SPSS) software was used to analyze the result of the questionnaire. Descriptive statistics, correlation and multiple regression analysis were applied in the analysis of the objectives.

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	Frequency	Percentage
Yes	8	100
No	38	23.2
Not sure	24	55.8
Don't know	20	45.5
Total	(100)	100

Table 3.1: Frequency of Responses (n=100)

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

In this section focus is on the analysis and report of the results of the study. The main issues covered are demographics of the respondents, profiles of the sample organization, descriptive statistics, correlation analysis and multiple regression analysis.

4.2 Demographic Characteristics of the Sample

The data for this study was collected within three months (May – July 2010) using a questionnaire. The questionnaire was administered across the corporation branches. In total, 187 questionnaires were distributed to the individuals in the sample. Of these 161 questionnaires were successfully completed and returned to the researcher by respondents from 27 branches, giving a response rate of 86%, a figure considered substantially sufficient for the study. Analysis of the profiles of sample organizations was based on demographic characteristics of the respondents in terms of length of employment, gender, level of education and age of employees.

4.2.1 Duration in Employment

Table 4.1 shows that in the 27 branches that responded, the majority of employees (59 or 36.6%) had been in employment for 10 years and above. Those who had worked for 6 to 10 years were 56 or 34.8%. This was followed by 38 or 23.6% workers who had been with the organization for 2 to 5 years. In total only 8 or 5% had an experience of one year and below.

Years	Frequency	Percentage
1 & below	8	5.0
2 - 5	38	23.6
6 – 10	56	34.8
Above 10	59	36.6
Totals	161	100

Table 4.1: Duration of Employment in PCK

4.2.2 Sex

Table 4.2 indicates that the number of male employees at 102 or 63.4% was almost double that of the females at 59 or 36.6%.

Gender	Frequency	Percentage
Male	102	63.4
Female	59	36.6
Totals	161	100

Table 4.2: Distribution of the Respondents by Sex

4.2.3 Level of Education

The level of education of the respondents as revealed in Table 4.3 shows that 9 or 5.6% respondents in the 27 branches had secondary education which is the basic education in Kenya. Less than a quarter (54 or 33.5%) had diploma level certificate, and the majority (61 or 37%) had bachelors degrees; whereas 34 or 21.1%) had masters degrees. The remaining 3 or 1.9% had certificate qualifications which were lower than diploma certificates and could take as short a time as a week to acquire.

In general, the study gives a favorable picture concerning the level of education of the employees in Postal Corporation of Kenya. A substantial fraction of the workforce (54 or 33.5%) had diploma which possibly enabled them start from the position of senior clerk or lower level supervisor. Since there is a tendency for employees to stick to one employer (see Table 4.1) and for the latter to invest on human resource, long serving and talented employees with diplomas are generally promoted to senior supervisors and to managerial posts. Such competitive posts may also be filled through direct appointments of holders of degrees. Those holding masters degree with relevant work experience stand a better chance of joining an organization as senior managers.

Level of Education	Frequency	Percentage
Secondary	9	5.6
Diploma	54	33.5
Bachelor Degree	61	37.9
Masters Degree	34	21.1
Others	3	1.9
Totals	161	100

Table 4.3: Distribution of the Respondents According to Level of Education

4.2.4 Age of Employees

2 or 1.2% of the employees in the corporation were in the age bracket of 25 years and below whereas the oldest employees (6 or 3.7%) were aged 55 years and above as indicated in Table 6. A look at the age structure of the employees shows a great diversity. The majority of the employees (64 or 39.8%) were in 35 – 44 years age bracket, 45 or 28.0% were aged 26 - 34 years whereas 44 or 27.3% were aged 45 -54 years. Greater diversity in age creates challenges but also gives some important advantages. Greater diversity presents new opportunities such as contributing to creating organization culture, more tolerance to different behavioral styles and varied views. Another potential payoff is a greater opportunity for the organizations to develop the younger workers particularly in the age bracket 35 – 44 years to take over from the older (44 or 27.3%) when the latter retire.

Age (Years)	Frequency	Percentage
25 below	2	1.2
26 -34	45	28
35 - 44	64	39.8
45 - 54	44	27.3
55 +	6	3.7
Totals	161	100

Table 4.4: Age profile of the Respondents

4.3 Descriptive Statistics

Descriptive data is used to detect anomalies in the data and also to have a general overview of the data. The respondents were asked to rate, on a five-point scale, the extent to which they agreed or disagreed with statements describing the significance of performance contracting (PC) towards productivity in public sector organization (PPSO) with respect to the following variables:- Speed of Service delivery, Employee perception, Customer satisfaction and Achievement of targets. The ratings ranged from 1 (lowest) to 5 (highest). Responses to various statements were collapsed and a composite index (mean score) computed for each function. The results are presented in Table 7, and along with standard deviations.

A look at Table 4.5 shows that Speed of Service delivery was rated highest on average with a mean of 4.13 with responses deviating from this mean by a standard margin of 0.80. This is followed closely by Customer satisfaction with the mean of 3.99, with standard deviation (STD DEV) of 0.96, Employee perception (mean = 3.59, STD DEV = 0.78) and Achievement of targets (mean = 3.23, STD DEV = 0.78) in that order. This ordering could be interpreted to mean that Speed of Service delivery and Customer satisfaction constituted the best performance contracting drivers towards productivity in public sector organization Conversely, Achievement of targets was lowest on the scale of best practices, although it was still well above the average (mid-point), implying it was also used to a great extent.

Table 4.5: Means and Standard Deviations for Indexed Performance Contracting Variables

Independent Variable	Mean	Std Deviation
Speed of Service delivery	4.13	0.80
Customer satisfaction	3.99	0.96
Employee perception	3.59	0.78
Achievement of targets	3.23	0.78

4.4 Correlation Analysis

Correlation analysis was used for data analysis in the study to observe employee feedback on the relationship between performance contracting parameters and productivity in public sector organization.

Table 4.6: Correlation between performance contracting and productivity in public sector organization

	Speed of Service delivery	Customer satisfaction	Employee perception	Achievement of targets	Productivity in public sector organization
Speed of Service delivery (SSD)	1				
Customer satisfaction (CS)	.428	1			
Employee perception (EP)	.171	.078	1		
Achievement of targets (AT)	.264	.421	.165	1	
Productivity in public sector organization (PPSO)	.819*	.673*	.630*	.564*	1

*represents correlation is significant at 0.05 levels (2 – tailed)

Correlation analysis is executed to test the strength of the relationship between variable. Statistical test at 95% level was used to test the significance of the relationship between the variables in the study. Table 4.6 shows the correlation matrix among the independent variables and the dependent variable. The significant level for each correlation is a primary source of information about the reliability of the correlation, which determines whether to accept or reject the hypotheses in the study.

Correlation is a powerful tool for getting a rough idea of the relationship between predictors (Alsaed, 2005). As delayed in Table 4.6 performance contracting variables have positive and significant relationship with productivity in public sector organization

as defined by the ratios in the matrix. These ratios are 0.819, 0.673, 0.630 and 0.564. And this means that if these ratios increase the productivity in public sector organization will increase in the same direction with those ratios. PPSO is correlated to SSD' at strength of 81.2% significant, PPSO is correlated to CS' at strength of 67.3% significant and PPSO is correlated to EP' at strength of 63.0% significant. PPSO is correlated to AT' at strength of 56.4 % significant. Therefore all the hypotheses of the study are true and hence accepted.

4.5 Multiple Regression

To explain variation in level of performance contracting variables, multiple regression analysis was undertaken. The collected data was analyzed and the result is presented in table 4.7.

The multiple regression equation can be written as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_jX_j.....+e$$

Table 4.7: Coefficients

Model	Un-standardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
Constant	4.9	3.1		1.59	0.012
Speed of Service delivery	0.6	0.64	0.09	1.85	0.039
Customer satisfaction	0.26	0.34	0.06	1.69	0.050
Employee perception	0.36	0.364	0.10	1.93	0.040
Achievement of targets	0.4	0.50	0.03	1.63	0.041

The estimated multiple regression equation was obtained as follows:

$$Y = 4.9 + 0.09X_1 + 0.06X_2 + 0.10X_3 + 0.03X_4,$$

where (Y) = Productivity in Public sector organizations

(X₁) = Speed of service delivery

(X₂) = Customer satisfaction

(X₃) = Employee perception

(X₄) = Achievement of targets

Sig. column has been checked for values below approximately 0.05 levels. The entire construct i.e. speed of service delivery, customer satisfaction, employee perception, achievement of targets met this standard and they are significant predictors. According to Table 4.7 the findings provides the support to the entire hypothesis, hence the H1, H2, H3 and H4 were found to be true.

In significant level less than 0.05 we can state with 95% confidence that speed of service delivery, customer satisfaction, employee perception and achievement of targets have a positive effect on productivity in public sector organization.

The higher the absolute value of Beta the more important the variable in predicting the productivity in public sector organization. In this case the more important predictors are Employee perception with (Beta 0.10), Speed of Service delivery with (Beta 0.09), Customer satisfaction with (Beta 0.06) and finally Achievement of targets with (Beta 0.03) among all other criteria.

The results revealed that general managers, heads of department, managers and assistant managers from the selected state corporation believe that Employee perception has the first priority, followed by Speed of Service delivery, Customer satisfaction and Achievement of targets respectively for productivity in public sector organization through performance contracting initiative.

CHAPTER FIVE
SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND
RECOMMENDATION

5.1 Summary of Findings

	OBJECTIVE	FINDINGS	REMARKS
1.	To establish the effect of performance contract on the speed of service delivery in Postal Corporation of Kenya.	Speed of service delivery is positively correlated to productivity of public sector organizations at a ratio of 0.819. Speed of service delivery has a Beta coefficient of 0.09.	Increase in speed of service delivery will result in a corresponding increase in public sector performance by 9%
2.	To find out the effects of performance contract on customer satisfaction in Postal Corporation of Kenya.	Responses rated customer satisfaction with a mean of 3.99. Customer satisfaction is positively correlated with productivity in public sector organizations at a ratio of 0.673 with a Beta coefficient of 0.06.	An increase in customer satisfaction results in increase in productivity in organizations by 6%
3.	To establish the effects of performance contract on achievement of targets set by Postal Corporation of Kenya.	Achievement of targets was positively correlated with productivity at a ratio of 0.564 and a beta coefficient of 0.03	A unit increase in a achievement of targets results to a corresponding increase in productivity by 3%
4.	To find out the perception of employees on performance contract in Postal Corporation of Kenya.	As evident in Table 9, the values of beta coefficient of employee perception was 0.10	A unit increase in employee perception on performance contracting, results in a corresponding increase in public sector performance by 10%.

5.2 Discussion

Several findings which were a focal point of the four objectives emerged during the data analysis phase of this study. These are addressed in this section

As described in chapter four employee perception was found to immensely influence productivity in public sector organization. Decenzo (2008) on his analysis of motivation argues that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of

the outcome to the individual. This implies that potential results can be achieved in public sector organizations through the emphasis employees place on potential rewards.

Employees are more motivated if clear goals and appropriate feedback is given. Locke's proposed that working towards a goal provided a major source of motivation to actually reach the goal, which, in turn improve performance. Objectives and goals with clear, specific, with a definite time frame of accomplishment provide direction and motivation within an organization. The study emphasized the importance of target achievement on the overall productivity of an organization.

The impact of speed of service delivery and Customer satisfaction is reiterated by the contingency theory. Silverman (1970) suggests that the internal structure of an organization and its systems are a direct function of its environment. The theory traces the factors linking organizational performance to critical environmental pressures. Public sector organizations thrive in a very competitive environment and therefore must continually improve their service delivery methods to increase client value and profitability and lower costs. This involves implementing more efficient resourcing and partnering processes, creatively packaging services, and co creating value with clients. Public sector organizations must always strive to meet and surpass the demands of the public.

5.3 Conclusion

Based on the foregoing the following conclusions can be made on performance contracting in the public sector: - it is important for the corporation to deliver services that are integrated with customers perception; creation of an enabling environment to implement the agreed targets; development, promotion and diversification of high quality products and services; good governance and upholding the rule of law in managing state entities.

The main challenges facing public sector towards implementing their performance contracting initiatives are: inadequate financial resource allocations for construction, maintenance and rehabilitation of infrastructure; unfavorable contractual commitments; adverse weather conditions; lengthy procurement procedures leading to protracted court cases; fragmented institutional framework, stringent and inefficient regulatory

frameworks and increasing demand for services and resources in other sectors of the economy and corruption. These have limited the capacity of the government to fully see the benefits of performance contracting programs and in some cases these challenges have delayed the fulfillment of donor conditions precedent to disbursement of funds leading to delays in project implementation.

Employee perceptions play a crucial role in the overall development and performance of organizations. In view of their unique role in the existence of an organization, their participation should be encouraged in all projects undertaken in public sector organizations. This requires the management of such organizations to provide a supportive and conducive environment and resources for employee participation. Organizations have to develop an inclusive culture that takes into consideration all the stakeholders in the implementation of projects such as the performance contracting initiative.

5.4 Recommendations

Arising from the discussion and findings of this study the following recommendations can be drawn out:

Public corporations should be able to sustain themselves in order to remain viable and survive. This requires inculcating and exercising entrepreneurial knowledge, skills and attitudes in the day-to-day operations of the organization and performance target annually.

One of the explanations given for failure of performance contracts has always been lack of adequate human resources. This alone has hampered the effectiveness and efficiency of service delivery in the sector. It is therefore recommended that recruitment of technical staff be undertaken to address succession management.

Strengthening the structures for good governance and upholding the rule of law is crucial in all state corporations for effective productivity.

Performance contracting training is important to inculcating requisite skills towards development. This means that there is a need for training and educational institutions to review curricula to make it relevant to a developmental state.

5.5 Areas for further Study

The study was limited to performance contracting in PCK in the following areas; Speed of Service Delivery, Customer Satisfaction, Employee Perception and Achievement of Targets. This being an institutional approach, further studies should look into the role of performance contracting in supporting government macro agenda such as Vision 2030 and economic recovery strategy i.e. Sector approach.

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APPENDIX I
LETTER OF TRANSMITTAL

School of Continuing and Distance Education,
The University of Nairobi.
TEL: 020 3242364

14th May, 2010

Dear Respondent,

I am a post graduate student at the University of Nairobi undertaking a course leading to a Masters' degree Project Planning and Development.

I am conducting an academic study on the effects of Performance contracting on the productivity of organizations in the public sector. This study is a requirement to be fulfilled as part of this degree. The study is targeting employees of Postal Corporation of Kenya.

You have been selected to participate in the research by virtue of your position in the organization. I am in this regard kindly requesting for your participation and in put in this study.

The information collected will be used solely for the academic purposes and the findings of the study will be made available to you upon request.

Thank you in advance for your anticipated contribution towards my study.

Yours Faithfully

Calvins Biko.

APPENDIX II

A Research Questionnaire on the Effect Performance Contracting on Public Sector Organizational Productivity

Section A: General Information

1. At what level do you serve in PCK (Tick one):

Management Supervisory Support/Operations

2. Please indicate your age bracket below (Tick one):

18-25 26-34 35-44 45-54 55& above

3. What is your sex (Tick appropriately)

Male Female

4. How long have you served in PCK? (Tick one)

1 year & below 2 - 5 years 6-10 years above 10 years

5. What is your level of education? (Please Tick)

Secondary Diploma Degree Masters Others

Section B: Speed of Service Delivery

6. (i) Are you on performance contract in your organization?(tick below)

Yes No

(ii) Counter staff

How long does it take to serve a customer on the following services?

a. Electronic funds transfer

1	2	3	4	5
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2 minutes	3 minutes	4 minute	5 minutes	6 minutes
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b. Payment of Bills

1	2	3	4	5
2 minutes	3minutes	4minutes	5minutes	6minute

7. How long do you take to respond to telephone ring

1	2	3	4
After one ring	After two rings	After three rings	After four rings

8. Do you have well define standards on mail delivery

Yes No

ii)If yes ,how long does it take to deliver mail in the following categories

		1-2 days	3-4days	5-6 days	6-10 days	11-20 days
1	Intra city					
2	Outside the city					
3	Inter city					
4	City to rural					
5	City to town					

Section C: Customer Satisfaction

9. On a monthly basis how many complaints are received by your organization (Customer care department)

1	2	3	4	5
10-50	51-100	101-150	151-200	200 and above

10. Kindly tick the frequency of the nature of complaints as indicated below

	Nature of complaint	10-30%	30%-50%	50-70%	70-100%
1	Slow service				
2	Poor customer service				
3	Loss of items				
4	Opening and closing hours				
5	Lack of stationeries				
6	Delay in response to customer queries				
7	Long cues				

11. Indicate the growth pattern of your organization's customer base in the following years

	Years	Number of customers on contract
1	2001	
2	2002	
3	2003	
4	2004	
5	2005	