

**PERCEPTIONS OF EMPLOYEES ON THE USE OF PERFORMANCE
CONTRACTING AS A MEANS OF IMPROVING PERFORMANCE IN
THE MINISTRY OF HOUSING**

BY

BALOZI MORARA GEORGE

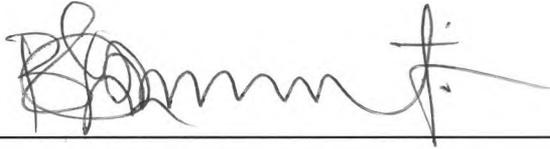
**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
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DECLARATION

This research study is my original work and has not been presented to any other University for the award of degree or diploma certificate.

Signature:



Balozi Morara George

D61/71246/2008

Date:

13/11/2010

This research project has been submitted for Examination with my approval as the University of Nairobi Supervisor.

Signature:



Ms. Florence Muindi

Lecturer, Department of Business Administration

University of Nairobi

Date:

13/11/2010

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I am also grateful to my employer Ministry of Housing for financing the studies at the very difficult financial time. Finally, but most importantly, I sincerely thank our Almighty God for giving me the strength and providing the means to undertake this study.

DEDICATION

I dedicate this research project to my lovely children, Michelle, Merylyne , Mercy and my wife Gladys for supporting me while undertaking the study especially after work hours.

To my parents who have always been a great source of inspiration and joy in my daily endeavors to better my best.

To my dear friends and colleagues in professional circles, for their feedback, encouragement and support.

ABSTRACT

Performance contracting has in recent years been effectively adopted by organizations focusing on attaining results, sustaining and at times surpassing customer's expectations AAPAM, (2006). Most governments have embraced performance contracting as a useful instrument, for mitigating inefficiencies and mismanagement associated with public agencies. Performance Contracting has therefore been invariably been seen as the solution to reversing falling service delivery in the public service.

The objective of this study was to determine the perceptions of employees on performance contracting in the Ministry of Housing. The target population was 263 employees and the sample size of 80 respondents was selected covering all employees in the seven departments signing performance contracts. The research used descriptive sampling design, and the sample size was chosen through stratified random sampling. The researcher used structured questionnaires to obtain standardized information from the respondents. The research used graphs, charts, and tables to analyze and present data collected.

The findings of this study indicate overall low optimism among employees regarding the use of performance contracting as a means of improving service delivery in the Ministry. Generally, it is noted that employees are not in favour of performance contracting as a means of improving service delivery. This is confirmed by an overall low perception index of 47.2 percent. Among the major hindrances cited by employees in embracing performance contacting is inadequate provision of training to all employees, low provision of incentives to be awarded to employees for excellent performance and inadequate consultations and representation in setting of evaluation criteria to evaluate performance. This conclusion was arrived at after respondents returned negative perception indexes in the themes of study. However, there seems to be strong believe among employees of the Ministry about the Ministry's plans and target setting which scored very strongly in the thematic analysis. The researcher recommends that management should endeavor to raise awareness and communicate effectively on the various aspects of performance contracting, involve employees in target setting, performance management and provide incentives for excellent performance, above all train employees on the various aspects of performance contracting.

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CHAPTER ONE: INTRODUCTION

1.1 Background

The concept of performance contracting (PC) has in recent years been effectively adopted by organizations focusing on attaining results sustaining and at times surpassing customers' expectations. Most governments all over the world view Performance Contract as a useful instrument for articulating clearer definitions of objectives and supporting new management monitoring and control methods, AAPAM (2006). It organizes and defines tasks so that management can perform them systematically, purposefully and with reasonable probability of achievement. PC is based on the premise that what gets measured gets done. If you cannot see and measure success, you cannot reward it. If you cannot recognize failure you cannot correct it, and if you cannot demonstrate results, you cannot win public support, Osborne and Gaebler (1992). Performance contracting originated as a reform package used to gauge individuals inputs and outputs within a specified time frame. In its earlier stages, it was majorly used by the private sector, but has since been adopted by the public sector for effective and efficient delivery of services and economic utilization of resources, Trivedi (1990).

Introduction of Performance contracts emanates from the general perception that performance of public institutions have consistently fallen below the expectations of the public. Typically, public agencies either are not clear about their goals or are aiming at the wrong goals. The lack of clarity of goals may lead to the agency achieving objectives not related to its core mandate. This lack of clarity can be attributed to the fact that most public agencies have to deal with multiple principals who have multiple interests, Trivedi (2002). This leads to uncertainty in the agencies perception of what is expected of them. A performance contract therefore addresses the imbalance in assessing performance by agreeing on the objectives against which performance will be measured. PC is expected to help in meeting agencies goals and targets since PCs will prioritize and set attainable, realistic and stretching goals that directly benefit the public, which emphasis that it instills accountability and transparency in service delivery and utilization of resources. Public agencies were characterized by excessive controls, multiplicity of principals,

frequent political interference, poor management and outright mismanagement, RBM Guide (2005). In view of the shortcomings in the systems; agencies have adopted the system of performance contracting as a management tool. The principle of PC is the devolved management style, where emphasis is management by outcome rather than management processes. This therefore provides a framework for changing behaviours in the context of devolved management structures, GOK (2004).

Performance measurement is often taken to be fundamental to the delivery of improved services, the use of performance data to inform management is not a new concept. The belief that concrete data on organization performance, should guide managers' decision making has gained a lot of discourse of management in public agencies since the early 1990s. Measuring and reporting on organizational performance focuses the attention of public managers and oversight agents as well as the general public, on what, where and how much value programs provide to the public, Obong'o (2009).

Performance contracting has brought cultural change manifested in measurement, delegation of authority and accountability to the forefront of management in agencies administration. These initiatives have lead to greater attention to the specification of expected performance by agencies , improved information ,reporting and monitoring systems within agencies and externally; and results-oriented employment arrangements containing incentives and sanctions based on individual performance.

A critical factor that can influence the success of performance contracting is how employees perceive it. Cole (1997) defines employees as individuals who, over a given time, invest a large proportion of their lives in their organizations. Unlike other resources in an organization, employees are complex human beings, who are influenced by and can act on, the basis of their perception. Mullins (1999) defines perception as the mental function of giving significance to stimuli such as feelings, shape. Bennet (1997) asserts that perception is a process in which one interprets sensory inputs such as smell, sight, sound, or feelings. Different people may physically see the same thing but they may have their own individual interpretation of what it is. Just like seeing half glass of water; others

may see it as half full, while others may see it as half empty, depending on their perceptions. Employees' perceptions in an organization are crucial to its success since the driving force behind the success, or otherwise of any business rests on its employees. Perception is influenced by intelligence, personality, expectations, motivations and interest (Bennet, 1997; Mullins, 1999) . Perceptions are developed over time and can change as new information and experiences are acquired.

1.1.1 The Concept of Perception

Bouditch and Bouna (1997), define perception as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. Mullins (1999) defines perception as the mental function of giving significance to stimuli such as feelings, shape, while Bennet (1997) asserts that perception is a process in which one interprets sensory inputs such as smell, sight, sound, or feelings. Perception is considered relative to expectations, a person's own needs and values. The level of perception varies depending on the particular person's reference point and their motives (needs, desires, wants, interests). Individuals act and react based on their perceptions, not based on objective reality. Individuals make decisions and take actions based on what they perceive to be reality. It is therefore important for managers to understand the whole motive of perception and its related concepts to more readily determine what factors influences individual performance.

According to Mullins (1999) perceptions are influenced by stimuli. These are any physical, visual or verbal communication that can influence an individual's response. He identifies two important stimuli that affect individual behavior as environmental stimulus and organizational stimuli. Key factors that determine which stimuli individual will perceive and how they will interpret are the characteristics of stimulus and the individual's ability to perceive the stimulus. These two influences interaction in determining employees' perceptions. Customers perceive services in terms of the quality of the services and how satisfied they are, overall with their experiences. Thus service providers should recognize the efficiency of targeting their products to the perceived

needs of customers. This ensures that customers' special needs, wants and interests are met. Understanding customer perceive needs in relation to product or service will enable the agency provide a product that meets this special wants leading to satisfaction of consumers.

A critical factor that can influence the success of performance contracting is how employees perceive it. Different people may physically see the same thing but they may have their own individual interpretation of what it is. Just like seeing half glass of water; others may see it as half full, while others may see it as half empty, depending on their perceptions. Employees' perceptions in an organization are crucial to its success; since the driving force behind the success, or otherwise of any business rests on its employees. Perception is influenced by intelligence, personality, expectations, motivations and interest (Bennet, 1997; Mullins 1999) . Perceptions are developed over time and can change as new information and experiences are acquired.

1.1.2 Organizational Performance

Performance has been defined not only on what people achieve, but also on how they achieve it. High performance results from appropriate behaviours, especially discretionary behavior, and the effective use of the required knowledge, skills and competencies, Armstrong (2009).The high performance work practices are designed to improve an organization's financial and operational performance, Luthans (2008). An organization system that continually aligns its strategy, goals, objectives, and internal operations with the demands of its external environment usually maximizes its performance. Luthans (2008) further notes that the cardinal focus of high performance work practice is to achieve a fit among people, technology, information, and work. There must be a further match, in which the agency's internal environment meshes and fits with the demands of the external environment, including supporting customer needs and expectations. The ingredients supporting high performing organization include; a positive organizational culture, effective organization strategy, a systematic organizational design, innovative environment, measures of customer expectations, cooperation ,team work ,

open communication and trust .Above all leaders must be focused on both employees and organization's needs.

Organizational performance is a continuous self-renewing cycle, consisting of initiating and agreeing on a performance plan (performance contract), implementing the plan (managing performance throughout the year) and achievements. Organizational Performance entails getting better results from the organization's teams and individuals by understanding and managing performance within a framework of planned goals, standards and competence requirements, (Ndubai, 2008). This is a management processes for ensuring employees are focusing their work efforts in ways that contribute to the achievement of the organization's mission. It consists of three phases; setting expectations for employees performance, monitoring a dialogue between supervisors and employee to keep performance on track and measuring actual performance relative to performance expectations. Organizational Management has been defined as the art of getting tasks and creating suitable environment in which people cooperate and perform with a view to attaining the organizational goals, Pearce and Robinson (2007) asserts that ,organizational management is the process through which an organizational strategy is formulated and then implemented through organization of work, people, finance and technology. While Management effectiveness can be defined as the extent, to which the organization realizes it goals. It include all activities and tasks of the management in achieving the organization goals in terms of acquiring resources, smooth and efficient internal and external operations, optimization of goals and creating satisfaction for all stakeholders in the organization, Porter (1985). Good management and practice has a major contribution to build up an effective organization with appropriate mechanism for survival. However, such success could not be achieved easily. It demands an effective and efficient management that can formulate, implement and evaluate the whole functions of organization. Within this context, organizations need to carry out the benefits contained in their activities having their own strategic approach for formulating, implementing, and evaluating all activities, and evaluating all activities geared towards their objectives.

Pennington and Edwards (2000) note that performance management systems grew in popularity during the 1980s because they were thought to facilitate rigorous specification of performance standards and measures and increase the likelihood of achieving organizational goals at a time when organizations needed to respond to increasing competitive business conditions. They were a way of moving away from collectivism towards greater individualization of the employment relationship. All high performing organizations must be interested in developing and deploying effective performance management systems, since it is only through such systems that they can remain high performing and competitive organizations, GOK (1997).

1.1.3 Performance Contracting

Performance Contracts are referred to by various names in different countries, Trivedi (1990). The most common terms used include: Performance contracts, Letter of Agreement, Performance Agreement and Memorandum of Understanding. Performance contract as defined by OECD (1997) is a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. PC is a written 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 within a specified time frame. They are outcome oriented rather than process. Most governments and international agencies are currently implementing policies using this method to improve their performance, Trivedi (2000).

Performance Contracts were first introduced in France in 1960s, after the publication of the famous Nora Report on the reform of state owned enterprises in France, and was developed with great deal of elaboration in Pakistan, Korea and later in India (OECD, 1997). In Africa, they were introduced in countries like Nigeria, Gambia, Ghana and Kenya as a way of responding to citizens needs. Other countries which have embraced PC include Benin, Morocco and Senegal, Trivedi (1990).

Traditionally, governance structures are characterized by rule – based approaches. The focus of the civil service has been on process, regulation, compliance with centrally prescribed standards and rules. Such an approach fails to indicate what are the results achieved by the activities of government as individual civil servants, Obong’o (2009). Performance contracts originated from the general perception of the public sector in general and government agencies in particular have consistently fallen below the expectations of the public, G.O.K, (2005). PC and the individualized performance appraisals systems have indeed changed how the civil service functions. In 2009, Trivedi found that performance contracting has established clarity and consensus about priorities of government agencies (ministries, state corporations, and local authorities) has seen the civil service develop goals and programmes to be achieved.

In implementing PC, the issue that is being addressed include; improving performance to deliver quality and timely services to citizens, improving productivity in order to increase wealth, reduce or eliminate reliance on the exchequer, instilling a sense of accountability and transparency in service delivery and utilization of resources and giving autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures (AAPAM, 2006). They are now considered an essential tool for enhancing good governance and accountability for results in the public sector.

In the Kenyan context, a performance contract is a written agreement between government and a state agency (Local Authority, State Corporation or Central Government Ministry), delivering services to the public, where quantifiable targets are explicitly specified for a period of one fiscal year and performance measured against agreed targets, Obong’o (2009). According to Smith (1999) performance contract is a memorandum of understanding (MOU). MOU is rooted in an annual evaluation system, which not only looks at performance comprehensively but also ensures improvement of performance. A PC is a freely and unconditionally negotiated performance agreement between government and the government agency, clearly specifying mutual performance obligations, intentions and responsibilities of parties. It is an agreement about employee’s

performance goals, an agreement between a manager and an employee about the employee's responsibilities and behavior during a review period (OECD, 1999)

1.1.4 Ministry of Housing

The rationale of creating ministries such as Housing is to enhance their specialization in aspects of national development. The Ministry's headquarters is located in Ardhi house, upper hill area. It operates field offices in all provinces and 74 Districts. It has an establishment of eight hundred and sixty three employees' mainly technical officers in housing, housing planning and human settlements.

This Ministry was created with the aim of facilitating access to adequate housing in sustainable human settlements including the management of built-up environment. The mandate of the ministry as spelt out in the presidential circular No.1 of 2008 includes: formulation, implementation and review of housing sector policies; improving the living environment in slums and informal settlements through slums upgrading, management of housing for civil servants and disciplined forces, facilitating Civil Servants to own houses through Civil servants Housing Scheme Fund.

The ministry discharges its functions through seven departments: General Administration, Housing, Government Estate, and Rent Restriction Tribunal, Slum upgrading, Civil servant Housing Scheme and Housing Infrastructure. The Ministry's vision is to facilitate *'Excellent, affordable, adequate and quality housing for Kenyans'* and the Mission Statement is *'To improve the livelihoods of Kenyans through facilitation of access to adequate housing in sustainable human settlements.'* The ministry has developed a five-year strategic plan to actualize its mission. The Ministry's performance contract is developed based on the strategic plan.

1.2 Statement of the Problem

Public agencies have been criticized for inefficiencies and mismanagement. There has been poor and declining performance which in turn inhibits realization of sustainable economic growth. Performance Contracts have therefore been invariably seen as the solution to reversing falling service delivery in the public service.

The introduction of performance contracting has since provided numerous insights into the performance of public agencies. Evaluation results indicates that the level and quality of service delivered varies depending on ministries and departments, GOK (2005). What is not certain is the underlying reasons for these variations given public agencies are funded through the exchequer and Public Servants are expected to attain their respective Performance Contracts targets. Milkovich (1991) has noted that employees give their best if they perceive to be working in an environment which is not contaminated by patronage, maneuvering, when rewards are linked to performance, promotions based on merit and complaints addressed promptly. The Ministry of Housing initially performed well; however the ministry experienced a downward trend during the last two evaluations. This performance raised concern among management consequently, the justification of this study.

Even though performance contracts are widespread, there have been few empirical assessments of their effectiveness; and those that exist have diverse conclusions. Ortiz (2004), Trivedi (2002) and Obong'o (2004) contend that, leadership; political goodwill, perception and acceptability and ownership of the programmes directly determine its success or failure. In 2008, Luthans found that a positive perception, directly interprets into tangible positive outcomes, Trivedi (2002) noted that target setting was mechanically done and devoid of flexibility thus contributing to the failure of attainment of goals set in performance contracts. Choke (2006) suggests that better performance is a question of involving everyone in goal setting.

As can be seen, none of the studies so far has researched on the perceptions of employees' on performance contracting, as a means of improving performance .This study will therefore; seek to understand the relationship between employees' perception of performance contracts and service delivery in the Ministry of Housing. This statement problem leads to the following question; what are the perceptions of employees on PCs as a means of improving performance?

1.3 Objective of the study

To determine employees perception on Performance Contracting as a means of improving services delivered by the Ministry of Housing.

1.4 Significance of the study

The study will be beneficial to the Government of Kenya policy makers since it would provide important information in understanding the perceptions of employees' on performance contracting as a means of improving service delivery. It will also assist policy formulators in initiating relevant and pro reform strategies geared towards efficiency and productivity. In addition, it will provide fundamental frameworks on how they can get best performance from employees. The study will also benefit researchers who are interested in studying on the subject area further. It will add to the body of knowledge in the subject theme. The employees of the Republic of Kenya will benefit from the study by providing them with in-depth understanding of performance management and how it affects their performance.

1.6 Scope of the Study

The study took place at the premises of the Ministry of Housing Headquarters (Ardhi House, Nairobi). The Ministry is located in Upper Hill about two kilometers from the Central Business District. The Ministry has an establishment of four hundred of which one hundred and Seventy One are based in the head quarters who were the subject of this study. The focus of the study was on the four departments of the Ministry of Housing. The study covered areas of motivation, reward, training, and performance management and took nine months to complete.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter examines the perceptions of employees on the use of performance contracting as a means of improving performance in the ministry of housing .The Researcher also took a critical analysis of what other writers have found out about the perceptions of employees on performance contracting.

2.3 Performance Contracting

Based on the literature, Performance contracting is increasingly gaining credence within the public service having been applied successfully in the private sector from the early 1980s. The concept attracts several definitions. Performance contracting has variant names such as, a memorandum of understanding, an agreement and a signaling system. According to Organization for Economic Co-operation and Development, OECD (1999), performance contract is seen as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. The envisaged results in this definition has led to other scholars coming up with other argument, where Performance Contracting involves considerable variety of uses and forms for quasi contracting agreements between parties, Smith (1999).

PC is a written 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 within a specified time frame. They are outcome oriented rather than process. Most governments and international agencies are currently implementing policies using this method to improve their performance, Trivedi (2009). The Government of Kenya guide-books on performance contracting defines it as a management tool for measuring performance against negotiated performance targets. It further states that a performance contract is a freely negotiated performance agreement between the government, acting as the owner of the agency and, the management of the agency. In essence, performance contracting 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— involving controlling the outcome rather than the process, GOK, (2005).

Performance contracts between governments and public agencies was first introduced in France in the late 1960s ,and was later developed with a great deal of elaboration in Pakistan and Korea and thereafter introduced to India, and later extended to other countries under different environmental circumstances with varying degrees of success OECD (1997). It has since been adopted in several developing countries in Africa including Nigeria, Gambia, Ghana and Kenya. The Performance Contract specifies the mutual performance obligations, intentions and responsibilities between the two parties. The relationship in the negotiation of the contract is therefore what Obong'0 (2009) terms as, an exchange involving reciprocity:-where each party has a unique obligation to fulfill. The aim here is to deliver quality services and goods to the public within a specified time frame. There are inherent obligations on each contractual party other than the aforementioned and it is the attainment of these obligations that performance would be met. Public sector performance is measured by looking at whether the signed contract is able to deliver efficient and effective project implementation, be timely, offer quality services, check the relevance of projects being implemented, be cost effective and use allocated funds effectively. The projects must satisfy the end consumer while those implementing it must derive satisfaction from what they are doing. If such project be in the form of housing or physical infrastructure they must be repaired and maintained promptly, GOK (2006).

2.4 Organizational Performance

Performance has been defined not only on what people achieve, but also on how they achieve it. High performance results from appropriate behaviours, especially discretionary behavior, and the effective use of the required knowledge, skills and competencies, Armstrong (2009).This is continuous self-renewing cycle, consisting of initiating and agreeing on a performance plan (performance contract), implementing the plan (managing performance throughout the year) and achievements. Organizational Performance entails getting better results from the organization's teams and individuals by understanding and managing performance within a framework of planned goals, standards and competence requirements, Ndubai (2008). This is a management processes for ensuring employees are focusing their work efforts in ways that contribute to the

achievement of the organization's mission. It consists of three phases; setting expectations for employees performance, monitoring a dialogue between supervisors and employee to keep performance on track and measuring actual performance relative to performance expectations. Organizational Management has been defined as the art of getting tasks and creating suitable environment in which people cooperate and perform with a view to attaining the organizational goals, Pearce and Robinson (2005) asserts that ,organizational management is the process through which an organizational strategy is formulated and then implemented through organization of work, people, finance and technology.

While Management effectiveness can be defined as the extent, to which the organization realizes its goals. It includes all activities and tasks of the management in achieving the organization goals in terms of acquiring resources, smooth and efficient internal and external operations, optimization of goals and creating satisfaction for all stakeholders in the organization, Smith (1999). Good management and practice has a major contribution to build up an effective organization with appropriate mechanism for survival. However, such success could not be achieved easily. It demands an effective and efficient management that can formulate, implement and evaluate the whole functions of organization. Within this context, organizations need to carry out the benefits contained in their activities having their own strategic approach for formulating, implementing, and evaluating all activities, and evaluating all activities geared towards their objectives.

2.5 Performance Evaluation

Performance needs to be assessed at the end of the contract period. Public agencies evaluation under the PC is to focus on the performance criteria /indicators negotiated and agreed upon between government and the agency. The institution empowered to implement the performance evaluation must be expert, independent, objective and credible, and must have the ear of the powerful officials. Performance evaluation exercise is usually done *ex ante*. Thus performance evaluation by ad-hoc evaluation committee is based on a comparison of achievements against the targets agreed at the signing of the

contract. The negotiation of targets to be in the contract is conducted by the ad-hoc negotiation committee. The final contract is however between government and the agency. The performance indicators are agency specific and are developed by the respective agencies upon agreeing on the targets. The ad-hoc committee consists of eminent experts drawn from professional associations, academia, business community as well as a few retired public servants, Obong'o (2004). They approve the design of the design of the PCs and are responsible for approving the evaluation of PCs at the end of the year. The Performance Contracts Steering Committee (PCSC) coordinates implementation of performance contracts in the Public Service and provides technical support to performance contracting parties. The negotiation of targets to be included in the contract is conducted by the ad-hoc negotiation committee. The performance indicators are agency specific and are developed by the respective agencies upon agreeing on the targets. The actual achievements of the agency are rated against the set performance targets negotiated and agreed at the beginning of the financial year. The resultant difference is resolved into weighted scores and ultimate performance denominated to a composite score, the value of a weighted average of the raw scores in a performance agreement, Trivedi (2002).

In Korea, the Public Enterprise Evaluation Bureau works closely with a research institute to develop the performance indicators. At each annual review period, the public agencies submit their own evaluations of their performance. Separate task forces created for each enterprise review the documents and consult with respective agencies before doing their own evaluations. The final evaluation must take into account the difference between the performance of the agency and that of management. Performance indicators include; quantifiable and non quantifiable, qualitative and non qualitative, financial and nonfinancial and, operational and non operational indicators. Financial indicators carry greater weights, hence financial targets, mainly profit carry more weights in performance contract evaluations.

Performance is measured to determine how well an agency has performed against set targets, goals and objectives, Pearce and Robinson (2007). Business performance is measured from different perspectives due to the understanding of performance by the different disciplines. Measuring business performance is therefore beset by the challenge

of defining the selected measures that can drive performance, NPR (1999). Measurement systems are evolving from performance measurement to performance management integrated systems that link strategy, resources and processes in coherent and understandable frame works. Studies by Marr (2004) Kaplan and Norton (2001), Kennerly and Neely (2003) indicate that performance measurement systems have evolved from traditional one-dimensional, financial focused systems to strategic integrated systems that are flexible to the drastic changes in the environment. Performance measurement systems succeed only when the organization strategy and performance are in alignment. As noted by Ghalayani and Noble (1996) the performance systems embraced must take note of the dynamic business environment and link performance to organization's value, strategy, and focus on the critical success factors or performance drivers.

Various models, frameworks and methodologies have been developed in the field of performance measurement. They include, balanced score card, the business excellence model, key performance indicators, performance measurement questionnaire, performance prism and competitive benchmarking. Each frame work purports to be unique yet each offers a different perspective on performance, (Kaplan and Norton 2001; Neely 1999). These models however, have limitations since most are conceptual models and as such hardly be considered as measurement models; most don't identify clearly the variables they use, how they are measure and how they relate to each other. Most don't mention competition, or technological development making them somehow static, Ghalayani (1996).

The importance of Performance Measurement is to enable the agency to strategically, evaluate, control and motivate its employees. It is also used for budgeting, reward and making decisions on areas of improvement, Gamble, Strickland and Thompson (2007). The basis of Performance Measurement is to determine the value of work done. This is aimed at eliminating or minimizing unmeasured work. All significant work activity must be measured. The measurement is used to establish the outcome of all measured work which provides a basis for accountability of the results and efforts. Where variances are registered the measurement allows for appropriate corrective action which is vital as an effective management control tool. The process and method of measurement employed

by the agency may determine how its employees are going to perceive the entire programme, which variedly influences its success or failure, Schacter and Mark (2002).

In the Public Sector performance is measured by looking at whether the signed contract is able to deliver efficient and effective project implementation, be timely, offer quality services, check the relevance of projects being implemented, be cost effective and use allocated funds effectively. The projects must satisfy the end consumer while those implementing it must derive satisfaction from what they are doing. If such project be in the form of housing or physical infrastructure they must be repaired and maintained promptly, GOK (2006). Targets are agreed levels of performance within a given time frame and should be growth oriented, comprehensive, and relevant to mandate of agency and country's development plan. They should also be specific, realistic, attainable, easily understood and measurable. It is a fundamental building block of Total Quality Management (TQM). It gives the improvements recorded by the customer as well as the result delivered by the agency.

Accountability for performance is a critical factor in any successful performance measurement criteria. PBMISING (2001) .The key requirements for successful establishment of an accountability environment are leadership, reciprocation, equity, transparency, clarity, balance, ownership, consequences, consistence, and follow up. They note that the main barriers include hidden agendas, favoritism, lack of leadership, and lack of resources and lack of follow-through, lack of clarity and data misuse.

2.6 Employees Perceptions on Performance Contracting

A critical factor that can influence the success of performance contracting is how employees perceive it. Cole (1997) defines employees as individuals who, over a given time, invest a large proportion of their lives in their organizations. Unlike other resources in an organization, employees are complex human beings, who are influenced by and can act on, the basis of their perception. Mullins (1999) defines perception as the mental function of giving significance to stimuli such as feelings, shape. Bennet (1997) asserts that perception is a process in which one interprets sensory inputs such as smell, sight, sound, or feelings. Our brain attempts to make sense out of the stimuli to which we are

exposed. Kotler (2000) defines perception as the process by which individuals select, organize and interpret information inputs to create a meaningful picture of the world. He further states that a motivated person is ready to act. How the motivated person acts is influenced by his or her perception of the situation. Employees develop a set of filters through which they make sense of the conditions they are exposed into. Kelly (1995) calls these “personal constructs” which channel the way employees conceptualize and anticipate events. Thus employees will most likely have perceptions of the organizational strategic plan even before its implementation. They will also have expectations on how management should address issues affecting them. If the perceived expectations are not met, then discontentment results which may lead to poor performance and mass exodus of employees.

Perception differs from one individual to another, (Mullins, 1999). Consequently employees will perceive issues differently and will have different expectations from the same employer. Some may be concerned on career development, while others on salary and fringe benefits; some may prefer a flex work system while others will not mind a controlled system. Others may want performance related pay while other will die for fixed pay. Different people may physically see the same thing but they may have their own individual interpretation of what it is. Just like seeing half glass of water; others may see it as half full, while others may see it as half empty, depending on their perceptions. Employees’ perceptions in an organization are crucial to its success; since the driving force behind the success, or otherwise of any business rests on its employees. Perception is influenced by intelligence, personality, expectations, motivations and interest, (Bennet, 1997; Mullins 1999). Perceptions are developed over time and can change as new information and experiences are acquired.

The management of state of affairs has drawn governments into forcing compliance amongst its employees because of the rather awkward reality of being thrown away in subsequent political elections if performance was not forthcoming. The management of public servant and the ability to orient them toward the attainment of goals may become a tall order in situations where the personnel are shifting from one practice to the other and where they have developed complacency. Public administrators may face enormous challenges of creating positive perception, acceptability, and implementation of reform

programme such as the performance contracting. This is accentuated fact that many government officials get confronted with multiple principals (bosses) with multiple goals (political, non-political, efficiency, equity, etc.) that are often conflicting. In essence therefore, they really do not know what is really expected of them in the face of target oriented programmes. They have only a naive notion of their real responsibilities. In most cases, these officials resolve the trade-offs to serve their personal interests and not the interests of the public. This is one other area on project failure that arises from poor perception of one's responsibility as contained in performance delivery strategies. Most government official also feel irresponsible for results on projects done collectively and thus do not accept the responsibility in cases of failure. They suffer from the so called "Not-Me" syndrome which is detrimental to the implementation of performance contracting, World Bank (2007).

The rationale for adopting performance contracting in the civil service can not be gain said. According to World Bank (2007), those countries which have fully implemented the programme have gained significantly. Performance contracting helps in the promoting transparency since the document lists all the obligations of all public agencies and includes specific criteria and targets to evaluate success. In addition, performance contracting prioritizes the success indicators to clearly convey government's priorities to its managers. Adoption of Performance Contracting helps in the promotion of accountability, where in each financial year; the performance of all government agencies is assessed against the commitment made by them in their respective PCs. Besides, performance contracting promotes responsiveness of the state toward the needs of her citizens. In Kenya, the programme is designed to extol accountability and service charters delivery mechanism that ensures plans are converted to reality. This is a major innovation which should attract positive perception and acceptability of the programme by the civil servants, Trivedi (2002).

A number of scholars have investigated the effect of perception and focus of employees on the implementability and subsequent output of development public programmes. In his study on Performance Measurement, (Bennet, 1997) found out that perception of

implementing officials have direct bearing on the effect of the programme being implemented. He concluded that positive perception; being focused on the tenets of the programmes, and owning it; directly interprets into tangible positive outcomes. In Kenya, Obong'o (2006) analyzed the implementation of performance contracting in Kenya and found out that performance contracting in some areas have proven to be more successful than in others. This depends inordinately at the initial stages, on the reception and perception of those directly involved with its implementation. Thus, the system should be improved both in terms of the way implementers view it along side the organizational evolutionary processes. From these empirical literature is obvious that the perception of employees at the ministry of housing regardless of what is could explain the level and quality of services delivered under the performance contracting agenda. Individual effort and productivity is determined by the perception of the situation, Cole (1997).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents how the researcher carried out the study of perceptions of employees on the use of performance contracting as a means of improving performance in the Ministry of Housing. It consists of research design, sample selection of the study; data collection instruments, data collection procedures and concludes with data analysis.

3.2 Research Design

The research design used a case study. The justification for this method is that a case study enables the researcher to investigate a phenomenon within its life context. Since the unit of analysis is only one organization, it is more prudent to use a case study.

3.3 Target Population of the Study

The target population of the study was 263 employees of the Ministry of Housing based in Nairobi. As provided in research practices and presented by Mark and Thornhill (2003), this is a fraction of the total size of those employed by the ministry country wide. Since the study was based in Nairobi, respondents were only drawn to allow for conclusion to be made on the basic ideas that affect the entire population.

Table 3.1 Target Population

Department	Population
Administration	75
Estates	68
Housing	39
Rent Restriction Tribunal	29
Infrastructure	6
Civil Servants Scheme	27
Slum Upgrading Programme	19
	263

Source: MoH-Human Resource, 2010

3.3 Sample Size and Sampling Techniques

The sample size for the study was 80 employees drawn from all department of the Ministry of Housing. This is 30% of the target population and conforms to the statistical provision, Mugenda and Mugenda, (2004). It covered all employees (Top Management, Middle Management and subordinates) since all of them are in performance contracts. Stratified random sampling technique was used to sample eighty (80) employees from seven departments as indicated in the table 3.2 below.

Table 3.2 Sample Size

Department	Population	Sample Size (30%)
Administration	75	23
Estates	68	20
Housing	39	12
Rent Restriction Tribunal	29	9
Infrastructure	6	2
Civil Servants Scheme	27	8
Slum Upgrading Programme	19	6
Total	263	80

Source: Research Data

3.4 Data Collection

To obtain standardized information from respondents, the research used structured questionnaire, since respondents are literate and the convenient to cover such a sample within a short time. The questionnaires were self administered .The researcher had to deliver the research instruction and allow targeted respondents to fill and hand over the completed questionnaire. Only seventy three (73) questionnaires were returned dully completed by respondents. This forms 91percent response rate, which this study considers suitable. Respondents were required to respond to general background information and information relating to perceptions on performance contract as a means of improving

performance on which they were required to indicate the extent to which they agreed or disagreed by scoring on a likert scale of 5 to 1.

3.5 Data Presentation and Analysis

The researcher employed quantitative research method to gain a comprehensive picture of the study. To enhance the understanding of the data findings, the researcher used graphs, tables, and charts to analyze data from the various sources in the organization under study. Response from every respondent were analyzed and conclusions, explanations and recommendations drawn from the findings of the study.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter provides the presentation, interpretation and analysis of the data collected. This analysis is to determine the effects of incentives in service delivery in the Ministry of Housing. Only items which are directly related to the objective of the study were selected in analysis tables, graphs, and charts to facilitate comparisons and interpretations. Data was analyzed both qualitatively and quantitatively using descriptive statistical tools.

4.2 Background Information

The study gathered background information of respondents, to enable the researcher make conclusions on how background information inform perceptions of employees on the use performance contracting as a means of improving performance in the Ministry. The information gathered included, age, gender, education level of respondents. Also collected were terms of service, service history, Job Groups of respondents, besides departmental representation. The data is as presented as here below:

4.2.1 Response Analysis

From the table below, the researcher received 73 out of 80 questionnaires issued. This constituted 91 percent a good representation of the sample and thus, the study was heading towards achieving its objectives as presented in table 4.1 below.

Table 4.1 Response Rate of Respondents

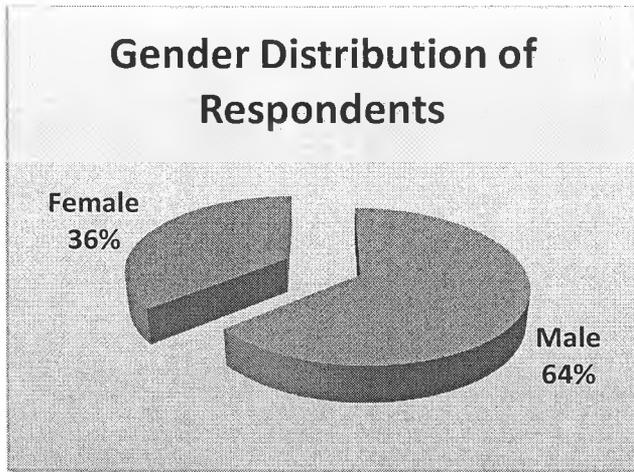
Response	Frequency	Percentage
Response	73	91
Non Response	7	9
Total	80	100

Source: Research Data

4.2.2 Gender Distribution of Respondents

On the question on gender, over 63 percent of the respondents were male while 36 percent were female, as presented in figure 4.1 below.

Figure 4.1 Gender Respondents



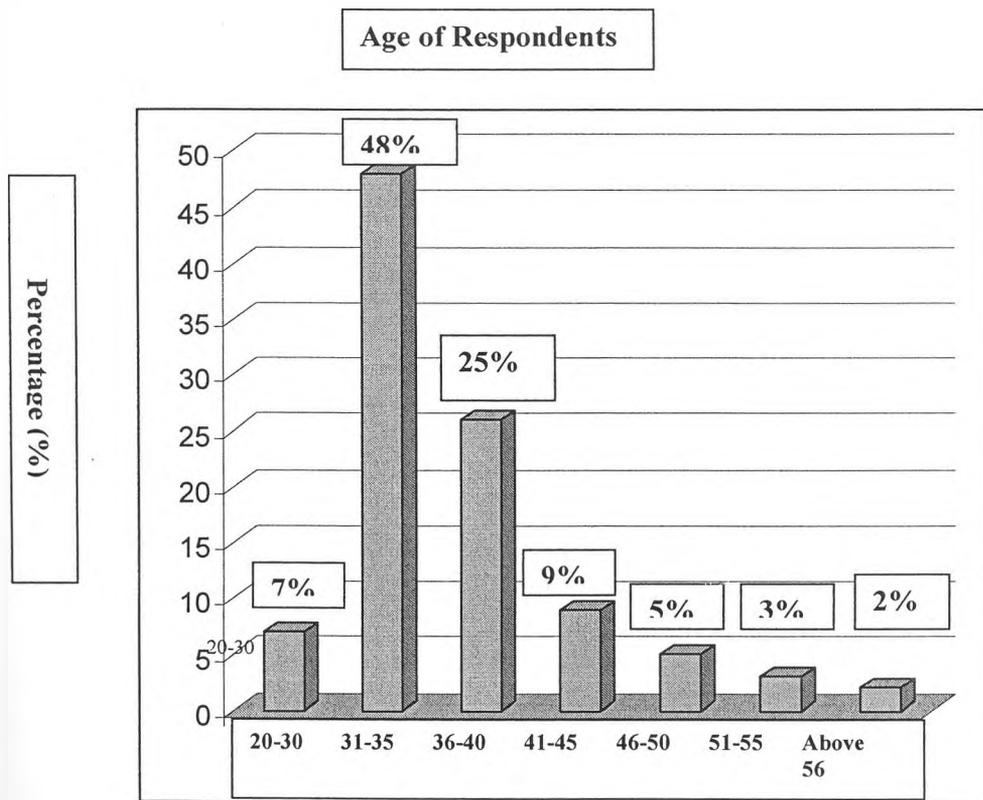
Source: Research Data

The findings as indicated in figure above confirmed that majority of the employees of the Ministry of Housing are men. Consequently, the prevailing perceptions on Performance contracting as a means of improving performance in the Ministry are largely influenced by the male gender.

4.2.2 Age Distribution

The age of the respondents was captured in seven (7) aggregated categories, between 20-30 years being the lowest and above 56 the highest age category. Forty eight (48%) percent of the respondents were aged between 31-45 years. People aged between 36-40 years were 25% , while those aged 41-45 were 9%, those in the age bracket of 20 to 30 were 7%. Only 2% were over 56 years old as presented in figure 4.2 below.

Figure 4.2 Age Distribution



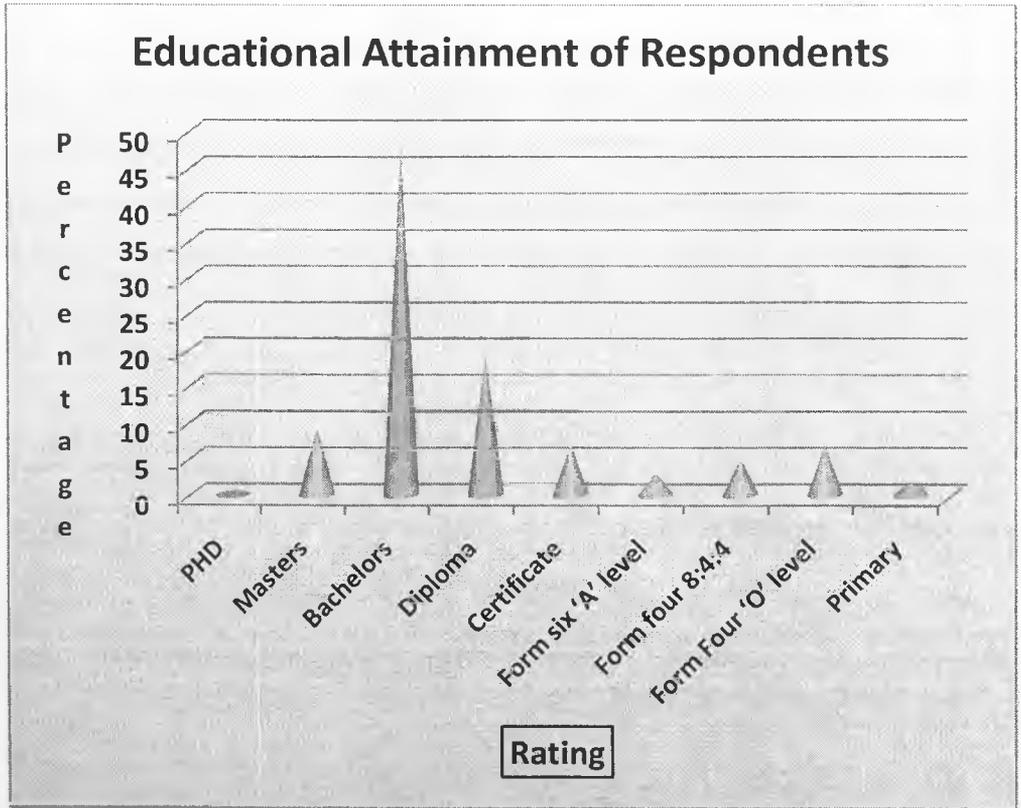
Source: Research Data

The research therefore concludes that perceptions on Performance contracting as a means of improving performance in the Ministry are largely influenced by employees between age bracket of 31-45 years, given that they are the majority. However, there is likely to be a major influence of employees who have stayed in the Ministry for over 5 years who may not necessary be in that age bracket, but may have a great influence on new younger employees, particularly those in age bracket 20 – 30 years .

4.2.3 Education of Respondents

The survey conducted information on respondents' educational attainment by scoring the highest level of education on a nine category scale covering: (i) PHD (ii) Masters (iii) Bachelors (iv) Diploma (v) Certificate (vi) Form Six 'A' Level (vii) Form Four 8:4:4 (viii) Form Four 'O' level and (ix) Primary.

Figure 4.3 Educational of Respondents



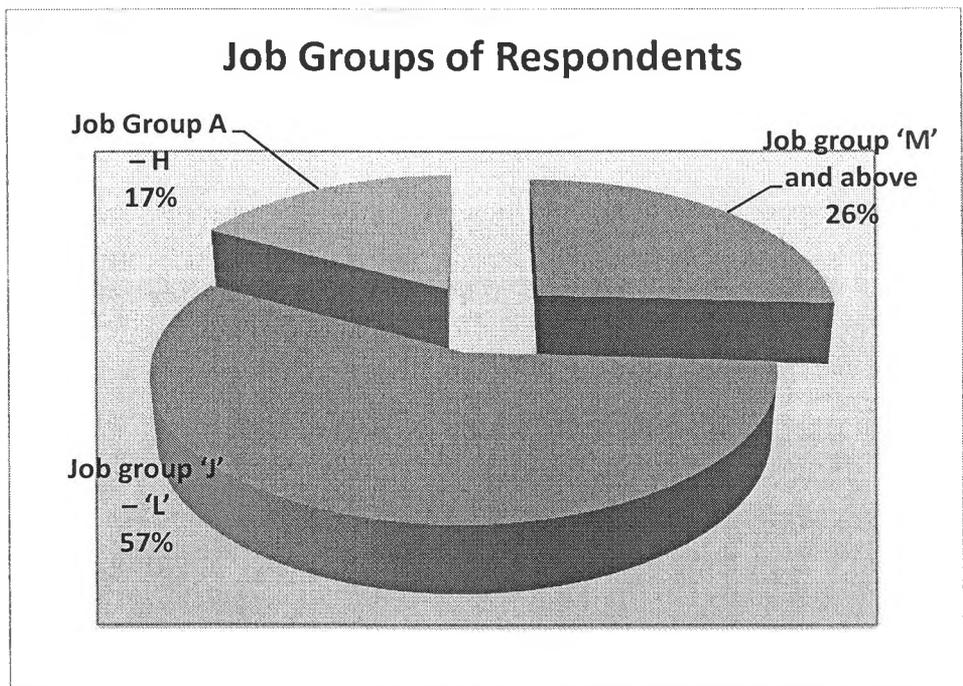
Source: Research Data

The findings reveals that, majority (45%) of the respondents had attained University degree, 16 % Diploma, while over 8% of the respondents had completed Secondary school education, compared to only 2% who had primary education, as presented in figure 4.3 above. It is further noted that college education was attained by over 20 % of the respondents. The information obtained clearly shows that majority of the Ministry staff are professionals, who can discharge their mandate effectively. Majority of the professionals (graduates) join the service at age bracket of 31-35 years while those at the age bracket of 20-30 years enter service as support services staff. The research therefore concludes that perceptions on performance contracting as a means of improving performance in the Ministry are largely influenced by employees who have attained higher academic and professional skills.

4.2.5 Respondents Designations and Job Groups

This part of the questionnaire presented the respondent with a three category Job listing: Job Group 'M' and above, Job group 'J' – 'L' and Job Group 'A' – 'H'. 26% of the respondents were Job group 'M' and above. Majority of respondents (57%) were in job Group 'J-L' mainly technical staff and newly recruited professionals and only 17% were in job group A – H mainly support staff, as indicated in figure 4.4 below.

Figure 4.4 Job Groups Descriptions



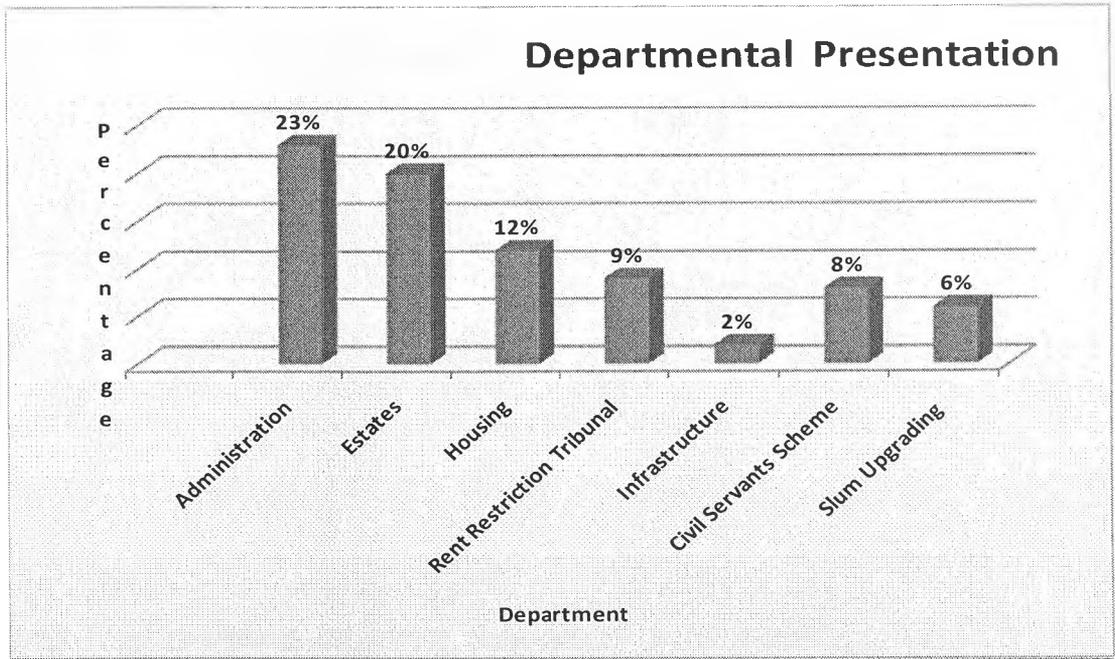
Source: Research Data

The research therefore concludes that perceptions on Performance contracting as a means of improving performance in the Ministry are largely influenced by employees who are in technical career (Job Groups J-L). Those in Job Groups 'M' and above are mostly heads of departments who are involved in setting performance targets and evaluating employee's performance. This greatly informs employees' perception on their supervisors as far as performance is concerned.

4.2.5 Departmental Representation of Respondents

The research sought to know the representation of respondents per department. The responses were as presented in figure 4.5 below. The sample population was 73 respondents spread across seven departments in the Ministry.

Figure 4.5 Departmental Representation



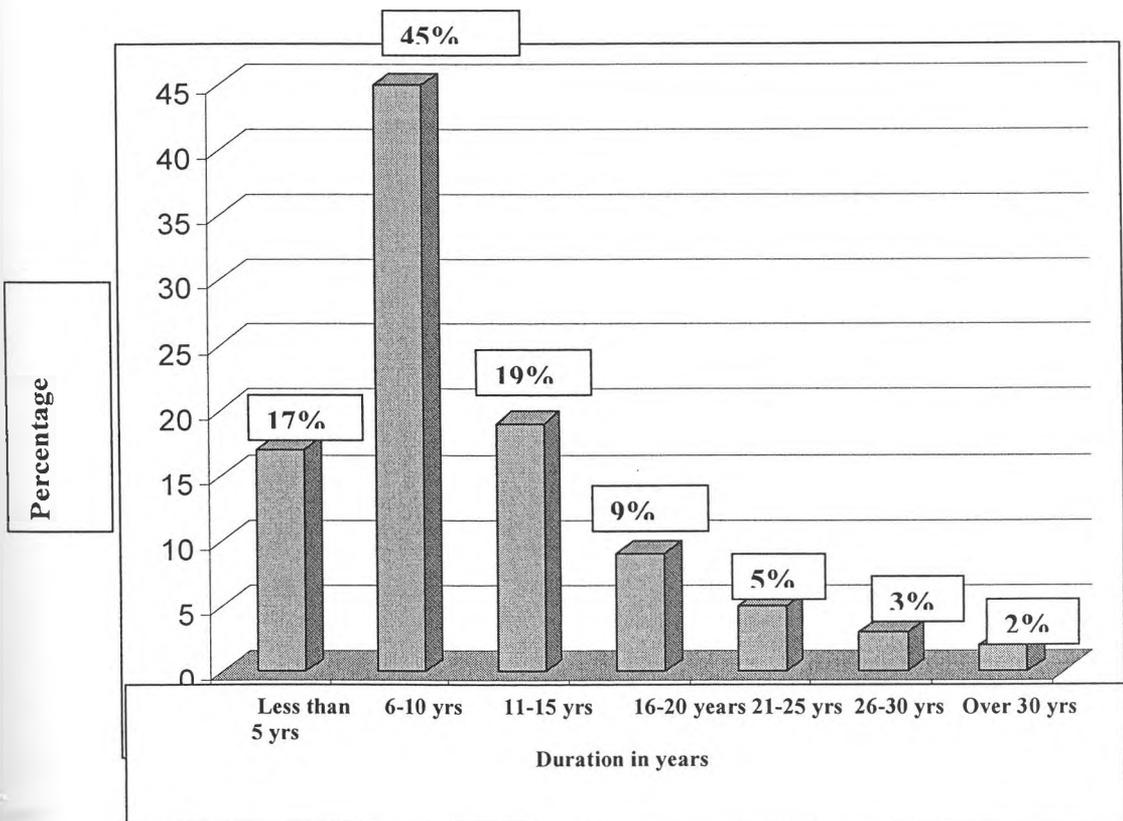
Source: Research Data

The findings as presented in figure 4.5 above indicate that administration department had 23%, which represent the largest respondents. Administration consists of several units which offer support services to technical departments. Estates department had 20%, followed by Housing 12%, Rent Restriction Tribunal had 9%, Civil Servants Scheme 8%, Slum Upgrading 6%, while Housing Infrastructure had only 2%. This formed a good sample to achieve the desired results since all departments were represented. Various background characteristics of the respondents were manifested in all departments.

4.2.8 Length of service

The research captured the length of service of respondents in seven (7) aggregated categories; less than 5 years, being the lowest and over 30 years being the highest category. The findings of the study are as presented in figure 4.6 below indicate that employees with 6-10 years of service are 45%, 11-15 years are 19%, less than 5 years are 17%, 16-20 years are 9%, 21-25 years are 5%, 26-30 years are 3% while over 30 years are only 2% as presented in figure 4.6 below. Consequently majority of staff are likely to be influenced by those who have stayed in the Ministry for more than five years. However, their influence will also depend on their levels of education and the position they may be holding in the Ministry.

Figure 4.6 Years of Service



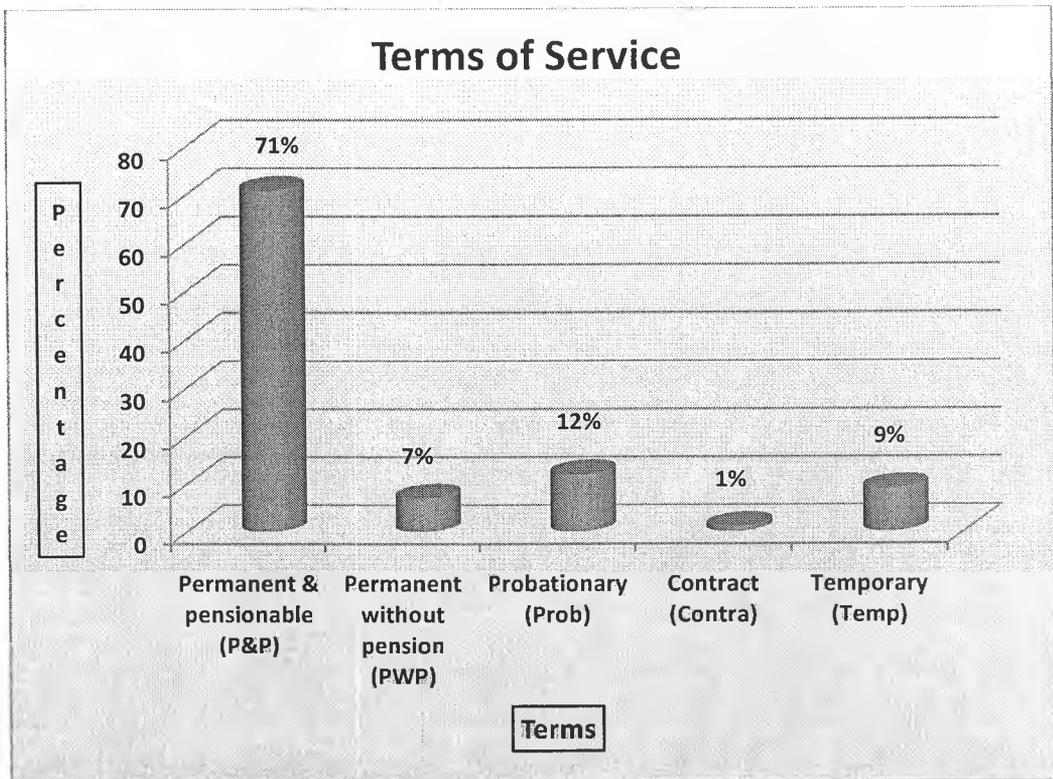
Source: Research Data

The research therefore, concludes that perceptions on performance contracting as a means of improving performance in the Ministry are largely influenced by employees who have stayed in the Ministry more than five years and who hold senior positions with superior academic and professional qualifications.

4.2.9 Terms of Employment of Respondents:

The study indicates that 71% of the respondents reported that they were on permanent and pensionable terms, 9% on temporary terms, 12% were in probationary terms of service, 7% were in permanent without pension, while only 1% were being in contract terms of employment. Consequently, majority of employees are on permanent and pensionable terms of service as indicated in figure 4.7 below.

Figure 4.7 Terms of Service



Source: Research Data

This study therefore concludes that perceptions on performance contracting as a means of improving performance in the Ministry are largely influenced by employees' terms of service as indicated in figure 4.7 above. The majority of employees are in the permanent and pensionable establishment hence they hold great influence on the perceptions of other employees on performance contracting.

4.3 PERCEPTIONS OF EMPLOYEES ON PERFORMANCE CONTRACTING

Performance contracting is being used by organizations focusing on achieving results and meeting customer's expectations. Public agencies have embraced performance contracting for mitigating inefficiencies and mismanagement characteristic in the service. Employees hold various perceptions on the use of performance contracting as a means of improving service delivery. This study sought to determine these perceptions. Five thematic areas comprising: (i) organizational plans, (ii) target setting, (iii) performance management, (iv) performance evaluation, and (v) effects of performance contracting were analyzed.

This study used a likert scale of 5 to 1, with 5 being very good and 1 poor. The perception index for each statement was calculated by subtracting from each perception statements, the percentage of respondents who supported (scored very good and good) with the statements from the percentage of those who disagreed (scored below average and poor) with it. The proportion of respondents who were indifferent (average) was ignored for the purpose of these research conclusions.

Perception Index = (Percentage of Respondents who scored Very Good + Percentage of respondents who scored Good) – (Percentage of Respondents who scored Below Average + Percentage of respondents who scored Poor). Positive perception would be indicated when the perception index for a particular statement is positively high (50% and above) and negative when the perception index is negative or positively low (below 50%), Kweyu (1998). The thematic analyses are as presented as follows:

4.3.1 ORGANIZATIONAL PLANS

Organizational plans provide an organization the strategic direction where efforts and resources are focused to achieve the organization goals. This thematic area sought to determine respondents perceptions, of the Ministry's plans, specifically on; (i) how the Ministry's Vision and Mission is communicated to all employees, (ii) a reporting structure put in place to facilitate communication of PC objectives, (iii) Channels of

communication set up to enable feedback on performance, (iv) existence of strategic plan and its use to develop performance contract, and (v) existence of performance charters that are used to measure performance standards and give feedback on client expectations.

Table 4.2: Organizational Plans

Thematic Area		Very Good A %	Good B %	Average C %	Below Average D %	Poor E %	Perception Index (A+B) - (D+E) %
i.	Vision and Mission of the Ministry communicated clearly to all employees.	37	15	21	16	11	25
ii.	A reporting structure put in place to facilitate communication of the objective of performance contract.	21	46	25	7	1	59
iii.	Channels of communication set up to enable feedback on performance.	11	54	22	8	5	52
iv.	Strategic plans exist and are used to develop Performance Contracts.	31	38	21	7	3	59
v.	Performance charters exist and are used to measure performance standards and give feedback on client expectations.	24	41	26	7	2	56
Mean Average %		24.8%	38.8%	23%	9%	4.4%	50.2%

Source: Research Data

Mean Perception Index 50.2%

The responses of the five statements in the thematic areas in table 4.2 above are as presented below:

Firstly, Vision and Mission statements are broadly framed but enduring statements of an organization's intent. It was the intention of this study to establish how Vision and Mission of the Ministry is communicated clearly to all employees, since they set to specify the organization's purpose and translation of purpose into goals in a way that

cost, time and performance parameters can be measured. The study findings as presented, in table 4.2 above, generally indicate that Ministry's Vision, Mission is poorly perceived. This is confirmed by a low perception index of 25% scored by the statement. This study concludes that the Ministry's Vision and Mission is not clearly communicated to all employees. However, with 37% of respondents very strongly believing that the Vision and Mission is clearly communicated the problem may be the effectiveness and channels of communicating the same. It is further noted that about 17%, of respondents as indicated in figure 4.7, are likely to be new employees who may have not fully and clearly understood the Vision and Mission.

Secondly, a structure to facilitate communication of the objectives of performance contract is crucial. The study's findings on the extent to which the Ministry has put in place a reporting structure is as presented in table 4.2 above. A strong Positive Perception index of 59% indicates that the Ministry has established a reporting structure. This leads the research to conclude that there are structures which enable communication in the Ministry, leading to a good perception about the assertion of the statement. However, a considerable 25% of respondents were indifferent to the statement which points to some weaknesses in the structure.

Thirdly, it is strongly positively perceived that there are channels of communication set up by the Ministry to enable feedback on performance. This is confirmed by a very strong perception index of 52% as indicated in figure 4.2. The study further noted that 11% of respondents very strongly agreed with the assertion, while 54% strongly agreed and only 5% strongly disagreed. This enables the research to conclude that there is existence of communication channels set up in organizational plans which facilitate feedback on performance, making employees aware of their performance. However, the 22% of respondents who remained indifferent together with the 13% who disagreed leads to some ineffectiveness of the communication channels which needs to be interrogated and mitigation measures undertaken.

Fourthly, a strategic plan is a product of formal strategic planning process. It is a formal document that indicates an organization's strategic orientation, its Vision, Mission, strategic thrust, goals and objectives to be attained in a specified time frame. Performance measurement indicators are derived from the strategic plan. Thus, this is

a very important document in the development and implementation of PC. The study found out that 31% of respondents very strongly believed that there is existence of strategic plan and it is used to develop performance contracts in the Ministry, while 38 % strongly supported the assertion. A negligible 3% of respondents strongly opposed the assertions as presented in table 4.2 above. The study concludes that there is existence of a strategic plan and it is used to develop performance contracts. This links the Ministry projects to strategic plan and hence well perception of performance by employees. This is confirmed by a strong positive perception index of 59%. However the 21% of respondents who polled neutral together with the 10% who disagreed with the assertion makes a significant figure of 31% which points to some levels of weaknesses in the communication and effectiveness of the strategic plan.

Finally, over and above the existence of strategic plans, the study established that there exist performance charters which are used to measure performance standards and give feedback on clients' expectations. This is supported by a strong positive perception index of 56%, with, 24% of the respondents strongly agreeing with the assertion, a significant 41% agreeing and only 2% strongly disagreeing as presented in table 4.2 above. The study therefore, concludes that performance charters exist and are used to measure performance standards and give feedback on client expectations. The service charters however, are not adequately cascaded to all employees as demonstrated by a considerable 26% of respondents who polled neutral and 9% who disagreed with the assertions.

Overall, the organizational plans scored a very strong positive perception index of 50.2%. It can therefore, be concluded that Ministry plans, are positively perceived by employees and have positively influenced performance contracting as a means of improving performance in the Ministry.

4.3.2 TARGET SETTING

Awareness and understanding of organization targets by all employees of the organization places the organization in a better position to achieve them. The study considered this requirement as very important because the signing of performance

contract is cascaded down the organizational hierarchy and on the perceived notion that every employee is aware of his/her individual contribution and responsibilities.

This thematic area sought to determine respondent's perception on target setting specifically on: (i) how managers and subordinates jointly establish and clarify ministry goals, (ii) SMART goals are set, (iii) heads of departments are involved in the setting of performance goals, and (iv) other employees are involved in the setting of performance goals and heads of departments are involved in the setting of evaluation criteria.

Table 4.3 Target Setting

Thematic Area		Very Good A %	Good B%	Average C %	Below Average D %	Poor E %	Perception Index (A+B) - (D+E)%
i.	Managers and Subordinates jointly establish and clarify ministry goals.	25	35	35	2	3	55
ii.	Specific, measurable, attainable, realistic and time bound goals set.	25	31	28	12	4	40
iii.	Heads of Departments are involved in the setting of performance goals/targets.	51	32	7	6	4	73
iv.	Other Employees are involved in the setting of performance goals.	7	48	26	11	8	36
v.	Heads of Departments are involved in the setting of evaluation criteria.	21	44	19	11	5	49
Mean Average		25.8%	38%	23%	8.4%	4.8%	50.6%

Source: Research Data

Mean Perception Index 50.6%

The responses of the five statements in the thematic area are presented below:

Firstly, the study found out that 25% of respondents believe that managers and subordinates are involved in jointly setting of targets in the Ministry. This is demonstrated by a very strong positive perception index of 55% with only 5% disagreeing with the assertions as indicated in table 4.3 above. This informs the embracing of performance contracting by Ministry staff.

Secondly, respondents were asked to rate the extent to which the Ministry sets specific, measurable, attainable, and realistic and time bound goals. The statement had a low perception index of 40%. The proportion of respondents that were indifferent (28%) and that which disagreed with it (14%) gives the study a reason to question the effectiveness and adequacy of communicating SMART targets somewhat wanting. However, 25 % of employees very strong and another 31% believe that SMART targets are set in the Ministry, which makes the research to conclude that the problem may be in communication. The responses are as presented in table 4.3 above.

Thirdly, heads of departments are accountable and responsible of the performance of their respective departments. Consequently, their involvement in setting of performance contracts is very critical. Respondents were asked to rate the extent to which the Ministry involved Heads of Departments in target setting. The study finding indicates a positively high perception index of 73% of respondents that were studied. Majority of respondents 51% strongly agreed, 32% agreed and only 4% strongly disagreeing. Only 7 % of respondents were indifferent as presented in table 4.3 above. The findings lead the research to conclude that heads of department are effectively involved in the setting of targets.

Fourthly, employees are the ones who implement the performance contracts and are accountable to their heads of departments. Consequently, their involvement in setting of performance contracts is very critical. Respondents were asked to rate the extent to which the Ministry involved employees in target setting. The study finding indicates a low perception index of 36 % of respondents that were studied. A considerable number of respondents 26% were indifferent, while 19% disagreed. Only 7 % strongly supported the assertion as presented in table 4.3 above. The findings lead the research to conclude that employees of the Ministry are not effectively involved in the setting of targets.

Lastly, performance evaluation is carried at the end of the performance period to ascertain the levels of performance. This helps in application of incentives to good performance and sanctions to poor performance. Thus, the development of evaluation criteria at the beginning of the performance period is very fundamental for the success

of PC. The study sought to know the extent to which the Heads of departments are involved in setting performance evaluation criteria. The study finding indicates a low perception index of 49 % of respondents that were studied. 19% were indifferent, while 16% disagreed as presented in table 4.3 above. The findings lead the research to conclude that Heads of department in the Ministry are not adequately and effectively involved in the setting of targets for performance contracting.

In general, the high perception index of 50.6% indicates that Ministry employees are involved in target setting. However, there is ineffectiveness in adequately involving other employees in target setting. Most interesting is the comparison of a very strong positive perception index of 73% scored by heads of departments in target setting against a low perception index of 49% in setting targets for evaluation. This leads the research to conclude that heads of departments are not adequately involved in setting evaluation criteria.

4. 3. 3 PERFORMANCE MANAGEMENT

Performance contracting requires a performance oriented management culture that is guided by the right values, professionalism and appropriate behaviours. PC is expected to instill a culture that facilitates the attainment of desired results. It is with this perspective that the study sought to establish perceived role of management in the implementation of performance contracts.

This thematic area sought to determine respondent's perception on performance management, specifically establishing if: (i) training is provided to all employees on all aspects of performance contract, (ii) incentives have been set aside to be awarded to employees for excellent performance, (iii) sanctions/penalties for not meeting targets are made known at the signing of the contract, (iv) reward /sanction policy is in place to guide achievement of performance targets, (v) provision of resources to accomplish objectives and performance targets, and (vi) top management supports and encourages the process of performance contract.

Table 4.4 Performance Management

Thematic Area		Very Good A	Good B	Average C	Below Average D	Poor E	Perception Index (A+B) - (D+E)
i.	Training is provided to all employees on all aspects of performance contract.	21	29	43	7	0	43
ii.	Incentives have been set aside to be awarded to employees for excellent performance.	7	29	36	21	7	8
iii.	Sanctions/penalties for not meeting targets are made known at the signing of the contract.	18	39	25	11	7	39
iv.	Reward /sanction policy is in place to guide achievement of performance targets.	22	43	21	7	7	51
v.	Provision of resources to accomplish objectives and performance targets.	22	43	21	7	7	51
vi.	Top management supports and encourages the process of performance contract.	24	43	13	10	10	47
Mean Average		19	37.6	26.5	10.5	6.3	39.8

Source: Research Data

Mean Perception Index 39.8%

The responses of the six statements in the thematic area are presented below:

Training facilitates transfer of skills, knowledge and attitudes for effective discharge of activities. Respondents were asked to rate the extent to which training is provided to all employees on all aspects of performance contract. The study finding indicates a low perception index of 43 % of respondents that were studied. A significant large number of respondents 43% were indifferent as presented in table 4.24 above. The findings lead the research to conclude that employees of the Ministry are not effectively trained on all aspects of performance contracting.

Secondly, respondents were asked to rate the extent to which the Ministry has set aside Incentives to award employees for excellent performance. The study finding indicates a very low perception index of 8 % of respondents that were studied. A significant number of respondents 36% were indifferent, while 39% disagreed. Only 7

% strongly supported the assertion as presented in table 4.4 above. The findings lead the research to conclude that there are no adequate provision incentives set aside to be awarded to employees for excellent performance.

Thirdly, the study sought to know the extent to which the Ministry makes known sanctions for not meeting targets on their performance contracts. The study finding indicates a low perception index of 39 % of respondents that were studied. A considerable number of 25% were indifferent, while 18% disagreed. 18% however, supported the assertion as presented in table 4.4above. The findings lead the research to conclude that sanctions for not meeting targets are not clearly made known to employees at the signing of performance contracts. However, a considerable number (25%) of respondents are not aware of the same, leading to ineffectiveness on the way they are communicated.

Fourthly, respondents were asked to rate the extent to which the Ministry has put in place reward/sanction policy to guide achievement of performance and the responses were as indicated in table 4.4 above. The study finding indicates a strong positive perception index of 51 % of respondents that were studied. However, 7% of respondents strongly opposed the assertion. The findings lead the research to conclude that there is a reward/sanction policy in place which needs to be effectively disseminated.

Last but not least, a good plan without resources to accomplish the plan is headed to failure. The study sought to know the extent to which the Ministry has put in place resources to accomplish objectives of and targets of performance contract. The study finding indicates a very strong perception index of 51 % of respondents that were studied. A considerable number of 21% were indifferent, while 14% disagreed. 22% and 43% of respondents respectively, very strongly and strongly, supported the assertion as presented in table 4.4. The findings lead the research to conclude that resources are provided for the implementation of performance objectives.

Finally, respondents were asked to rate the extent to which the top management supports and encourages the process of performance contracting and the responses were as indicated in table 4.4 The study finding indicates allow perception index of 47

% of respondents that were studied. 13% of respondents were indifferent, while 20% disagreed. 24 % of respondents however, very strongly supported the assertion. The findings lead the research to conclude that there inadequate support of top management on performance contracting.

In overall, a low index of 39.8 % leads to the research conclusion that performance management in the Ministry is negatively perceived by employees. A very low perception index of only 8% scored by respondents when asked if Incentives have been set aside to be awarded to employees for excellent performance points to serious ineffectiveness in performance management in that specific area. This leads the study to conclude there are no incentives for excellent performance in the Ministry.

4.3.4 PERFORMANCE EVALUATION

Performance needs to be assessed at the end of the contract period. Public agencies evaluation under the PC is to focus on the performance criteria /indicators negotiated and agreed upon between government and the agency. This helps in the application of incentives to good performers and sanctions to poor performance.

This thematic area sought to determine respondent's perception on performance evaluation, specifically if ; (i) a performance evaluation system to evaluate performance is in place and communicated to all employees, (ii) a monitoring and evaluation committee is in place to track progress on the implementation of PC at all levels, (iii) top management made clear performance outputs /results expected from section heads, (iv) evaluation criteria and process is fair and transparent, (v) employees' performance is based on jointly agreed targets and promptly carried, and (vi) employees' performance is professionally, fairly and transparently assessed and feedback given.

Table 4.5 Performance Evaluation

Thematic Area		Very Good A %	Good B %	Average C %	Below Average D %	Poor E %	Perception Index (A+B) - (D+E) %
i.	A performance evaluation system to evaluate performance is in place and communicated to all employees.	24	42	7	10	8	48
ii.	A monitoring and evaluation committee is in place to track progress on the implementation of PC at all levels.	25	32	25	11	7	39
iii.	Top management made clear performance outputs /results expected from section heads.	14	64	11	7	4	67
iv.	Evaluation criteria and process is fair and transparent	25	39	21	7	7	50
v.	Employees' performance is based on jointly agreed targets and promptly carried.	11	50	21	14	4	43
vi.	Employees' performance is professionally, fairly and transparently assessed and feedback given.	18	50	14	7	11	50
Mean Average		19.5%	46.2%	16.5%	9.3%	6.8%	49.5%

Source: Research Data

Mean Perception Index 49.5%

The responses of the six statements in the thematic area are presented below:

The study sought to know the extent to which a performance evaluation system to evaluate performance is in place and communicated to all employees. The study finding indicates a low perception index of 48 % of respondents that were studied. A small number of respondents 7 % were indifferent, while 18% disagreed. 24 % of respondents however, very strongly supported the assertion as presented in table 4.5. The findings lead the research to conclude that there is no effective performance evaluation system to evaluate performance in the Ministry.

Secondly, respondents were asked to rate the extent to which Monitoring and evaluation Committee is in place to track progress on the implementation of performance contracting at all levels in the organization and the responses were as

indicated in table 4.5 above. The study finding indicates a low perception index of 39 % of respondents that were studied. A considerable 25 % of respondents were indifferent, while 7% strongly disagreed. The findings lead the research to conclude that there is ineffective monitoring and evaluation committee in place to track progress of performance contract.

Thirdly, the study sought to know the extent to which the Top Management communicated performance outputs/ results expected from Section Heads. The study finding indicates a positive perception index of 67 % of respondents that were studied. A significant number 11% were indifferent, while 4% very strongly disagreed. 14 % of respondent however, very strongly supported the assertion as presented in table 4.5 above. The findings lead the research to conclude that Top Management makes clear performance outputs expected from section heads.

Fourthly, respondents were asked to rate the extent to which evaluation criteria and process is fair and transparent in the organization, the responses were as presented in table 4.5above. The study finding indicates a positive perception index of 50 % of respondents that were studied. A considerable number 21% were indifferent, while 7% very strongly disagreed with the assertions. Majority of respondents 39% strongly supported the assertion. The findings lead the research to conclude that the evaluation criteria and process is fair and transparent. However, the 14% of respondents disagree, together with the 21% of respondents who were indifferent point to weak ends in the criteria and some levels of subjectivity.

Last, but not least respondents were asked to rate the extent to which employees' performance is based on jointly agreed targets and promptly carried. The study finding indicates a low perception index of 43 % of respondents that were studied. 21% were indifferent, while 4% very strongly disagreed with the statement. 50% of respondents however, supported the assertion as presented in table 4.5 above. The findings lead the research to conclude that employees' performance is not effectively based on jointly agreed targets and is not promptly carried out.

Finally, the study sought to know the extent to which employees' performance is professionally, fairly and transparently assessed and feedback given in the organization.

The study finding indicates a positive perception index of 50 % of respondents that were studied. A significant number 14% were indifferent, while 11% very strongly disagreed. 50% of respondents supported the assertion as presented in table 4.5 above. The findings lead the research to conclude that Top Management makes clear performance outputs expected from section heads. However, there seems to be some weaknesses in communication of the results.

Overall, the thematic area scored a perception index of 49.5 % and this leads to the research conclusion that performance evaluation in the Ministry is somewhat moderately perceived by employees.

4.3.5 EFFECTS OF PERFORMANCE CONTRACT

The effectiveness of performance contracting was assessed on the extent it has affected service delivery in the Ministry. Specifically the thematic area sought to determine the extent to which : (i) performance contracting has improved delivery of services in the Ministry, (ii) performance contracting allow employees to be creative in the work place, and (iii) how important is the Ministry’s Strategic Plan towards the set targets .The findings are as represented in table 4.6 below.

Table.4.6 Effects of Performance Contract

Thematic Area		Very Good A %	Good B %	Average C %	Below Average D %	Poor E %	Perception Index (A+B) - (D+E) %
i.	Performance contracting has improved delivery of services in the ministry	32	36	14	7	11	50
ii.	Extent does performance contracting allow you to be creative in the work place	21	46	11	14	8	45
iii.	How important is the ministry’s strategic plan towards the set targets	28	32	25	11	4	45
	Mean Average	27%	38%	16.7%	10.7%	7.7%	46.7%

Source: Research Data

Mean Perception Index 46.7%

The specific responses on the three statements are as analyzed here below:

Firstly, respondents were asked to rate the extent to which performance contracting has improved delivery of services in the ministry. The study finding indicates a positive perception index of 50 % of respondents that were studied. 14% were indifferent, while 18% disagreed. Majority of respondents 36% however, strongly supported the assertion as presented in table 4.6 above. The findings lead the research to conclude that performance contracting has improved delivery of services in the Ministry.

Secondly, the study sought to know the extent to which performance contracting allow employees to be creative in the work place. The study finding indicates a low perception index of 45 % of respondents that were studied. A considerable 11% were indifferent, while 21% disagreed. However, majority of respondents 21% very strongly supported the assertion as presented in table 4.6 above. The findings lead the research to conclude that performance contracting does not allow employees to be creative in the work place.

Lastly, a strategic plan indicates an organization's strategic orientation, its Vision, Mission, strategic thrust, goals and objectives to be attained in a specified time frame. Thus, this is a very important document in the development and implementation of PC. The study found out that 28 % of respondents very strongly confirmed importance of strategic plan in the Ministry while 11 % strongly held an opposing opinion. The Perception index of 45% leads to the conclusion that strategic plans are not positively embraced in the Ministry. The responses are as represented in table 4.6 above.

Table.4.7 Summary of Perceptions of Employees on the use of PC as a Means of Improving Service Delivery in the Ministry

This study has captured diverse opinions on various aspects on employees' perceptions. Among the areas covered included; (i) organizational plans, (ii) target setting, (iii) performance management, (iv) performance evaluation, and (v) effects of performance contracting on Service delivery.

Thematic Area	Very Good A	Good B	Average C	Below Average D	Poor E	Perception Index (A+B) - (D+E)
ORGANIZATIONAL PLANS	24.8	38.8	23	9	4.4	50.2
TARGET SETTING	25.8	38	23	8.4	4.8	50.6
PERFORMANCE MANAGEMENT	19	37.6	26.5	10.5	6.3	39.8
PERFORMANCE EVALUATION	19.5	46.2	16.5	9.3	6.8	49.5
EFFECTS OF PERFORMANCE CONTRACT	27	38	16.6	10.6	7.6	46.6
AVERAGE	22.6	40	21.5	9.5	5.9	47.2 %

The study has noted that employees have confidence in organizational plans, target setting and performance evaluation as instruments of supporting performance contracting. This is manifested by very strong positive perception index scored in the three thematic areas as indicated in table 4.7 above. However, employees believe that Performance contracting is poorly managed in the Ministry and has not impacted positively in the delivery of services; this is confirmed by low perception index scored in the thematic areas as indicated above.

Overall, there is low optimism among employees regarding the use of performance contracting as a means of improving service delivery in the Ministry. This is supported by a low negative perception index of 47.2 percent as presented in table 4.7 above.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study, conclusions and recommendations in relation to the objective of the study. Also included are the limitations of the study and recommendations for further research.

5.2 Summary of Findings

Performance contracting has triggered a paradigm shift in the management of public agencies. This has necessitated organizational and cultural change to position the agencies strategically to obtain competitive advantages and gain public confidence. The success or otherwise of an agency depends on the perceptions of its employees and their individual and synergetic efforts and behaviors. Consequently, performance contracting has become a crucial tool in executing organizational strategy.

This study sought to determine the perceptions of employees on performance contracting as a means of improving service delivery in the Ministry of Housing. The study has captured diverse opinions on various aspects on employees' perceptions. Among the areas covered included; (i) organizational plans, (ii) target setting, (iii) performance management, (iv) performance evaluation, and (v) effects of performance contracting on Service delivery. The findings of this are as follows:

Employees have confidence in organizational plans as instruments of supporting performance contracting as manifested in the thematic analysis in table 4.7 above. This is confirmed by a very strong positive perception index of 50.2%. It can therefore, be concluded that Ministry plans are positively perceived by employees and have positively influenced performance contracting as a means of improving performance in the Ministry. This is further confirmed by very strong perception indexes scores, manifesting existence of communication channels set up which facilitates feedback on performance, existence of strategic plan and performance charters and communication channels to support PC in the Ministry. However, it is noted that the Ministry's Vision and Mission is not clearly communicated to all

employees this conclusions was arrived at after respondents returned a low score in the area.

Secondly, employees are of the opinion that target setting is very fundamental in the actualization and successful implementation of performance contracting. This is confirmed by a very strong positive perception index of 50.6%. However, there is ineffectiveness in the setting of performance targets. Most interesting is the comparison of a very strong positive perception index of 73% scored by heads of departments in target setting against positive perception index of 49% in setting targets for evaluation. This leads the research to conclude that the heads of departments are not adequately involved in setting evaluation criteria.

Thirdly, employees strongly believe that Performance contracting is poorly managed in the Ministry this is manifested by a very low perception index of 39.8%. The study also noted that there are no incentives for excellent performance in the Ministry this is confirmed by a low perception index of only 8% scored by respondents when asked if Incentives have been set aside to be awarded to employees for excellent performance.

On performance evaluation employees generally believe that it is well managed, this is attested by a positive perception index of 49.5%. This leads to the research conclusion that performance evaluation in the Ministry is positively perceived by employees. Inefficiencies in the Performance Monitoring and Evaluation Committee are some of the serious weaknesses in the evaluation process as per the study. These are great obstacles in attaining excellent results of performance contracting. However, there are strong areas of performance evaluation, which include communication of performance outputs, employees' evaluation and transparent evaluation criteria.

Finally, employees based on their personal experiences, education backgrounds, lengthy of service, age and colleagues believe that performance contracting has not adequately improved service delivery in the Ministry.

Overall, there is low optimism among employees regarding the use of performance contracting as a means of improving service delivery in the Ministry. This is supported by a low negative perception index of 47.2 percent as presented in table 4.7 above.

5.3 Conclusion

The findings have brought into the fore a number of issues regarding performance contracting as a means of improving service delivery. Generally employees are not in favour of performance contracting as a means of improving service delivery in the Ministry. There seems to be some hindrance of effective communication of the Ministry's Vision and Mission, target setting especially where employees are not involved, provision of training to all employees on performance contract, provision of incentives to be awarded to employees for excellent performance and the setting of evaluation criteria to evaluate performance.

5.4 Limitations of the Research

This study was constrained with time. The time frame for the study was too short and this limited the scope and depth of the study. There were also limitations of measurement, which are common to social researches. Measuring beliefs, opinions, feelings that are common in perception studies is a great challenge, since they tend to change so frequent and across perspectives. Respondents may give biases and dishonest information. Finally, the study was limited to the Ministry of Housing and its findings cannot be used to generalize on the public service.

5.5 Recommendations

Based on the data analysis and the conclusions made above, the researcher recommends that management should endeavor to communicate effectively the Ministry's Vision, Mission, Strategic plans to all employees, this would facilitate collective understanding of the Ministry objectives and motivate employees towards achieving them and improve performance. Secondly, employees should be appropriately and adequately involved together with their supervisors' in setting

criteria for evaluation and setting SMART targets. Thirdly all employees should be trained frequently on all issues of performance contracting and other job related skills. This would help improve their performance. Finally, management should give adequate provision to cater for incentives to be awarded to employees who excel in attaining and exceeding their performance targets.

5.6 Suggestions for Further Research

Due to limitations of time, opinions and perceptions of employees in other Public agencies were not investigated. Therefore it is recommended that future studies investigate other public agencies on the same. Research on future should also focus on other aspects of performance contracting, such as comparative studies across similar industry. Critical study should be conducted on the perceptions of consumers of services delivered by the public agencies on the effectiveness of Performance contracting

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APPENDIX I: LETTER OF INTRODUCTION

Dear Sir/Madam

RE: REQUEST FOR RESEARCH PROPOSAL DATA

I am a student, undertaking a Masters in Business Administration (Human Resource) at the University of Nairobi. I am carrying out a research project in partial fulfillment of the training curriculum.

The research proposal topic is: **TO GAUGE THE PERCEPTION OF EMPLOYEES IN THE MINISTRY OF HOUSING ON PERFORMANCE CONTRACTING**

The information which will be forthcoming will be treated with the utmost confidentiality and at no time will the content or identity of the informant be revealed. Please complete the attached Questionnaire and give any relevant information that you may feel is necessary for the study.

Thank you.

Yours faithfully,

BALOZI M. GEORGE

APPENDIX II: QUESTIONNAIRE

TO BE COMPLETED BY RESPONDENTS.

INTRODUCTION

This questionnaire seeks to collect information on the perceptions of employees' in the Ministry of Housing on Performance Contracting. The information which will be forthcoming will be treated with the utmost confidentiality and at no time will the content or identity of the informant be revealed. Kindly complete the Questionnaire and give any relevant information that you may feel is necessary for the study. Please tick where appropriate).

SECTION A: BACKGROUND INFORMATION

1. What is your age band / category?

- | | | |
|---------|---|---|
| 20 – 30 | [|] |
| 31 – 35 | [|] |
| 36 – 40 | [|] |
| 41 – 45 | [|] |
| 46 – 50 | [|] |
| 51 – 55 | [|] |
| Over 56 | [|] |

2. What is your gender?

- | | | | | | |
|------|---|---|--------|---|---|
| Male | [|] | Female | [|] |
|------|---|---|--------|---|---|

3. What is the highest level of education that you attained?

- | | | |
|---------------------|---|---|
| PHD | [|] |
| Masters | [|] |
| Bachelors | [|] |
| Diploma | [|] |
| College Certificate | [|] |
| Form Six 'A' Level | [|] |
| Form Four (8.4.4) | [|] |
| Form Four 'O' level | [|] |
| Primary | [|] |

5. What is your job group?

- | | | | | | |
|-----------|-----|-----------|-----|---|---|
| Job Group | 'M' | and above | [|] | |
| Job Group | 'J' | ___ | 'L' | [|] |
| Job Group | 'A' | ___ | 'H' | [|] |

6. Which is your department in the Ministry?

- | | | |
|---------------------------|---|---|
| Administration | [|] |
| Government Estate | [|] |
| Housing | [|] |
| Rent Restriction Tribunal | [|] |

Infrastructure	[]
Civil Servants Scheme	[]
Slum Upgrading	[]

7. How long have you been working in the Civil Service (Government)?

Less than 5years	[]
6 – 10yrs	[]
11 – 15 yrs	[]
16 – 20 yrs	[]
21 – 25 yrs	[]
26 – 30 yrs	[]
Over 30 yrs	[]

8. What are your terms of service/ employment?

Permanent and Pensionable	[]
Permanent without pension	[]
Probationary	[]
Contract	[]
Temporary /Casual	[]

SECTION B: PERCEPTIONS OF EMPLOYEES ON PERFORMANCE CONTRACTING

Please rate the extent to which the factors listed below influence the delivery of services in Ministry of Housing. Rate them on the scales provided below. Responses are in a scale from 5 to 1 as indicated below:

- 5- Very Good
- 4- Good
- 3-Average
- 2- Below Average
- 1-Poor

		5	4	3	2	1
ORGANIZATIONAL PLANS						
i.	Vision and Mission of the Ministry communicated clearly to all employees.					
ii.	A reporting structure put in place to facilitate communication of the objective of performance contract.					
iii.	Channels of communication set up to enable feedback on performance.					
iv.	Strategic plans exist and are used to develop Performance Contracts.					

v.	Performance charters exist and are used to measure performance standards and give feedback on client expectations.					
TARGET SETTING						
vi.	Managers and Subordinates jointly establish and clarify ministry goals.					
vii.	Specific, measurable, attainable, realistic and time bound goals set.					
viii.	Heads of Departments are involved in the setting of performance goals/targets.					
ix.	Other Employees are involved in the setting of performance goals.					
x.	Heads of Departments are involved in the setting of evaluation criteria.					
PERFORMANCE MANAGEMENT						
xi.	Training is provided to all employees on all aspects of performance contract.					
xii.	Incentives have been set aside to be awarded to employees for excellent performance.					
xiii.	Sanctions/penalties for not meeting targets are made known at the signing of the contract.					
xiv.	Reward /sanction policy is in place to guide achievement of performance targets.					
xv.	Provision of resources to accomplish objectives and performance targets.					
xvi.	Top management supports and encourages the process of performance contract.					
PERFORMANCE EVALUATION						
xvii.	A performance evaluation system to evaluate performance is in place and communicated to all employees.					
xviii.	A monitoring and evaluation committee is in place to track progress on the implementation of PC at all					

	levels.					
xix.	Top management made clear performance outputs /results expected from section heads.					
xx.	Evaluation criteria and process is fair and transparent					
xxi.	Employees' performance is based on jointly agreed targets and promptly carried.					
xxii.	Employees' performance is professionally, fairly and transparently assessed and feedback given.					
	EFFECTS OF PERFORMANCE CONTRACT					
xxiii.	Performance contracting has improved delivery of services in the ministry					
xxiv.	Extent does performance contracting allow you to be creative in the work place					
xxv.	How important is the ministry's strategic plan towards the set targets					