

**CHALLENGES FACING THE IMPLEMENTATION OF PERFORMANCE
CONTRACT IN SELECTED STATE CORPORATIONS IN KENYA**

**BY
WYCLIFFE OUMA RAJORO**

UNIVERSITY OF NAIROBI
AFRICANA COLLECTION

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

2010

University of NAIROBI Library



0478544 0

DECLARATION

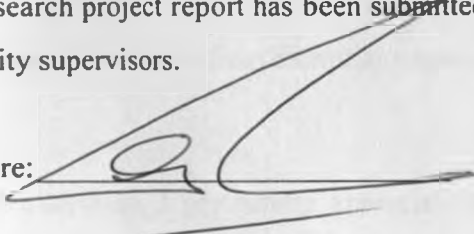
I declare that this project report is my original work and has never been presented in any other university.

Signature:  _____

Date: 23/9/2010

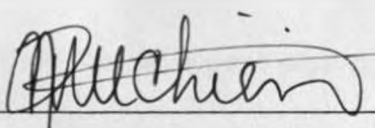
Wycliffe Ouma Rajoro L50/70771/07

This research project report has been submitted for examination with our approval as the university supervisors.

Signature:  _____

Date: 24/9/2010

Dr. Christopher Gakuu
Senior Lecturer, Department of Extra-Mural Studies
University of Nairobi

Signature:  _____

Date: 23/09/2010

Patricia Muchiri
Lecturer, Department of Extra-Mural Studies
University of Nairobi

ACKNOWLEDGEMENT

I would like to express my sincere appreciation to my family for their patience and support during the long hours of writing this work.

First and foremost, I would sincerely take this opportunity to convey my sincere thanks to my supervisors Dr. Christopher Gakuu and Patricia Muchiri for accepting to supervise this work, their persistence and guidance, dedication and encouragement that saw the preparation of this work from its initial stages up to its final form is highly appreciated.

Without exception, I profoundly appreciate the encouragement and support I received from my brother in law Narry Philemon Odeck, my mother Alice Rajoro, and Sister Jane Rajoro and to my work mate and friends for encouraging me through. I am deeply indebted to all those who insisted in one way or the other in having me go through this .I will always cherish their advice and support.

DEDICATION

This work is dedicated to my eldest sister Jane Rajoro and her husband for the kind of support they have given me throughout this programme; without you I may have not made it. I pray all the days of your life you will be known by this promise I love you dearly.

LIST OF TABLES

Title	page
Table 3.1 Operationalization of variables	20
Table 4.1 Demographic information	31
Table 4.2 Terms of employment and Job Level	32
Table 4.3 Working position and terms of services.....	32
Table 4.4 Organization sources of funding.....	33
Table 4.5 Measures to bridge the budget deficit	34
Table 4.5 Special financing and inadequate finances.....	34
Table 4.4 Awareness	35
Table 4.8 Training, Employees knowledge & skills on PC.....	35
Table 4.9 Various Training given to staff.....	36
Table 4.10 Staffing, key competence, Additional manpower required.....	37
Table 4.11 Staffing challenges	37
Table 4.12 Government role and commitment level.....	38
Table 4.13 Organization level of commitment	39
Table 4.14 Hindrances to the implementation of PC.....	40
Table 4.15 Suggestions and general comments	41

LIST OF FIGURES

Figure	page
Figure 1. Conceptual framework	22

ABBREVIATIONS & ACRONYMS

CWSA:	Community Water Supply Agency
ERS:	Economic Recovery Strategy
MOU:	Memorandum of Understanding
MDG:	Millennium Development Goal
NGO:	Non Governmental Organisation
PC:	Performance Contract
RPE:	Relative Performance Evaluation
ROM:	Result Oriented Management
SOE:	State Owned Enterprise

ABSTRACT

The purpose of Performance contracting is to improve efficiency and effectiveness in the management of public affairs through accountability. However, the implementation process fully began in 2004 covering all the public enterprises and ministries. There was little evidence of success due to a number of challenges in the implementation process. Some of the common challenges encountered by a number of enterprises included financial resources challenges, human resources challenges and low level of commitment from both government and organization.

In this study a survey was carried out among the managers and their supervisors of state owned corporations with head offices in Nairobi and its environs. The research investigates further whether financial resources, human resources and level of commitment influence the implementation of performance contract within public enterprises.

The design adopted for the study was a survey research design. It included both qualitative and quantitative method where information was sought through self administered questionnaires from the staff themselves and from their supervisors .The data collected was processed and analyzed using the Statistical Package for Social Sciences (SPSS) technique.

The study found that the challenges facing the performance contract included; inadequate /lack of commitment from government and top management, inadequate financial resources, manpower in terms of key competence to undertake key tasks, inadequate training and low level of awareness of performance contract.

The study recommended that there should be more commitment coming from the government and top management. Also more resources needs to be directed towards the enterprises to enable them perform keys tasks and more training given to staff.

TABLE OF CONTENT

Title	page
DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
LIST OF TABLES	v
LIST OF FIGURES	vi
ABBREVIATIONS & ACRONYMS	vii
ABSTRACT	viii
TABLE OF CONTENT	ix
CHAPTER ONE	
INTRODUCTION	1
1.1 Background of the study.....	1
1.2 Problem Description.....	7
1.2.1 Background of the problem.....	7
1.2.2 Statement of the Problem.....	8
1.3 Purpose of the study.....	9
1.4 Research objectives.....	9
1.5 Research questions.....	9
1.6 Significance of the study.....	9
1.7 Scope of the study.....	10
1.8 Limitations of the study.....	10
1.9 Delimitation of the study.....	10
1.10 Assumptions of the study.....	11
1.11 Definition of significant terms used in the study.....	11
1.12 Organization of the study.....	12
CHAPTER TWO	
LITERATURE REVIEW	13
2.1 Introduction.....	13
2.2 Performance contract.....	13
2.3 Financial factors on the implementation of performance contract.....	18
2.4 Human resources factors influence on performance contract.....	20
2.5 How organization commitment influences performance contract.....	21
2.6 Conceptual framework of the study.....	24
2.7 Summary.....	25
CHAPTER THREE:	
RESEARCH METHODOLOGY	26
3.1 Introduction.....	26
3.2 Research design.....	26
3.3 Target population.....	26
3.4 Sample and sampling procedure.....	27
3.5.1 Data Collection Method.....	27
3.5.2 Data Collection Procedure.....	28
3.5.3 Research Instrument.....	28
3.5.4 Validity of Research Instruments.....	28
3.5.5 Reliability of Research Instruments.....	29

3.6 Data Analysis Techniques.....	29
3.6 Operationalization of variables	30
CHAPTER FOUR	
DATA PRESENTATION, ANALYSIS AND INTERPRETATION	31
4.1 Introduction.....	31
4.2 Questionnaires Return Rate	31
4.3 Demographic Information.....	31
4.3 Respondents Job Level and Terms of employment	32
4.4 Duration of Service and Current Position	32
4.5 Challenges on the Implementation of Performance Contract	33
4.5.0 Challenges on Financial Resources	33
4.5.1 Government Funding and Budget allocation	33
4.5.2 Measures taken to bridge the budget deficit	33
4.5.3: Inadequate Finance and Special Financing.....	34
4.6 Challenges of Human resources.....	35
4.6.1 Respondents Awareness level.....	35
4.6.2 Employees Knowledge and Skills and Training.....	35
4.6.3 Training given to staff.....	36
4.6.4 Additional Manpower, Key Competence and General Staffing Challenges	36
4.6.5 Staffing Challenges.....	37
4.7 Level of Commitment	38
4.7.1 Government role on the implementation and level of commitment	38
4.7.2 Organization level of commitment	38
4.8 Respondents' Comments and Suggestions	39
4.8.1 Hindrances to the Implementation of Performance Contract	39
CHAPTER FIVE	
SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND	
RECOMMENDATIONS.....	42
5.1 Introduction.....	42
5.2 Summary of the Research findings	42
5.2.1 Financial factors towards the implementation of performance contract.....	42
5.2.2 Human resource challenges on implementation of performance contract.....	42
5.2.3 Commitment level toward the implementation of performance contract	43
5.3 Discussion on findings.....	43
5.4 Conclusions.....	46
5.5 Recommendations.....	47
5.6 Suggestions for Further Research	48
REFERENCES.....	49
APPENDIX: INTRODUCTION LETTER	54
1.2 Questionnaire on challenges influencing performance contract.....	55
List of studied corporations	60

CHAPTER ONE INTRODUCTION

1.1 Background of the study

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 the nation's development process.

During the past few decades, improving efficiency in the public sector enterprises has been a challenge confronted by various countries. In order to attain this objective, a numbers of organizational devices and management system were tailored conforming to the specific requirement of public enterprise management. The concept of performance contract system was originated in the late 1960s by Simon Nora to improve the public sector enterprise in France.

Performance Contracting is a branch of management science referred to as Management Control Systems. It is the process of identifying and measuring the results, outcomes or products obtained from a contract through the use of measurable indicators. The use of performance contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. Essentially, a Performance Contract 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 (Mapelu, 2005).

Blasi (1999) observes that the content of performance contract is an agreement between two parties that clearly specifies their mutual performance obligations, intentions and responsibilities. It is a freely negotiated performance agreement between the government,

acting as the owner of a government agency itself up to and including other levels of management in the organization (Kenya, Sensitization Training Manual, 2004).

Suresh Kumar (1994) defines performance contract as a Memorandum of Understanding (MOU). Memorandum of Understanding is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures improvement of performance managements 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, performance contracting is used as a management tool to help public sector executives and policy makers to define responsibilities and expectations between the contracting parties to achieve common mutually agreed goals.

Neilis (1989) observes that Performance contract are negotiated agreements between management of a public enterprise and the enterprise itself in which the intentions, obligations and responsibilities of the two parties are freely negotiated and then clearly set out.

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, 1997). It has been adopted in developing countries in Africa, including Nigeria, Gambia, and Ghana. This system was generally known as "CONTRA PLAN". Though adopted by several enterprises outside France it suffered from a number of difficulties. The development of the signaling system in the early 1980s was a major step forward in evolving the performance contract system. The system addressed some of the complex technical issues of evaluating real performance of public enterprise managers. The system was pioneered in the early 1980s almost simultaneously in Pakistan and

South Korea. Since then it has been adopted in various modified forms by a number of countries.

In India Performance contract for public sector units is known as Memorandum of Understanding. Memorandum of Understanding is rooted in an evolution system which not only looks at performance comprehensively i.e. both commercial and non-commercial criteria of performance in their static and dynamic aspects, but also ensures and forces improvement of performance of management by making the autonomy and accountability aspects clearer and transparent. The Indian system is a partial reform to correct the public enterprise government interface and has not received the strong support of parliament as in Korean case. Also, political will which backs up the two systems in Korea is presided over by the vice prime minister and other ministers in India. It is headed by the cabinet secretary hence its lack political executive. In Korean, evaluation system lead to the distribution of rewards to workers and executives of the enterprise concerned. The Indian MOU systems only lead to an award to best performing enterprise (Song 1988). The French experiment in the late 1960s was initiated with the primary objective of reducing the government budgetary support to the public enterprise. It was called "content De performance" and was based on a report of committee headed by Simon Nora. It was an agreed contract between the government and selected public enterprise which had a high level of public purpose. In the first year only two contracts were signed, one with French state railways SNCF and the other with French State Electricity Agency, EDF. The contract fixed the long term policies and goals, and specified clearly that the company did not need to come to government for price increases as long as their achieved operational efficiency was in accordance with the terms of agreement. During the 1973 oil crisis in France most of the macro-economic assumptions were thrown overboard and the government went back on the agreement. A second round of implementation was initiated in 1978-79 with favor enterprises. The duration was reduced to three years to ensure better appreciation of economic environment that might affect enterprise operation. But in 1981 when the socialist party came to power; this contract with air France was operational because it was in global competitive environment (Sridhar 1982).

In Bangladesh the problems that have inhibited the implementation of performance contracts by the government agencies were identified as: In situation where political linkage of the ruling party flows to the public enterprise managers ,staff unions and down to the labor leaders ,the implementation of a goal oriented performance scheme is a difficult task ,especially in a corporate culture where workers ,employees and officers all have the tendency to gain more through political linkages other than working hard. In the absence of any clear decision from the controlling ministry, other ministries and corporation officials involved in the process were not adequately enthusiastic. The cell had limitation of manpower, both in terms of number and skills to handle a large number of contracts. The task force, planned for developing goals, objectives and strategy with the help of technocrats, could not function. In the absence of appropriate institutional support, the monitoring cell of the finance ministry had to take up the role of supreme authority for implementing the contracts. The finance ministry, being at the parallel position with other ministries did not have the full authority to approve the public enterprise annual budgets. As contracts are technical in nature and the personnel implementing them have limited management qualification and background, the fewer the number of criteria, the less complicated the exercise will be.

Any reform measure to be effective must be acceptable to those who are involved in the implementation process. In an environment where implementers are inadequately educated in the field of modern management techniques and are prone to controlling the public enterprise, the need for attitudinal change is of utmost importance. The whole process of formulation clear goals and objectives, strategic planning, target –setting and achievement of the targets provides better appreciation of the problem of public enterprise. This served as a good vehicle for management development by providing effective training of personnel who do not have the appropriate management background. The process of preparing the contract through analysis, discussing organizational communication, was valuable as the end product of the exercise. If any of the parties involved in the contract are having goal in congruent behavior, the whole exercise becomes ineffective (Mazumdar 1994).

In Nigeria Performance Contract was expected to instill an attitude of accountability with the public enterprise and govern the relationship between government and public enterprise management. It was to formalize the corporate plan and mutual obligation of the public enterprise and the government, it required public enterprise to strictly adhere to a well defined performance objective and targets in transparent and systematic manner, and it provided appropriate monetary rewards and penalties to induce management to achieve agreed goals (Technical Committee for Privatization 1994).

In Gambia the Performance Contract was introduced in 1987, public enterprises were divided in three schedules, in 1987 it was developed for three enterprises only, then in 1990 it was developed for another three enterprise and thereafter was fully consummated in 1994. The contract was signed between the president on behalf of the government and the managing director on behalf of the enterprise (Njie, 1994).

In Ghana Community Water Supply Agency (CWSA), as a semi-autonomous public-sector agency, signs an annual performance contract with the State Enterprise Commission. It is committed to staying efficient and lean, below a 200 size staff, and highly decentralized to its ten regional offices (World Bank 2002).

From 1963 when Kenya achieved political independence up to 1979 when a comprehensive review of the State Corporations sub-sector was carried out, the Government's participation in commercial activities grew rapidly and broadly resulting in state dominance in various forms (including monopolies) in many commercial activities. The establishment of the Public Enterprise was driven by a national desire to accelerate economic social development; redress regional economic imbalances; increase Kenyan citizen's participation in the economy; promote indigenous entrepreneurship; and promote foreign investments (through joint ventures) Session Paper No. 10 of 1965.

State Corporations are corporations that are established by an Act of Parliament in Kenya. The State Corporations Act (Chapter 446) Laws of Kenya also defines a state

corporation to include a company incorporated under the Companies Act, which is owned or controlled by the Government, or a state corporation. State corporations in Kenya operate under various ministries and their management is appointed either by the President or the Minister of the respective ministry. Many of the corporations are set up to provide essential services and goods for the benefit of the entire country especially where this will not be attractive to the private sector for varied reasons, for instance; capital requirements, externalities, low profitability and nature of public goods. The Public Enterprise sector is divided into three schedules: Enterprises in which the government is a minority shareholder; Enterprises in which the government is a majority shareholder or has 100% shareholding, and Strategic corporation/departments (State Corporation act 1965).

In Kenya, performance-contracting concept can be traced to early and mid-1990s when a few state corporations (Kenya Railways, National Cereals and Produce Board, Kenya Airways, Mumias Sugar Company and the defunct Kenya Post and Telecommunications) attempted to develop variant Performance Contracts. These were however, not implemented or when implemented were found unsuccessful. A new approach of performance-contracting concept in line with the objectives of Economic recovery strategy for wealth employment creation (2003-2007) was initiated with selected public enterprises on a pilot basis being subjected to Performance Contract from October 2004. The Government of Kenya started sensitizing the public sector corporations on the concept of performance contracting using performance contract sensitization manual (GOK 2005a) and thereafter developed an information booklet on Performance Contract (GOK 2005b) to guide the process of performance contracting.

The concept of performance Contracting was first introduced in the management of state corporations in 1989 (Kobia, 2006). 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: Divestiture or Liquidation of non-strategic Parastatals; Contracting out Commercial activities to the

private sector; Permitting private sector competition for existing state monopolies; Improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives.

Performance Contracts expanded from a pilot group of 16 commercial public enterprises in 2004, to eventually cover the entire public service in Kenya, comprising the following institutions: 38 Ministries and Accounting departments; 130 Public Enterprises; 175 Local Authorities (Kobia, 2006).

The government followed the reviews with Kenya civil service reform program which was developed and adopted in March 1992. The long term objective of this initiation was to improve efficiency and productivity of the public service with special attention on State Corporation as a key sector in the government reform agenda. The government has continued to carry on with the implementation of performance contract within public enterprises. However, by the fact that the actual implementation is the work of the organization; more emphasis has been put on the actual signing by various public enterprises while overlooking the financial implication, human resource and level of commitment among staff. It is necessary that the organization be provided with the necessary requirements to enable them perform their respective roles adequately.

1.2 Problem Description

This section is divided into two parts. The first part dealing with background of the problem and the second part dealing with statement of the problem.

1.2.1 Background of the problem

Performance contracts have been one of the key Strategies for Performance Improvement in the Public Service in 2001 (Muthaura, 2007). The Strategy sought to increase productivity and improve service delivery. It outlined the actions that were necessary to imbed long lasting and sustainable change in the way public services are offered. Underpinning this strategy was the Results Oriented Management (ROM) approach, which makes it necessary to adjust operations to respond to predetermined objectives,

outputs and results. The adoption of this approach therefore demanded a paradigm shift in Government. This called for a transformation from a passive, inward looking bureaucracy to one which is pro-active, outward looking and results oriented; one that seeks “customer satisfaction” and “value for money”.

Performance contracts seemed a logical solution to the problem state corporations face, since similar contracts had been successful in the private sector. No one minimized the problems governments would face in implementing such contracts, however. Much has been written about the problems that principals (in this case, government) face because they cannot accurately measure the effort expended by their agents (managers) or sort it out from other factors affecting performance. These agency problems are compounded in the public sector where politicians have many points of view and bureaucrats have many different agendas. Under such circumstances it is hard to judge performance and to motivate managers and hold them accountable for results. Moreover, unlike private owners, politicians may not benefit from better performance, and so may try to make managers serve objectives that conflict with efficiency, such as rewarding political supporters with jobs or subsidies (Shirley, 1995).

In the first phase of its implementation, State Corporation is facing numerous challenges with regards to performance contract due to, Lack of Political goodwill (Kobia 2006).

The Kenya national union of Teachers may have reasons why they do not want to sign the performance contract, but they are not convincing. In fact, their position seems to be based on either inadequate or twisted information. Perhaps there is lack of knowledge because the concept has not been fully explained or because the politics of the debate has clouded the fundamentals www.communication.go.ke/media .

1.2.2 Statement of the Problem

Since the establishment of various state corporations in Kenya, The performance of the institutions has not been to the expectation of the public, and with the introduction of performance contract by the government, a number of challenges have been reported

through the public sector reform initiative office, which includes inadequate financial resources, low Commitment levels, inadequate training, low awareness and inadequate manpower in terms of key competence. Therefore, this research aims to investigate those challenges and come up with recommendations.

1.3 Purpose of the study

The purpose of this study was to investigate the challenges facing the implementation of performance contract in State Corporations in Kenya.

1.4 Research objectives

The following were objectives To:

1. Establish how financial resources influence the implementation of Performance contract.
2. Establish how the manpower/human resources influence the implementation of Performance contract.
3. Examine how the level of organizational commitment influences implementation of Performance contract.

1.5 Research questions

The research was guided by the following research questions.

1. What are the influences of financial resources on the implementation of Performance Contract?
2. To what extent does a manpower/human resource influence the implementation of Performance Contract?
3. How does the level of organizational commitment influence the implementation of Performance Contract?

1.6 Significance of the study

The study findings will aid policy makers in designing guidelines that promote good corporate governance practices by providing an insight into the current performance

based contracts between the government and state corporations. Identification of the challenges will provide insight into better implementation of the Process of Performance Contract.

The study will also go along way in the improvement in service delivery and operations by the state corporations. The study will contribute to existing literature and provide a basis for further research in the area of corporate governance, strategic performance and performance-based contracts.

1.7 Scope of the study

The study was concerned with the challenges facing the implementation of performance contract in state corporations. The respondents of the study were middle management and supervisors of the selected state corporations in Kenya. The study used only the questionnaire method of gathering information. The results were therefore based on views of the managers and their supervisors only.

1.8 Limitations of the study

The study was faced by limitation of some respondents fearing to answer some sensitive questions thinking that the purpose of the study was for victimization. Another limitation of the study was that some respondents failed to answer all the questions in the questionnaire and some respondents failed to return the questionnaire. There was also the challenge of bureaucracies in state corporations whereby, some were requesting authorization letters from either the office of the president or Kenya national bureau of statistics before allowing any research.

1.9 Delimitation of the study

The study was confined to selected State Corporation in Kenya. The focus was on challenges facing the implementation of Performance Contract with effect from 2004 since the introduction by the government. Also, the study used only questionnaires and the views of the managers and their supervisors.

1.10 Assumptions of the study

The study was based on the following basic assumptions:-

- 1) Financial resources can influence the implementation of Performance Contract.
- 2) Human resource/manpower can influence the implementation of Performance Contract.
- 3) Organizational commitment can influence the implementation of Performance Contract.

1.11 Definition of significant terms used in the study.

Development; Refers to the nature and direction of change taking place among personnel through a process.

Government: Refers to the exercise of political authority over the actions, affairs of a political unit, people as well as the performance of a certain functions for this unit

Human resource: The actual workforce, including sometimes the potential workforce of an organization

Performance contract: Refers to all negotiated, written agreements between Governments and the managers of state enterprises that specify targets that management Pledges to achieve in a given time frame and define how performance will be measured at the end of a specified period.

State Corporation/parastatal: Refers to company incorporated under the Companies Act, which is owned or controlled by the Government.

Commitment: Is to pledge yourself to a certain purpose or line of conduct.

Implementation: the act of accomplishing some aim or executing some order.

Public enterprise: is a form of business organization owned and managed by the state government or any other public authority.

1.12 Organization of the study

This research is introduced by giving the definition of State Corporation according to Kenyan laws followed by giving the background of the study being taken, then the problem statement, purpose, objectives, research question, and significance of the study, limitations, delimitation, basic assumption, and finally the definition of key terms.

Followed by a chapter two which consists of related studies on performance contract; financial factors, human resource factors and organization commitment. Finally this chapter also has a conceptual framework showing how variable are inter-related with each other.

Chapter three there is the research methodology, which has the research design, target population of the study sample and sampling technique, data collection technique and finally the data analysis. There is also chapter four on data presentation analysis and interpretation; it provides detailed analysis of each question and how they are interrelated.

In the final chapter five of this research, there is the summary of findings, discussion, conclusion and recommendations on the research and areas for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the review of literature on performance contract international experience, African perspective and Kenyan experience .The last section covers the various challenges with a few of them which form the basis of this research such as, effects of inadequate finances, human resources with regards to implementation of Performance Contract, lack of both internal and external commitment on the implementation. The chapter also covers the conceptual framework and finally the chapter conclusion.

2.2 Performance contract

Performance contracting is viewed as a management tool for measuring performance that establishes operational and management autonomy between the government and state corporations, reduces the quantity of controls and enhances quality of service, focusing on service delivery and not processes, measures performance and enables recognition and reward for good performance and sanctions bad performance (session paper ,2005).

Clearly defined standards regarding the quality, quantity and timeliness provide objective data in evaluating contract performance (PBMSIG, 2002). For all service contracts, contract managers can use performance contracting to improve program performance, identify programs that work and those that do not, direct resources to those models or contractors that produce the desired results, improve service quality by sharing best practices throughout the system and support contract management decisions.

Holmstrom (1982) was among the first to argue that relative performance evaluation is valuable if agents face some common uncertainty. Relative Performance Evaluation is useful if other agent's performance reveals information about an agent's unobservable choices that cannot be inferred from his own measured performance. Within organizations, basing reward on relative performance creates incentives to sabotage the measured performance of co-workers, to collude with co-workers, or to self-select into a

pool of low ability workers. Dye (1992) pointed out such contracts may distort choice by persuading manager to select projects where their relative talent, rather than their absolute talent, is the greatest.

Performance contract between the owner of an enterprise on one side and management of the enterprise on the other. The widely accepted rationale for performance contract is that public enterprises have got multiple objectives and principle which leads to poor performance. Since enterprises are required to carry several functions they are unable to do any one of them well and even so its performance may be judged with reference to the one objective in which it has not done well. Performance Contract would remedy the situation of multiple objectives by listing the preferred objectives which the owner (government) would like the Public enterprise to achieve (Adda, 1994).

The concept of performance contract system was originated in the late 1960s by Simon Nora to improve the public sector enterprise in France. This system generally known as "CONTRA PLAN" though adopted by several enterprises outside France suffered from a number of difficulties. The development of the signaling system in the early 1980s was a major step forward in evolving the performance contract system. The system addressed some of the complex technical issues of evaluating real performance of public enterprise managers. The system was pioneered in the early 1980s almost simultaneously in Pakistan and south Korea. Since then it has been adopted in various modified forms by a number of countries in Africa, including Nigeria, Gambia, Ghana and now Kenya. (OECD, 1997).

The history of public enterprise in Bangladesh dates back to colonial days the country inherited some of its public enterprises. During the Pakistan regime, the east Pakistan industrial development corporation was the main vehicle of industrial development. In the post liberation period of 1971 private sector industries faced a major setback due to a mass exodus of non Bengali owners and managers. In 1972, the nationalization policy immediately changed the nature and scope of public enterprise. The government policy faced a number of opposition. Due to lack of political commitment from the ruling party,

the policy did not yield the desired result. Also the planner entrusted with the policy making had little belief in and commitment to the programs as they themselves were motivated the capitalistic environment. Although there were legal provision to ensure that public enterprise promote public interest through performance contract ,in Bangladesh politicians and bureaucrats retained control even on day-to-day operational matters. This resulted in incongruent action in the name of public interest; managers could cover up some of their inefficiencies in the same of such interference. Also organization difficulty in setting the right targets as public enterprise and information than government controllers. Due to conflicting values arising out of three different groups working together i.e. professional managers, bureaucrats and politicians, it is difficult to provide public enterprise with clear set goals and targets. Co-coordinating for controlling public enterprise by result was a problem as government was one of the loosely coupled organizations (Mazumdar 1994).

Korean performance contract system received the commitment of the political executives by having the minister of economic planning on the management evaluation council. It also ensures that workers are involved in the whole exercise and are committed to the target fixed (Neillis 1988).

The Indian system is a partial reform to correct the public enterprise government interface and has not received the strong support of parliament as in the Korean case. Also, political will which backs up the two systems in Korea is presided over by the vice prime minister and other ministers. In India, it is headed by the cabinet secretary hence its lack of political executive (Song 1988).

Public Enterprises in Africa are suffering financially and many are seeking financial assistance. Their problems stem from unclear and conflicting objectives, and a lack of autonomy and accountability (Kobia, 2006).

In implementing Performance contract, the common issues that were being addressed include performance improvement so as to deliver quality and timely services to the

citizen, improve productivity in order to maximize shareholders wealth, reduce or eliminate reliance on the exchequer, instill a sense of accountability and transparency in service delivery and the utilization of resources and to give autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures (Kobia, 2006).

In Ghana Community Water Supply Agency (CWSA), as a semi-autonomous public-sector agency, signs an annual performance contract with the State Enterprise Commission. It is committed to staying efficient and lean, below a 200 size staff, and highly decentralized to its ten regional offices (World Bank 2002).

Performance Contract expected to instill an attitude of accountability with the public enterprise and govern the relationship between government and public enterprise management .It will formalize the corporate plan and mutual obligation of the public enterprise and the government ,require public enterprise to strictly adhere to a well defined performance objective and targets in transparent and systematic manner, provide appropriate monetary rewards and penalties to induce management to achieve agreed goals (Privatization committee 1993).

The evolution of contract plans in Swaziland can be traced back to the early 1990's, a period that witnessed the promulgation of the Public Enterprise (Control and Monitoring) Act of 1989 (Musa, 2001). The latter sought to establish viable control mechanisms for Swaziland's parastatal sector amid a national outcry that public enterprises were continuing, unabated, to be a financial as well as an administrative burden on the government (Musa, 2001). However, the performance agreement of the early 1990's failed to achieve its stated objective i.e. to improve the performance of the Public enterprises. This was because of widespread use of consultants in the formulation of contract plans, including the determination mechanisms for their monitoring and evaluation; Public enterprise management did not develop the necessary sense of ownership and commitment to the success of the enterprise contracts. Lessons of experience with regard to the use of outside consultants, expert or advisors, especially

from developed countries, in the formulation of development plans, have shown that while they may be knowledgeable about certain issues and areas that are generic to their field of specialization, they often lack an intimate knowledge of the unique socio-political and economic circumstances confronting individual countries, especially those of the third world (Musa, 2001).

The performance contract system for public enterprises was introduced in Gambia in 1987. As a prelude to identifying those Performance Enterprises to come under the performance contract system, the Public Enterprise sector was divided into three schedules: Enterprises in which the government is a minority shareholder; Enterprises in which the government is a majority shareholder or has 100% shareholding and Strategic corporation/departments. The concept of Performance Contract was first introduced in the management of state corporations 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: Divestiture or Liquidation of non-strategic Public enterprises, contracting out Commercial activities to the private sector, Permitting private sector competition for existing state monopolies, Improvements in the enabling environment of all strategic public enterprises including removal of potentially conflicting objectives. Performance Contracts, where applicable will be used to make transparent the cost of social services and to compensate the parastatal for their net costs (Njie 1994).

The first two parastatal to be on Performance Contracting were Kenya Railways Corporation and the National Cereals and Produce Board. Kenya Railways signed Performance Contract in April 1989 and National Cereals and produce Board signed in November 1990.

Implementation of the Process of Performance Contracting began only in 2004. The real impact of the process is yet to be fully visible. However, there is clear evidence of radical improvement particularly in the following aspects of the management of Public Service:

Remarkable and unprecedented improvement in profit generation for commercial state corporations, Significant improvement in service delivery and operations by such ministries as immigrations and registration of Persons, Agriculture, Provincial Administration and Internal Security, Health, finance and Water, Significant improvement in operations and services by Nairobi City Council, Kisumu and Nakuru Municipalities, Unprecedented improvement in service delivery and operations by the bulk of state corporations and statutory boards, among them, Kenya Electricity Generating Company, Kenya Power and Lighting Company Limited, Kenya Ports Authority, Kenya Utalii College, National Oil Corporation of Kenya, Kenyatta International Conference Center etc.

The widely accepted rationale for performance contract is that public enterprises have got multiple objectives and principle which leads to poor performance. Since enterprises are required to carry several functions they are unable to do any one of them well and even so its performance may be judged with reference to the one objective in which it has not done well. Performance Contract would remedy the situation of multiple objectives by listing the preferred objectives which the owner (government) would like the Public enterprise to achieve (Adda, 1994). Performance Contracts have their origin in the general perception that the performance of the public sector in general, and government agencies in particular has consistently fallen below the expectations of the public.

The government followed the reviews with Kenya civil service reform program which was developed and adopted in March 1992. The long term objective of this initiation was to improve efficiency and productivity of the public service with special attention on State Corporation as a key sector in the government reform agenda.

2.3 Financial factors on the implementation of performance contract

Abramson (1999) observes that in Cambodia however the level of funding for the control districts was significantly lower, making it hard to assess efficiency. The use of international NGOs as Contractors made it more expensive and the scope was limited (single districts). Sustainability/scope for contracting – most of the contracting

experiences have relied on special funding e.g. project support; this raises questions over how the arrangements can be sustained. It is difficult for governments to re-deploy public funds to private providers when available funds are already committed to public Service (mostly for wages and salaries). Frustration with lack of real progress in reforming the public sector financing and delivery frequently suffer from political interference, structural weaknesses in organizations and institutions, inadequate resources, and labor rigidities often enshrined in legislative rights. Successful experiences of contracting with the private sector in poorer countries tend to rely on special funding, for example, projects. This funding cannot be transferred to buy services from the private sector unless employment in the public sector is reduced. So public sector reforms remain essential if significant public finance is to be re-deployed to contract with private providers.

According to England (2003), a stable macro economic environment is critical for sustained economic growth and employment creation. Therefore, the reduction in government transfers to loss making enterprises should contribute to progress toward fiscal sustainability, a restructuring of government expenditures towards enhanced delivery of social services such as health and education, and would facilitate increased spending on pro-poor programs and on infrastructure.

Rashid (1998) observes that in Ghana challenges such as Policy conflict, poor management of the nationalization process and poor enterprise management brought public enterprise under serious attack from opponents. Public enterprises were faced with resource constraints, lack of accounting, stores, and purchasing and other basic function constraints.

According to Kobia (2006), Public Enterprises in Africa are suffering financially and many are seeking financial assistance. Their problems stem from unclear and conflicting objectives, and a lack of autonomy and accountability.

Reports on the Review Statutory Boards (1979), observes that one reason is the continued reliance on limited public sector financing. The state corporations continued relying on

public sector financing which was not adequate to meet all the sector's needs. They continued to be financed from loans borrowed by the government and on-lent or channeled to them as government equity; loans borrowed by the enterprises on government guarantees which in most cases ended up being repaid by the Treasury when the corporations defaulted; funds provided directly by the treasury as grants or equity; or through internally generated funds. The internally generated funds were, however, inadequate due to huge debt burdens, tariffs that were below cost recovery levels, over employment, which caused most of the revenue to be used in payment of salaries, non-viable ventures which siphoned away resources from the enterprises, corruption and mismanagement in general. Most of them also continued to spread their resources thinly due to multiplicity of objectives and poor accountability.

2.4 Human resources factors influence on performance contract

Session Paper No.4 of 1991 decried the continued deterioration of the performance of state corporations. While the creation of state corporations through which government participation in economic activities was promoted was perhaps appropriate soon after independence, the objectives for and the circumstances under which most of the state enterprises were created had since changed. There is an urgent need to review the manpower required so as to solve the managerial problems afflicting the public enterprises leading to poor return on government investments, the existence of a larger pool of qualified manpower, availability of more indigenous entrepreneurship to permit private sector led economy and the need for non-tax revenue for the Government.

AAPAM (2005), report on performance contract cited 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 that has continued to bedevil the public sector in the implementation of performance contract in delivering public services to the people.

Musa (2001) on his study of challenges of performance contract in enterprises concluded that Performance agreement of the early 1990's failed to achieve its stated objective i.e.

to improve the performance of the Public enterprises. This was because of widespread use of consultants in the formulation of contract plans, including the determination mechanisms for their monitoring and evaluation; Public enterprise management did not develop the necessary sense of ownership and commitment to the success of the enterprise contracts.

PBMSIG (2002), study report found out that in some cases, it may be difficult to identify concrete outcomes or “results” for a service. For example, training and education services might be provided with the goal of disseminating information and modifying people’s behavior, however, it may be difficult or impossible to track participants and determine whether the training helped people to think and act differently. In these cases, the development of or output measures such as the number of people served or the number of training sessions or outcome measures to evaluate the impact of the training effort such as pre/post test scores should be developed. If a department is unable to identify performance outcomes for a specific service type, a meeting with head of the section and other departments may be useful to stimulate new ideas and share best practices.

2.5 How organization commitment influences performance contract

According to Shirley (1997), Governments’ commitment to enforcing the contracts and keeping their promises was not credible. All the contracts lacked neutral, third-party enforcement mechanisms (the state enterprises could not take the government to court, for example), and governments often reneged on their promises. In Ghana, India, and Senegal, for example, the government did not force public entities to pay their bills to the electricity companies. The study of China simulated what would have happened with a “good” performance contract. Only 2.2 percent of the firms in the sample had “good” performance contracts.

Brown (2008), observes that most organization are in short of Skilled Staff – Staff that dedicated, knowledge and skilled in performance to undertake the required changes within the organization. Organization buy-in and Leadership—elected and appointed official buy-in will set the tone of performance management in the organization in terms

of how others throughout the organization will perceive its importance and value. Through their leadership, commitment, and allocation of resources to support implementation, expectations will be set, Enthusiasm and Commitment—leadership that actively supports and sustains performance management throughout the organization.

Shirley (1997) and Okumu (2004) studied the causes of failure of performance contracts and concluded that it is due to lack of both intrinsic and extrinsic motivation; information asymmetry; insufficient commitment for both parties to the contract; poor incentives; impositions by government, no prior negotiations and contract terms willingly agreed to; managers having various stakeholders who include politicians, which then bring about conflicting objectives.

According to Shirley (1995), these agency problems are compounded in the public sector, where politicians have many points of view and bureaucrats have many different agendas. Under such circumstances it is hard to judge performance and to motivate managers and hold them accountable for results. Moreover, unlike private owners, politicians may not benefit from better performance, and so may try to make managers serve objectives that conflict with efficiency, such as rewarding political supporters with jobs.

Mazumdar (1994) observes that elected officials may fear that implementing performance contract and performance data may limit political flexibility and fear that data will limit the ability to “data” with other political realities. They hold the view that Performance Management is too hard! Performance management can be overwhelming endeavor for some organizations and can be viewed complex, time-consuming, and simply requiring a tremendous effort given resource constraints. Organizational culture may work against the drive to support implementation.

RBM Guide (2005), identified the problems that have inhibited the performance of government agencies are largely common and have been identified as excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement.

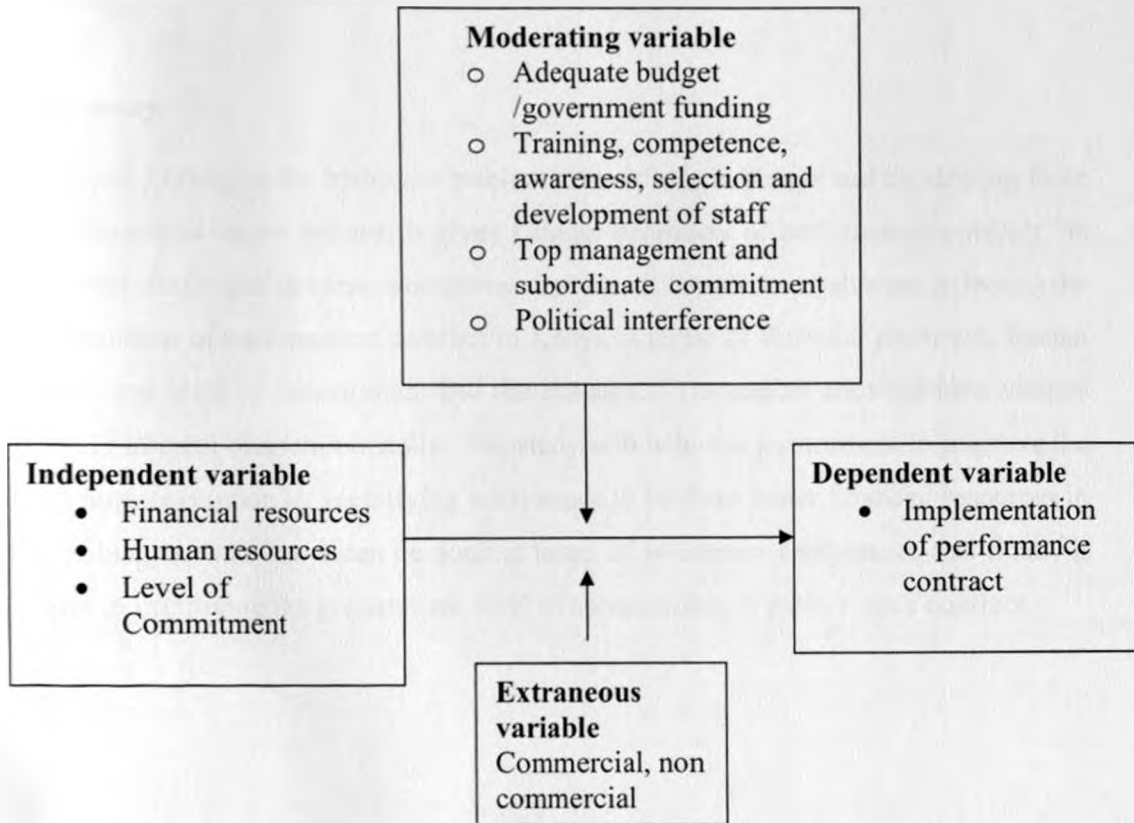
Bulletin on world health organization (2006), says that in Pakistan there exist Political commitment; bureaucratic support is ambivalent; legal framework being adapted. Five supporting elements have been proposed for effective contractual arrangements: a few clearly defined deliverables; supportive stakeholders; trust between contractor and agency contracted to deliver services; independent source of monitoring information; and a legal system and political environment which convinces both sides that the contract will actually be enforced.

According to Lindblom (1959), too much precision can de-motivate staffs who disagree with the targets that have been selected. By contrast, if organizational aspirations are broad, a wider coalition is likely to work toward their achievement.

Mazumdar (1994) observes that in the absence of any clear decision from the controlling ministry, other ministries and corporation officials involved in the process were not adequately enthusiastic. The cell had limitation of manpower, both in terms of number and skills to handle a large number of contracts. The task force, planned for developing goals, objectives and strategy with the help of technocrats, could not function. In the absence of appropriate institutional support, the monitoring cell of the finance ministry had to take up the role of supreme authority for implementing the contracts. The finance ministry, being at the parallel position with other ministries did not have the full authority to approve the public enterprise annual budgets.

2.6 Conceptual framework of the study

The explanation below on conceptual framework includes a diagram showing the variables thus independent and dependent intervening variables and extraneous variable



(Source: Author, 2009)

Figure 1. Conceptual framework

Figure 1 shows the diagrammatic presentation of the relationship between variables used in the study the dependent variable (implementation of performance contract)is determined by the analysis of the corporate Vision, Mission Goals and objectives of the organization .In order to achieve the corporate goals and objectives specific tasks have to be performed i.e. adequate budget ,competence ,selection ,training of staff, commitment from staff .Their analysis should be carried out in order to determine the organization manpower, financial strength and commitment levels .It is out of these requirements that the challenges on the implementation of PC are derived. In the challenges assessment, the individual analysis is done in order to find out adequacy in terms of budget allocation,

adequacy in manpower competencies, skills, knowledge the attitude the individual employees requires, and the level of commitment that exist within the organization. All these are against the extraneous variable of whether the enterprise is commercial or non commercial.

2.7 Summary

This chapter highlights the history of public sector reform in Kenya and the driving force behind the public sector reform; it gives various definition of performance contract, its success and challenges in various countries, and also it covers the challenges affecting the implementation of performance contract in Kenya in terms of financial resources, human resources and level of commitment and the conceptual framework showing how various challenges interact diagrammatically. The study will help the government to improve the current implementation by identifying what needs to be done under financial resources in terms of budget, what more can be done in terms of awareness competence and finally it will help in improving the government level of commitment to performance contract.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter identifies the techniques used to obtain data through scientific methods. These includes research design ,study population, sample size and sampling design, data collection procedure, research instrument, validity and reliability of research instrument, data analysis techniques and finally operationalization of variables. The research applied qualitative methods but some objectives in the study were assessed by taking advantage of quantitative methods for purposes of accuracy and objectivity.

3.2 Research design

Research design is a framework outlining the steps and techniques involved in a study. This study adopted survey research design and it focused on both quantitative and qualitative. According to Cooper and Schindler (2000) descriptive statistics is used to present quantitative descriptions in manageable form. More weight was given to qualitative method. The Qualitative method applied here was open-ended self-administered questions. The application of both qualitative and quantitative methods was necessary in the study as it ensured complete description of the situation and minimum bias in the collection of data. The method was also less costly in terms of time and other resources. Qualitative enquiry assisted in getting more accurate data on the challenges of performance contract. The method was also important, as it captured information on the current performance contract.

3.3 Target population

The study was conducted in the public enterprises with head offices in Nairobi .The study population for this inquiry was eighty seven corporations with head offices in Nairobi ,of which are classified as commercial which are twenty seven in number and non commercial enterprises which are sixty. Non-commercial enterprises include: regulatory research, Educational/Professional, Developmental/ promotional agencies, social-cultural

and revenue collection State Corporation, out of which twenty seven were selected and managers and supervisors from each key department interviewed.

3.4 Sample and sampling procedure

A sample size refers to the actual number sampled out of the study population. Stratified random sampling was used to select twenty seven state corporations. Then within each strata purposive technique, which is a non probability sampling was further used to select respondents of the study from the population. Selected sample was arrived at using the simple random sampling formula to give a total of one hundred and thirty five responses five from each of the twenty seven public enterprises to represent the entire population of managers and supervisors which formed the sampling unit, since the population was less than ten thousand. The strata was based on the two categories either commercial or non commercial (regulatory research, educational, professional, developmental and promotional agencies, social-cultural and revenue collection). In each stratum the selected sample in commercial category were twelve and seventeen non commercial enterprises. The sample was selected in such a way that certain subgroups (commercial and non commercial) were well represented by their number in the population. From each of the selected corporation one individual was selected from each major department. This way a total of five staff was covered in a corporation, the self administered questionnaires were distributed to the selected sample. The sample was large enough to allow for inferences; cross classification analysis and variance. It was representative and offered minimal errors in sampling and analysis.

3.5 .1 Data Collection Method

The questionnaire method was used for collecting data in this research. The researcher appointed research assistants who distributed the questionnaires that had both structured or close ended, and unstructured or, open ended questions .The design of the instrument involved coming up with both questions that are accompanied by a list of all possible alternatives from which the respondents selected the answer that best describe their situation and those questions, which gives respondents a complete freedom of responses.

The instrument was used in this study to give a comprehensive insight on the challenges on the implementation of performance contract.

3.5.2 Data Collection Procedure

Permission to collect data was sought from the managing director of each individual corporation through the Dean; School of Continuing and Distance Education University of Nairobi. Prior Visit was made to the corporations to make appointment to administer questionnaires. The questionnaires were administered to the management or their supervisors as most are in charge of overseeing and monitoring the implementation of performance contract activities.

3.5.3 Research Instrument

Questionnaires were used to collect useful qualitative data pertaining to challenges in terms of resource capacity, employees challenge in their view and other challenges. The questionnaires consisted of both open and closed ended questions that was dropped and picked later at agreed time. The questionnaire was administered to the management or their supervisors. The questionnaire was divided into three Parts, Part A included the profile of the respondent, Part B on the challenges in terms of financial resources, human resources and level of commitment and Part C consisted of open questions for the respondents to give their comments on what are the challenges in the implementation process in their opinion.

3.5.4 Validity of Research Instruments

This was determined by presenting the instrument to the two supervisors and one other research methods specialist from the School of Continuing and Distance Education University of Nairobi .The specialist suggestion was used to review the instrument for face validity. To verify the content of the answers given the response was sought from the respondent's assistants and in some cases with the bosses in charge.

3.5.5 Reliability of Research Instruments

This was determined by piloting the instrument in one corporation which was not included in the study, test-retest method was used to assess the reliability. The instrument was administered twice within two weeks at Kenya national library services this interval was considered to be sufficiently short for the respondents to experience any changes and long to avoid memory bias. The correlation coefficients were determined using Cronbach's alpha coefficient /statistics method which was 0.96 as compared with the recommended alpha value of 0.70 thus confirming that the data is reliable. Pretest sample was 1% of the sample size, the subjects were allowed to make comments and suggestions concerning instructions, clarity of the questions and relevance which were later included in the final questionnaires presented for study. The questionnaire was rephrased to convey the same meaning of all subjects; deficiencies in the questionnaire were also revealed and corrected. Randomization was used to select sample for the study under controlled extraneous variable.

3.6 Data Analysis Techniques

The questionnaires were marked for identification and classification. Data from the questionnaires was transcribed and arranged into categories. Data from questionnaires was analyzed using Special Package for Social Sciences (SPSS). The data was presented in tables and percentages.

3.6 Operationalization of variables

Table 3.1

Variable, indicators, scale and measurement

<i>Variable</i>	<i>Indicators</i>	<i>Scale</i>	<i>Measurement</i>
Financial and material Resources	Budget allocation ,Amount allocated Measures to deficit if any ,Requirement for special funding ,Sources of funding	Likert scale	Nominal measurement
Human resource	Requirement of additional manpower ,Knowledge and skills ,Training undertaken ,Competence of the employees ,Monitoring and evaluation	Likert scale	Nominal
Level of commitment	Government role/commitment ,government support, management commitment , support staff commitment ,employees awareness	Likert scale	Ordinal measurement

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter the challenges facing the implementation of performance contract data was analyzed, interpreted and presented. Data was analyzed using Special Package for Social Sciences (SPSS). The frequency tables and tables showing relationships were used to interpret data. The analyzed data gave information on respondent's demographic information various challenges on implementation of performance contract, general comments and suggestions on the performance contract.

4.2 Questionnaires Return Rate

The questionnaires were sent to twenty seven public enterprises out of which only nineteen responded by returning fully filled questionnaires that is ninety five responses; this was a seventy percent return rate.

4.3 Demographic Information

Table 4.1 shows demographic information, the respondents were asked to give their gender and age which was cross tabulated. Male respondents formed 51% of the total, while female respondents were represented by 48% the majority of the male were above 31-43 years of age 35% while female respondents who were above 31-43 years were 23% of the total sample.

Table 4.1

Demographic Information of the respondents

Measure	18-30yrs	%	31-43yrs	%	44-56yrs	%	Total	%
Male	10	10	34	35	5	5	49	51
Female	13	13	22	23	11	12	46	48
Total	23	26	56	57	16	17	95	95

4.3 Respondents Job Level and Terms of employment

Table 4.2 shows the respondents terms of employment and position held within the organization. The respondents who were middle management and above and also permanent are 74% of the total respondent's .From the total respondents 7% are on contract and are in middle management and above.

Table 4.2

Terms of Employment and the Job Level

Measure	Permanent	%	Contract	%	Total	%
Top management	9	10	3	3	12	13
Middle management	60	64	4	4	64	68
Others	16	17	2	2	18	19

4.4 Duration of Service and Current Position

Table 4.3 shows the cross tabulation between the working position and the length of service. The managers who have been holding the positions for more than one to three years are (24%). Other employees who have served in their current position for between one to three years are (38%) and above three years are (16%). The statistics shows that the respondents are experience enough to know the policy on performance contract.

Table 4.3

Working Position and the Length of Service of the respondents

Measure	0-1yrs	%	1-3yrs	%	Above 3yrs	%	Total	%
Director	1	1	1	1	1	1	3	3
Manager	3	3	23	24	8	8	34	36
Others	7	7	36	38	15	16	58	61
Total	11	11	60	63	24	25	95	100

4.5 Challenges on the Implementation of Performance Contract

4.5.0 Challenges on Financial Resources

4.5.1 Government Funding and Budget allocation

Table 4.4 shows the responses on whether the organization relies on government for funding and whether the budget allocation is adequate. A large number 66% of the respondents feels that the organization still rely on government for funding; 34% do not agree that their organization relies on government. Majority of the responses 57% feels that the organization allocation in terms of budget is not enough; 34% feel the allocation is enough; 9% do not know whether the allocation is enough.

Table 4.4

Organizations Source of Funding and Adequacy

Measure	Frequency Government Funding	%	Responses	Frequency On budget allocation	%
Yes	63	66	Enough	24	34
No	32	34	Not enough	39	57
I Don't Know	0	0	Don't know	6	9

From the Table 4.4 above we can say that financial resources is a major factor in the implementation of performance contract and hence its inadequacy in terms of allocations is the main challenge within organization as most relies on government for funding.

4.5.2 Measures taken to bridge the budget deficit

In the table 4.5 we have measures that have been taken by the organization to bridge the budget deficit. Generally the respondents feels that the organization has taken some kind of measure to bridge the budget deficit left out by inadequate funding from the government with 58% giving rationalizing the expenditure; 17% feels the organizations are investing in income generating activities and 26% mentioning donor funding as one of the measure.

Table 4.5***Measures on Bridging Budget Deficit***

Responses on bridging the budget deficit	Frequency	%
Donor Funding	17	26
Investing in income generating activities	11	17
Rationalizing expenditure	38	58

Due financial challenge within the public enterprises a number of organization are coming up with ways of generating additional income to bridge this deficit left by inadequate funding

4.5.3: Inadequate Finance and Special Financing

In Table 4.6 shows responses on whether the organization requires special financing and also if inadequate finances/financing is a hindrance. Fairly good respondents (50%) indicated that the organizations do require special financing for the implementation of performance contract and at the same time inadequate financial resources is also a hindrance to the implementation of performance contract. From the sample 43% of the respondents feel that the organization does not require special financing, 45% of the respondents also feel that inadequate financial resources is not a factor in the implementation.

Table 4.6***Special Financing and Inadequate Funds***

Responses on inadequate funds and special financing	Frequency on		%	
	Special financing	Low funds		
Yes	47	47	50	50
No	41	43	43	45
I Don't Know	7	5	7	5

Inadequate funds within public enterprises influences the implementation of performance contract since some of these organizations are unable to perform key tasks related to performance contract.

4.6 Challenges of Human resources

4.6.1 Respondents Awareness level

Table 4.7 shows the respondents awareness on performance contract. Majority of the respondents (98.9%) indicated that they are conversant with performance contract within their organization. Some respondents (1.1%) however, did not know if there was performance contract or not.

Table 4.7

Respondents awareness Level

Awareness on performance contract	Frequency	%
Yes	94	99
Don't know	1	1
No	0	0

Lack of awareness influences the implementation of performance contract as employees who are not aware are not able to perform key tasks adequately.

4.6.2 Employees Knowledge and Skills and Training

In the Table 4.8 we have the responses on training, employee's knowledge and skill. Majority of the respondents (60%) agreed that the staff have undergone some form of training before and during the implementation of Performance Contract, while (38%) do not agree. From the respondents (55%) agreed that employees have adequate knowledge and skill to carry out the whole process, while (39%) do not agree that the employees have the knowledge and skill required.

Table 4.8

Training, Employees Knowledge and Skills on Performance Contract

Measure	Frequency on training	%	Frequency on knowledge	%
Yes	57	60	52	55
No	36	38	37	39
I Don't Know	2	2	6	6

Employee's knowledge and skills influences the implementation of performance as those who have the knowledge through training are able to perform their duties accordingly and those who do not have the required skill tend to underperform their duties.

4.6.3 Training given to staff

Table 4.9 gives the type of training which has been conducted in regard to performance contract. The main training which has been undertaken by the organization is basically sensitization as cited by (59%) of the respondents. Other trainings such results based management cited by (23%), performance contract annual reviews cited by (12%), and human resource management cited by (6%) of the respondents.

Table 4.9

Various Training Undertaken

Responses on training undertaken	Frequency	%
Sensitization seminars	39	59
Results based management	15	23
Performance contract annual reviews	8	12
Human resource management	4	6

Training given to staff is a major influence in the implementation process as it has help in creating more awareness among employees and the organization at large.

4.6.4 Additional Manpower, Key Competence and General Staffing Challenges

Table 4.10 shows responses on whether the organization requires additional manpower and key competence it also shows the staffing challenges faced. From the study (53%) of the respondents feel that they do not require additional manpower to undertake the implementation while 41% feel that the organization requires manpower, 79% believe that the staff is competent enough to undertake the implementation while 19% feel that the organization lack key competence in some departments, 64% feel that there are staffing challenges which come with additional responsibilities while 34% feel that there are no staffing challenges.

Table 4.10***Additional Manpower, Key Competence and General Staffing Challenges.***

Measure	Frequency on additional manpower	%	Frequency on key competence	%	Frequency on staffing challenges	%
Yes	39	41	75	79	61	64
No	50	53	18	19	32	34
Don't	6	6	2	2	2	2
Know						

Lack of competent staff has a negative impact on the implementation of performance contract as some of these staff has been unable to perform some of their duties adequately because of lack or inadequate required skills.

4.6.5 Staffing Challenges

Table 4.11 shows the staffing challenges experienced by the respondents within various organizations. A good portion of the respondents 46% feel that inadequate staff is one of the challenges; 25% feel that inadequate knowledge and skills is the organizations major challenge; 15% feel that interference from politicians; 7% feel that inadequate financial resources; 4% feel that there is high staff turn over.

Table 4.11***Staffing Challenges Experienced***

Organization staffing challenges	Frequency	%
Political interference	10	15
Inadequate financial resources	5	7
Inadequate skill and knowledge	17	25
Inadequate staff	31	46
Staff turnover	3	4

Political interference, high staff turnover, inadequate skill and knowledge are some of the negative influence on the implementation of performance contract.

4.7 Level of Commitment

4.7.1 Government role on the implementation and level of commitment

Table 4.12 shows responses on government level of commitment. Majority of respondents (64%) agreed that the government has played moderate role and needs to do more. Some respondents (30%) however, feel strongly that the government has played high role and other respondents (6%) feel no role played by the government. At the same time (50%) feel that the government has moderate commitment level in implementing Performance Contract within organizations. Out of the total respondents (32%) feel that the government is really committed. However, (18%) feel that there is no commitment whatsoever from the government.

Table 4.12

Government Role and Level of Commitment

Measure	Frequency government role	%	Frequency on level of commitment	%
High	28	30	30	32
Moderate	61	64	48	51
No Role	6	6	17	18

Moderate government role and commitment level have negatively influence the implementation of performance contract.

4.7.2 Organization level of commitment

Table 4.13 we have the indication on organization level of commitment. Majority of the respondents (51%) and the management (54%) disagree that organizations at all levels are committed to implementation of performance contract. However, majority of the respondents either agree strongly (14%) or just agree (40%) that employees are aware of performance contract. In terms of support, (34%) agree and the same number do not know whether. Individual's commitment, (54%) agree and (36%) strongly agree that they are committed to the implementation of performance contract.

Table 4.13

Organization Level of Commitment

Measure	Strongly Agree	%	Agree	%	Don't Know	%	Disagree	%	Strongly Disagree	%
All Levels Commitment	10	10	16	17	17	17	49	51	3	3
Management Committed	19	20	13	14	8	8	53	54	3	3
Employees Awareness	14	14	38	40	24	25	11	12	8	8
Employees support	7	7	33	34	32	34	21	22	2	2
Individuals commitment	35	36	50	52	8	8	2	2	0	0

Lack of government commitment has negatively influenced the top management commitment level. Lack of top management commitment influences other employee's commitment level and the general lack of organizational commitment influences the smooth implementation of performance contract.

4.8 Respondents' Comments and Suggestions

4.8.1 Hindrances to the Implementation of Performance Contract

Table 4.14 shows responses on the hindrances to effective implementation of Performance Contract. The listed were some of the factors given by the respondents as hindrances to implementation of Performance Contract.

Table 4.14***Hindrances to Effective Implementation of Performance Contract***

Measure	Frequency	%
Lack of awareness	17	19
Unrealistic /imposed targets/lack of proper negotiation on targets	13	14
Lack of sensitization from the government	5	5
Inadequate top management and government commitment	16	17
Bureaucracies in government	4	4
low employees motivation	3	3
Inadequate professionals and Man power	9	10
Organization Culture	5	5
Inadequate financial resources	15	16
Inadequate monitoring and evaluation criteria	3	3

From the general comments by the respondents we find that lack of awareness, inadequate financial resources and lack of qualified employees are some of the factors influencing the implementation of performance contract in public enterprises.

Table 4.15 captures a summary of the general comments and suggestions made by the respondents. Of the respondents, 25% listed cascading the performance contract to all levels of the organization, 15% listed proper monitoring and evaluation criteria and sensitization of staff on PC, and 14% listed rewarding outstanding performance, 12% proper negotiation of targets, 7% more funding, 5% organization commitment, 4% drawing work plan with performance contract in mind.

Table 4.15

General Comments and Suggestions

Suggestions and general comments	Frequency	%
Sensitization of staff on performance contract	13	15.1
Rewarding of outstanding performances	12	14.
Proper monitoring and evaluation channels	13	15.1
Cascading performance contract to all levels of the org	22	25.6
proper negotiation on targets	11	12.8
Drawing work plan with Performance Contract in mind	4	4.7
Additional funding	6	7.0
Organization commitment	5	5.8

CHAPTER FIVE
SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND
RECOMMENDATIONS

5.1 Introduction

In this chapter the summary of the findings established from the study have been given. The conclusion drawn from the study findings have also been given. Policy recommendations on how to address the challenges facing the implementation of Performance Contract have also been given, and the chapter also entails the suggestion for further research.

5.2 Summary of the Research findings

5.2.1 Financial factors towards the implementation of performance contract

The study established that currently most public enterprises in Kenya still rely on the government for financing apart from a few commercial enterprises. Those organizations which rely on government for financing the financial allocation are not enough therefore inadequate financial allocation have hindered the implementation of performance contract as organizations are unable to perform relevant functions adequately. A number of organizations have come up with measures to bridge the budget deficit which include: donor funding; investing in income generating activities; and rationalizing the expenditure. This in turn has impacted the daily running of the organization.

It was also found out that in most organizations due to low financial allocation, there is required a special fund specifically set aside for the implementation of Performance Contract. From the respondents study found out that inadequate finances/financing is major hindrance in the implementation of performance contract.

5.2.2 Human resource challenges on implementation of performance contract

Public enterprises have adequate manpower that has been adequately trained and this has positively influenced the implementation of performance contract. However, inadequate financial resources, inadequate manpower in terms of key competence and high staff

turnover have negatively influenced the implementation of performance contract. Also, internal and external political interference have a direct influence on the implementation of performance contract through staffing and tendering within the organization.

5.2.3 Commitment level toward the implementation of performance contract

Moderate government role and lack of government commitment as witnessed in most organizations has negatively influenced the implementation of performance contract. Moderate top management and overall organization commitment negatively influences the implementation of performance contract. From the study we can say that there is a relationship between the government, top management and other employees' commitment. Also, lack of support from employees negatively influences the implementation of performance contract.

The study revealed that implementation of performance contract can not be smooth unless some of the challenges are addressed. These challenges include; low awareness within the organizations; unrealistic targets as set by the government; inadequate government and employees commitment ;inadequate negotiation at the initial stage of setting the organizations targets; bureaucracies in the government ;lack of motivation ;organization's culture ;inadequate financial resources ;inadequate monitoring and evaluation from the government.

From the general comments and suggestions by the respondents the study also found that there should be staff sensitization ;rewarding of outstanding performance ;proper monitoring and evaluation; cascading the performance contract to lower levels of the organization; drawing a work plan with performance contract in mind ;special funds and organizations commitment by both the management and other employees in general.

5.3 Discussion on findings

Kobia (2006) observes that from the previous studies on performance contract carried out within the employees of Kenya Institute of Administration in Kenya, some of the

problems experienced included lack of adequate resources, resources not being released in good time, highly ambitious performance targets, and unplanned transfer of staff.

The research established that a number of organizations are still relying on government for funding, this has had negative impact on the budget where by the organization can not implement some of the key tasks due to budget constraints, hence making a number of corporations to come up with ways of bridging this deficit. It also came out strongly that the organization requires special financing in order to perform other task such as implementation of performance contract. From the study, we can also say that the inadequate financing influences the implementation of performance contract is as a result of relying on government for funds. This study agrees with the review of statutory boards (1979) from the previous studies in Cambodia which revealed that lower level of funding, over reliance on external support, reliance on special financing as some of the hindrances to the implementation of public sector reform. Also Abramson (1999) in his study which concluded that continued reliance on public sector financing which is not adequate to meet all the sector needs since the internally generated funds were inadequate due to huge debts burdens ,over employment which caused most revenues to be used in salaries corruption and mismanagement in general.

From the findings of this study there was a common challenge in almost all public enterprises relating to human resource, such as inadequate manpower in terms of key competence, low awareness of Performance Contract, inadequate training, and political interference. The study also revealed that there was alack of a qualified within the corporation to oversee the performance contract implementation this in turn negatively influences the implementation of performance contract. This study agrees with AAPAM, (2005), which established that most organizations have inadequate manpower in terms of key competence which has an impact on organizations performance. It also agrees with the report of PBMSIG (2002) which observed that human resources factor, relating to shortages of manpower in terms of numbers and key competences, lack of appropriate mindsets, and socio-psychological dispositions has continued to bedevil the public sector. Training and education services might be provided with the goal of disseminating

information and changing behavior, however, it will be difficult or impossible to track any participant to determine whether the training helped them or not. Also RBM Guide (2005) identified excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement as influencing the implementation of performance contract.

This study revealed that the political interference has been as a result of having most heads of public enterprises being political appointees and hence their tendency to serve their appointing authority rather than serving the people and the organization at large ,this often happen through influencing the staff recruitment and the awarding of tenders.

This study also is in conformity with the study by Mazumdar (1994) in Bangladesh which revealed that when political linkage of the ruling party flows to the public enterprise managers, staff unions and down to the labor leaders, the implementation of a goal oriented performance scheme is a difficult task, especially in a corporate culture where workers, employees and officers all have the tendency to gain more through political linkages other than working hard. Also study by Shirley (1995) concluded that the problems were compounded by the politicians who may not benefit from good performance and so may try to make managers serve objectives that conflict with efficiency such as rewarding political supporters.

UNIVERSITY OF NAIROBI
EAST AFRICANA COLLECTION

This study agrees with other studies in that it establishes that the role performed by the government and its level of commitment on the implementation of performance contract is very moderate hence influencing the implementation of performance contract negatively. Under the current implementation programme the government only act as the signing body and less monitoring afterwards ,there is lack of political commitment where the head of state personally signs the contract ,in Kenya the contract is being signed between the head of public service and various heads of public enterprises hence lacking political commitment ,unlike in the Korean performance contract system received the commitment of the political executives by having the minister of economic planning on the management evaluation council .It also ensures that workers are involved in the

whole exercise and are committed to the target fixed: This has in turn had an impact on the organizations commitment levels and even management commitment level according to Shirley(1997) and Okumu (2004) who on their study of failure of performance contract in Kenya also found out that lack of intrinsic and extrinsic motivation, insufficient commitment for both parties of the contract influence negatively the implementation of performance contract. Also Musa (2001) on the study at Portland established that public enterprise management did not develop the necessary sense of ownership and commitment to the success of the enterprise contracts.

5.4 Conclusions

The study was to investigate the challenges influencing the implementation of performance contract.

From the study we can conclude that inadequate financial resources are a major challenge in the implementation of performance contract. Part of this has been as result of over reliance on government for funding which is inadequate. The government play central role is financing most of its corporations a part from a few corporations which are independent since they generate their own income (commercial enterprises) hence does not fully rely on the government for financing.

From the study findings we can confirm that there were human resources challenges relating to understaffing, political interference, inadequate skills and knowledge and inadequate manpower in terms of key competence which is major factor. There also seems to be awareness within a number of organizations on performance contract as a result of training conducted by the government, however more training is still needed to sensitize all the employees on performance contract.

Management support is a very crucial factor and hence it has an impact on how other employees will receive performance contract. Lack of top management and the government support has also had impact on the implementation of performance contract. The study therefore confirms that there is inadequate management and less government commitment on the implementation of performance contract with which any organization

is able to come up with a well organized structure on the implementation and subsequent monitoring and evaluation.

5.5 Recommendations

In view of the research findings highlighted in this study and the conclusion arrived at, it shows that there is need to address some of the issues raised in order to have vibrant corporation and outstanding performance

When resources are not available or availed late, the staff involved gets frustrated. The government therefore needs also to improve on its financial resources allocation to its institutions so that the institutions can carry out their obligation efficiently. The organizations should also reduce on over reliance on government for allocation and either establishes an income generating activity, rationalize on spending. The majority of respondents in the state corporations expressed this view.

Contract management should be accompanied by performance-oriented change in the state corporation structure and management culture. Culture that empowers staff to embrace and manage change is necessary. Management instruments, focusing on performance and cost in the field of human resources and financial management should be developed in an integrated manner. Performance Contract should be cascaded down to all the levels of the organization so that every employee is aware of it

The politician must respect the operational autonomy of the contracted organizations/ministries. Knowledge of strategic planning, development of work plans and monitoring capacities among the staff is central to the success of Performance contract and the management support and their technical knowledge is crucial hence when recruitment of staff should be based on merit not on political connection.

Performance contracting is not a substitute for poor management. Performance contract will only succeed where best management practices are practiced. Top management key

competencies and participatory approach to decision making and commitment to the success are crucial.

5.6 Suggestions for Further Research

To further understand the implementation of Performance contract in Kenya, the paper suggests areas of further research that may provide more insights on the successes and challenges and lessons learned such as:

1. Future research should focus on the role of Results Office in the implementation of Performance contract in Kenya. Such investigations would reveal the strength of the secretariat in leading the implementation in all the ministries.
2. A comparative study to investigate the extent to which State Corporations and the Ministries are in implementing the PC in Kenya. Comparing the differences in the successes or failure in State corporation and Ministries would be an interesting area to explore to gain insights into factors that enhance or inhibit the implementation of Performance contract in Kenya.
3. Future research study focusing on larger sample public servants perceptions on the role of Performance contract in improving service delivery is needed. There is a relationship between perceptions and behavior.
4. Further research effort is needed to establish if Kenyan citizens perceive service delivery as having been improved since the implementation of Performance contract in Kenya. Results of such a study would confirm if the objectives of implementation are being achieved in Kenya.
5. Finally, future research should deal with assessment of legal and regulatory environment to find out the extent to which it facilitates or inhibits implementation of Performance contract in Kenya.

REFERENCES

- Aggarwal, R. K. and Sam wick, A. (1999). *Executive Compensation, Strategic Competition and Relative Performance Evaluation*: Journal of Finance, vol. 54(6), (December), pp. 1999–2043.
- Adda W.A, (1994). *Performance Contract in Ghana*: a case study prepared for commonwealth secretariat, London
- Abramson, W. (1999) .*Contracting for Primary Health Care Services*, Washington D.C African Association for Public Administration and Management report. (2005).*Problems and Strategies for Development in Africa*, Mombasa, Kenya.
- Arijit G (2003). *Board Structure, Executive Compensation and Firm Performance*, India
- Boyne, G. A.and Chen, A. A. (2007) *Sources of public services improvement: A critical review and research agenda*’ Journal of Public Administration Research and Theory 13,767-94.
- Burns B. (2000). *Managing Change; Strategic Approach to Organizational Dynamics 3^d edition*.Financial Times Prentice Hall, Essex
- Blasi G (1999).*Government contracting performance Measurement in Human Services*. International Journal of public administration. Volume 25 (4), pgs: 519-38.
- Brown S. (2008) *The infrastructure management Challenges Associated With Technology* C.A white Paper.
- Carmen J.M. and Langeard E. (1980) *Growth Strategies of Service Firms*.Journal of Strategic Management.
- Cooper R.D and Schindler S.P (2003) .*Business Research Methods*, 8th edition Irwin: McGraw hill
- Combs A and Snygg D (1959) *Individual Behavior* 1st edition, New York; Harper and Row publishers.
- Churgo Choke (2006): *The Perceived Link between Strategic Planning and Performance Contracting in Kenyan State Corporations*. Unpublished MBA project, UoN.
- Daniel, J. D. and Redebaugh, L. H. (1995).*International Business: Environment and Operations*.ISBN 0-13-146106-0.
- Darby, M.R. and Karni E. (1973). “*Free Competition and the Optimal Amount of Fraud*”. Journal of Law and Economics.

- Das, S. R. and Sundaram, R. K. (2002). *Signaling, Risk-Sharing, and the Impact of Fee Structures on Investor Welfare*. *Review of Financial Studies*, vol. 15(5), (winter), pp. 1465–97.
- Donnelly J.H. Jr (1976), “*Marketing Intermediaries in Channels of Distribution for Services*”, *Journal of Marketing*
- Dye, R. (1992). *Relative Performance Evaluation and Project Selection*. *Journal of Accounting Research*. vol. 30(1), (spring), pp. 27–52.
- DPM, (2004). *Targeted Voluntary Early Retirement Scheme 2004–2008*
- England R (2000) .*Contracting and Performance Management in the Health Sector Department of International Development, London U.K*
- England. R. (2003). *Contracting Non Governmental Organization to provide Non-core Specialist Services*, Got adze and Levan, DFID Health Systems Resource Centre.
- Government of Kenya, (2003). *Economic Recovery Strategy for Wealth and Employment Creation*. Nairobi: Government Printer.
- Government of Kenya, (2001). *A Strategy for Performance Improvement in the Public Service*, Nairobi: Government Printer.
- Government of Kenya report. (2005). *Sensitization on Performance Contract for State-Owned Enterprise have not worked* “World Bank Development Research group.
- Government of Kenya report.(2005).*Information Booklet on Performance Contracts in the Public Service*, unpublished information booklet.
- Grinblatt, M. and Titman, S. (1989). *Adverse Risk Incentives and the Design of Performance-Based Contracts*, *Management Science*, vol. 35(7), pp. 807–22.
- Gronroos C. (1978). “*A Service Oriented Approach to Marketing of services*”, *European Journal of Marketing*.
- Holmstrom, B. (1982). *Moral Hazard in Teams*, *Bell Journal of Economics*, vol. 13(2), (autumn), pp. 324–40
- Holmstrom, Bengt and Jean Tirole (1989) “*The theory of the firm*” in hand book of industrial organization Vol 1 by R.Schmalensee and R.D willing ,Elsevier Science publishers B.V

- J.Brook, Suzanne Smith (1999) *Bidding for Concession, Impact of Contract Design*. Viewpoint .158.Wprld Bank, Finance, Private Sector and Infrastructure network, Washington, D.C
- Kiboi W. (2006). *Management_Perception of Performance Contracting in State Corporations*. Unpublished MBA project, UoN.
- Kibera F.N and Waruingi B.C (1998), *Fundamentals of Marketing*, Kenya Literature of Bureau, Nairobi
- Kobia M. (2006) *The Kenyan Experience with Performance Contracting*. 28th AAPAM Annual Round Table Conference, Arusha, Tanzania. 4th – 8th December 2006
- Korir P (2005). *The Impact of Performance Contracting in State Corporations*. The case of East African Portland cement. Unpublished MBA project, UoN.
- Laffont, Jacques J-, and Tirole J. (1993). *Theory of Incentives in Procurement and Regulation*. MIT Press: Cambridge, MA.
- Levitt T. (1981). “*Marketing Intangible Products and Product Intangibles*”, Harvard Business Review, 81, 94 – 102
- Leedy P.D (1989). *Practical Research; Planning and Design* 4th edition, New York Macmillan
- Lind B (1959) *Earth System Management*
- Lienert, I. (2003). *Civil Service Reform in Africa: Mixed Results after ten Years*’. International’ Inetary Fund, Finance and Development, Vol. 35 No. 2 (June)
- Lynch, R. (2000), *Corporate Strategy*, 2nd Edition Prentice Hall Europe.
- Mazumdar M.A.K (1994).*Performance contract in Bangladesh: Commonwealth secretariat*, London 1994 pp16-17
- Mehdi I, (1994). *Signaling system for public enterprise: A case study of Pakistan*, e commonwealth secretariat, London 1994
- Meyer, Bruce D. (1994). “*Natural and Quasi Experiments in Economics* NBER Technical Working Paper No 170, December
- Musa P. Dlamini, (2001) “*Contract Plans and Public Enterprise Performance*” Tangier, Morocco,
- Murray, K. B. and Schlacter. J.L. (1990). “*The Impact of Services versus Goods on Consumers’ Assessments of Risk and Variability*”, Journal of Marketing Science.

- Neillis, John (1989) *Contract Plans and Public Enterprise Performance Policy Planning*, Research Working Paper 118. World Bank Washington, D.C
- NPR (1997). *Best Practices in Performance Measurement* National Partnership Reinventing Government, Department of energy, USA.
- Njoroge J.K (2003) *Customer Perception towards Energy Efficiency Messages in Lighting Activities*; the case of KPLC domestic customer in Nairobi, unpublished MBA project UON.
- Njie M.B (1994) *Performance contract system in the Gambia*, Commonwealth Secretariat, London.
- Ngau W, .J (2003) *Factors Influencing Perception of the Fortified Products*; a case of Nairobi Residents, Unpublished MBA project, UON.
- OECD, (1999). *In search of results: Performance Management Practice*. Paris, France.
- Opiyo, H. (2006). *Civil Service Reform Policy in Kenya: A review of the Retrenchment Strategy*:
 Discussion Paper Series: Institute of Policy Analysis and Research.
 Performance Contracts Steering Committee, Kenya, (2005): Sensitization Training Manual on
 Performance Contracts in the Public Service.
 Results Based Management Guide, Kenya (2005). *Results Based Management: Training Manual*. Kenya
- Roscoe J.T (1975) *Fundamentals of Research for Behavioral Sciences* 2nd edition .New York Holtz Rinehart & Winston.
- Report on the Review of Statutory Boards (1979) and Report of the Working Party on Government Expenditures (1982)
- Sessional Paper No.4 of 1991 on Development and Employment in Kenya
- Schiffman L.G and Kanuk L (1994) *Consumer Behavior*, 5th edition New York prentice hall
- Shirley, Mary, and Colin L Xu. (1997). *Empirical Effects of Performance Contracts: Evidence from China.*

- Shirley, Mary, and Colin L Xu. (1997). *Information, Incentive and Commitment*, an empirical Analysis of Contract between Government and State Enterprises Policy Research Working Paper. No Number. World Bank.
- Sankar, T L,Mou(1990): *Wrong end of the Stick*, the Journal of the Institute of Public Enterprise ,Hyderabad vol13 no 2.
- S Sridhar Sharma(1982). "*The Enterprise Contract System in Public Enterprise: The French Experience*"Jornal of Institute of Public Enterprise Hyderabad Dec.
- Song, D.H. (1988)."*Korea Public enterprise Performance Evaluation System*" Asian economic Journal, 106-138
- Suresh. K. (1994) *Development of the Performance Contract System*, an India Case Study, Commonwealth Secretariat London.
- Trivedi, P. (1990). *Memorandum of Understanding; An approach to Improving Public Enterprise Performance* .New Delhi: International Management publishers.
- Report by the Technical committee for privatization and commercialization (1993)"framework for commercialization", the presidency, Lagos.
- World Bank, (1997) "*Information, Incentives, and Commitment: Development Research Group*, Washington, D.C.
- World Bank (1979).*Empirical Analysis of Contracts between Government and State Enterprises*, Development Research Group, Washington, D.C
- World Bank. (1995). *Bureaucrats in Business: The Economics and Politics of Government Ownership*. New York: Oxford University Press.

APPENDIX: INTRODUCTION LETTER

Wycliffe Ouma Rajoro
P.O Box 28914-00200
Nairobi

Dear respondent,

Re collection of survey data

I am a postgraduate student at the University of Nairobi, school of distance and continuous education. In order to fulfill the degree requirement, I am undertaking a management research project on the employee's perception of performance contract in service delivery in Nairobi. You have been selected to form part of this study .this is kindly to request you to assist me collect the data by filling out the accompanying questionnaires, which I will collect from your premises.

The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information will be treated with strict confidence. Your name appear in my report, a copy of this final paper will be availed to you upon request.

I thank you in advance for your cooperation

Yours faithfully,

Wycliffe Rajoro
MA project
University of Nairobi

1.2 Questionnaire on challenges influencing performance contract

Section A: personal Details

Please append a tick where appropriate

- 1) Gender Male
 Female
- 2) Age bracket 18-30 year
 31-43 years
 44-56 years
 57 years and above
- 4) Indicate your job level
 Top management
 Middle management
 Operation staff
- 5) Terms of employment
 Permanent
 Contract
 Temporary
- 6) Indicate your current working station
 Human resource
 Finance department
 Operations department
 Legal departments
 Others.....
- 7) Indicate your current position
 Director
 Manager
 others
- 8) indicate how long you have served in that position in your current working station
 0-1 years
 1-3 years
 4 and above

Section B: Performance contract

1) Are you aware of performance contract?

- Yes
- No
- I don't know

2) Does your department experience challenges with the performance contract?

- Yes
- No
- I don't know

3) What areas of the proposed performance contract do you think need to be addressed in order to have a smooth implementation?

.....

4) Has the government played a worthwhile role in keeping the institution in performance contract policies?

- High role
- Moderate role
- No role

UNIVERSITY OF NAIROBI
LIBRARY COLLECTION

5) Does the government provide the necessary support for performance contract operations?

- Yes
- No
- I don't know

If the yes then explain how the government supports the organization.

.....

6) What is the government level of commitment

- High
- Medium
- Low

7) Please indicate the extent to which you agree or disagree with the following statement

	Strongly Agree	Agree	Neither agree nor disagree	disagree	Strongly disagree
The organization at all levels are Committed to performance contract					
management are committed to performance contract					
Since performance contract was introduced ,employees are more aware of the issues involved					
Performance contract totally supported by employees at the institution					
I am personally committed to implement performance contact					

8) Does the staff undergo some form training with regards to performance contract?

Yes

no

I don't know

What kind of training does the staff undergo with regards to performance contract?

.....

9) Do employees have adequate knowledge and skills to undertake the implementation?

Yes

no

I don't know

10) Does the organization require additional man power to successfully implement performance contract?

- Yes
- no
- I don't know

If yes which key departments requires the additional manpower?

.....

11) Does the organization have manpower in terms of key competence to undertake the implementation?

- Yes
- no
- I don't know

12) Does the organization experience challenges in terms of staffing?

- Yes
- no
- I don't know

If yes what are some of the staffing challenges experience.....

.....

13) What tools and methods are in place to assess the quality of knowledge and skill in the Performance contract gained between the government and organization?

.....
.....

14) Does the organization relies on government for its funding ?

- Yes
- no
- I don't know

a) If yes to question 14 then does the budget allocation enough for all the implementation process

.....

b) If not enough what are some of the measures the organization has put in place to bridge the deficit

15) Does the organization require special financing for the implementation of performance contract?

Yes

no

I don't know

If yes why does the organization require such financing?

.....

16) Do inadequate financial resources hinder the organization from implementing performance contract?

yes

No

I don't know

Section C

1) What would you say are hindrances to effective implementation of process improvement initiative and implementation of Performance Contract?

.....
.....
.....

2) Suggestion and compliments

.....
.....
.....
.....
.....
.....
.....
.....
.....

List of studied corporations

Kenya National Examination Council
Kenya Roads Board
NGO Coordinating Board
Kenya Literature Bureau
Agricultural Development Corporation
Postal Corporation of Kenya
Kenya Tourist Board
Teachers Service Commission
Kenya Power and Lighting Company
Higher Education Loans Board
Water Services Regulatory Authority
Kenya Revenue Authority
Central Bank of Kenya
National Aids Control Council
Kenya Airports Authority
Kenya Industrial Research Development Institute
Kenya Bureau of Standards
National Environment Management Authority
Kenya Tourist Development Corporation
National Housing Corporation
National Cereals and Produce Board
Agricultural Finance Corporation
Kenya Electricity Generating Company
Kenya Pipeline Corporation
Tana Athi Development co Ltd
Water Services Development Authority
National Health Insurance Fund
National Social Security Fund
KASNEB

UNIVERSITY OF NAIROBI
JAST SERVICES COLLECTION