

**PERFORMANCE CONTRACTING AS A HUMAN RESOURCE MANAGEMENT
STRATEGY FOR MANAGING PERFORMANCE: A CASE STUDY OF TEACHERS
SERVICE COMMISSION**

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DECLARATION

This management research project is my original work and has not been presented for award of any degree in any university.

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DEDICATION

To my loving husband, Duncan O. Waga for his moral and financial support, patience and understanding that saw me through the most challenging moments of the MBA programme. To my dear father, John Gitiba for his prayers and support towards my academic endeavors. To our wonderful children, Bridgitte, Stephane and Shadrack for the encouragement and interest that you showed in my studies. May our Good Lord continue to keep you all in His unending favors.

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ABSTRACT

The objective of the study was to establish the extent to which performance contracting has been used as a human resource management strategy for managing performance. The research design used was case study. A case study is an in-depth investigation of an individual, institution or phenomenon. The study used both primary and secondary data. Secondary data was collected from quarterly and annual evaluation reports, organizational strategic plan, customer satisfaction survey reports, individual work plans, operational plan and service charter. Primary data was collected through a face to face interview with top management team for additional information to secondary data . Content analysis was used as qualitative data analysis method for the secondary data obtained from TSC.

In this study TSC had just implemented the 4th cycle of performance contracting which comprises weighing/measuring of various components such as individual targets/objectives, behavioral attributes which are aligned to the core values of the commission including professionalism, customer focus, integrity, innovativeness and teamwork. The study further observed that the extent of adoption of PC had to some extent resulted into improved service delivery in TSC. However, challenges currently experienced can be attributed to the initial step of its implementation as well as lack of inclusion and consultation of employees before its implementation.

The Study concluded that there exist various categories of performance gaps in TSC that need to be addressed. They included; poor performance culture, managerial/input, process related gaps and inadequate resources. The challenges posing a major threat to effective utilization and implementation of PC were reviewing of strategic plan 2009/2015 from current 2005 /2010 in order to accommodate vision 2030 priorities, weak internal M&E mechanisms and low levels of acceptance by employees, poor performance culture, unrealistic and unspecified performance targets.

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LIST OF ACRONYMS

BOD	Board of Directors
CAPAM	Commonwealth Association for Public Administration and Management
CWSA	Community Water Supply Agency
ERS	Economic Recovery Strategy for Wealth and Employment Creation
MOU	Memorandum of Understanding
NGOs	Nongovernmental organizations
OECD	Organization for Economic Co-operation and Development
PC:	Performance Contract
TSC	Teacher Service Commission
PSR	Public Sector Reforms

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In an increasingly competitive world and changing business environments, organizations need effective strategies to manage businesses, deliver services and goods to customers. Markets, products, technology and competitive conditions are rapidly changing; therefore all organizations must possess the capacity to adapt to these changes effectively. According to Armstrong (2000), strategies for managing performance aim at achieving increased organizational effectiveness, better results for individuals and teams and higher levels of skill, competence, commitment and motivation. Managing performance is a continuing responsibility of managers and team leaders. Strategies for managing performance are concerned with how the business should be managed to achieve its goals and they will refer to the performance measures such as the balanced scorecard (Kaplan and Norton, 1992).

Performance management process has come to the fore in the recent years as means of providing a more integrated and continuous approach that was provided by previous isolated and inadequate merit rating or performance appraisals. Performance management is based on the principle of management by agreement or contract rather than management by command. Performance management can be defined as a strategic and integrated approach to delivering sustained success to organizations by improving performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong, 2000).

Performance Contract (PC) system originated in France in the late 1960s, and was developed in Pakistan and Korea and later in India (OECD, 1997). The concept has been effectively adopted in Bangladesh, Pakistan and Sri Lanka, Brazil, Bolivia, Mexico, Uruguay and Venezuela. The system was adopted in developing countries in Africa, in Benin, Ghana, Morocco and Senegal (Trivedi, 1990). In implementing PC, the issues that are being addressed include; improving performance to deliver quality and timely services, improving productivity in order to increase wealth, reducing or eliminating

reliance on the exchequer, instilling a sense of accountability and transparency in service delivery and the utilization of resources and giving autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures (AAPAM, 2006).

Successful stories of PC (OECD, 1999) show that performance management strategies pursue three objectives namely, saving, internal management improvement and better accountability. The following table shows issues, commensurate objectives and strategies that have proved versatile in handling PC as far as general performance is concerned. The relationship between the various intervening factors on TSC's performance is as below;

Table 2.1: Issues, Objectives and Strategies that have proved versatile in handling Performance Contracting.

Identified Issues	Objective	Strategy
Governance	Develop solid legal framework	Set out the basic premises and status of the contract.
Resources	Stabilize resources	Enhance the motivating effect of the contract
Politics	Develop political good will	Operational autonomy of contract
Service delivery	Implementation of service charter	i) implementation of service charter ii) Customer satisfaction iii) Customer satisfaction survey iv) Service delivery innovation
Contract management	Performance oriented change	i). Empower staff to embrace and manage change by focusing on performance and cost in the field of human resource and financial management. (ii).Apply Best Management practices. (iii).Practice transparency and accountability
Performance	Good definition of outputs and solid performance measures	(i). Execute well defined training programs (ii). Be Innovative and creative for future performance improvement
Evaluation and audit	Regular overall evaluation and audits	Learn from experiences

Source: TSC manual 2009

1.1.1 Performance Contracting

The Performance Contracts Steering Committee (2005) defines performance contracting as “a freely negotiated performance agreement between the government acting as the owner of a government agency and the agency itself.” It specifies the intentions, obligations, responsibilities and powers of the parties in the contract and addresses economic, social and other tasks to be discharged for economic or other desired gain.

According to OECD (1999), performance contracts are a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. Performance contracts in state corporations in Kenya focus on two levels: The first Level is between the government and the Board of Directors (BOD). The second level is between the BOD and the Chief Executives. (DPM Training Manual, 2005). In Kenya the Performance Management System was introduced to ensure that the public sector is transformed into a more focused and responsive outfit to the needs of those it serves. Targeted sectors were meant to synergize towards delivering targeted results for Kenyans and utilizing resources more productively, (RBM Guide, Kenya, 2005).

Performance contracts originated from the general perception that performance of the public sector in general and government agencies in particular, have consistently fallen below the expectation of the public. The problems identified as having inhibited performance of government agencies are excessive controls, multiplicity of principals, frequent political interference, poor management and outright mismanagement (RBM Guide, 2005). To address these challenges the Kenya Government developed and implemented the Public Sector Reforms (PSR). The programme was implemented in three phases, namely; cost containment which entailed staff rightsizing and rationalization of government functions and structures, second phase was rationalization of government ministries to determine appropriate structures and optimal civil service size for effective performance of government’s core functions and the third phase was economic recovery and improving performance of public service to deliver result to the people. In an effort to meet the targets of the ERS and to manage performance challenges in the public sector, the government introduced performance contracting in the public

sector as a strategy for improving service delivery to Kenyans. Subsequently in July 2005, a pilot group of sixteen state corporations signed performance contracts.

According to Goodge (2000) there exists strong relationship between performance contracting and strategic performance management in modern organizations. He notes that the definition of performance management by Bevan & Thompson (1992) indicate that Performance management communicates the vision of the organization objectives, the employees, provides business unit and individual performance targets that are drawn from the wider operational objectives, provides formal review process of how objectives will be met as well establishing the basis for identifying for development and reward decision as outcomes. Goodge (2000) notes that performance contracting is a strategy used by the performance management systems to achieve it underlying objectives. Performance contract binds/brings various components in human resource in achieving the set operational objectives and expected outcomes.

1.1.2 Teachers Service Commission

The Teacher Service Commission (TSC) is a corporate body established in 1967 under an Act of Parliament (Cap212) of the Laws of Kenya. The Act mandates the TSC to establish and maintain a teacher's service adequate to meet the needs of the public schools in Kenya and for that purpose. At inception, the commission provided services to 39,725 teachers serving in 6,501 educational institutions. Over the years, the enrollment in schools has substantially increased to the current 7.2 million in primary schools and 848,000 in secondary school has grown to 17,754, while that of secondary schools has increased to 3,523. This has resulted in an increased demand for teachers; and the number of teachers currently employed by TSC is 235,000 (TSC Strategic plan 2005 - 2010). The size of the commission has also grown in response to the growing number of the teaching force. At establishment in 1967 the commission had three commissioners all appointed by the minister in charge of education. Currently consists of chairman and 23 commissioners, the commission secretary who is the Chief Executive and head of secretariat, comprising of 2,400 staff who provide services to teachers.

The initial functions of the commission covered teacher registration, recruitment, deployment, remuneration, promotion, discipline, quality assurance, and separation. Over time, the commission's functions have expanded to include human resource development, information technology, public relations, the control and management of HIV and AIDS, integrity and legal services. The most notable achievement of the commission has been its ability to provide teachers to all public educational institutions excluding universities. All teachers serving in public educational institutions in Kenya have remained under one employer all enjoying standardized services. The commission is also fast emerging as one of the leading public institutions to embrace best practice in its day to day operations. In this regard, it has publicly declared standards of service delivery by announcing a customer service charter. Some of the organizational reforms destined to enhance operational efficiency include, revision of the TSC code of regulation, computerization of some of its services, a sustained human resource development programme for its personnel; and an improvement in teachers terms of service. (TSC Strategic plan 2005 -2010).

The rapid expansion of the education sector has however put the teacher management system into focus. Various commissions on the education sector indicate that teacher management system in the country is not effective and efficient. Some of the concerns raised include the inefficient recruitment and deployment system of teachers, delayed dispensation of discipline cases, employee dissatisfaction, ineffective communication to the teachers hence an influx of teachers to the TSC headquarters, delayed pension benefits, corruption and the existence of a large number of District Education Officers/ MEOS who do not have the capacity to cope with the demands of their officers and hence have not been effective as agents of TSC. Public sector reforms in 2003 saw the introduction of performance contracts as human resource management strategy by all government institutions as an attempt to improve on service delivery. At TSC Performance Contracting preparations started in January and February year 2005/06 where departments were required to identify targets/ activities from strategic plans to incorporate them in the performance contracting of the subsequent year. Since this new development, PC has strengthened performance culture in TSC, saw the development and introduction of the idea of annual operational plans, where every department was

supposed to prepare annual plans and set targets as well. This has contributed to efficiency in utilization of resources, and streamlined service delivery by moving away from the previous system that was process oriented to management by results. Customer satisfaction survey carried out in 2007 indicated some significant level improvement in service delivery was attributed to introduction of performance contracting. Further ranking show that TSC was ranked 74 out of 134 government parastatal in Kenya (Kenya government performance appraisal report, 2008). However, numerous issues surrounding this development in performance management has been inevitable.

1.2 Statement of the Problem

Performance management strategy aims at providing the means through which better results can be obtained from the organization, teams and individuals, by understanding and managing performance within an agreed framework of planned goals, standards, and competence requirements. Performance management strategy is concerned with performance improvement, employee development and satisfying the needs and expectations of all organizational stakeholders (Armstrong, 2000). Performance contracting has largely been seen in private firms but recently, governments have embraced it in the management of the public sector.

Choke (2006) is among those who have studied Performance Contracting on perceived link between strategic planning and performance contracting in state corporations. The findings of the study were: that top management plays a leading role in ensuring successful implementation of PC, there is a strong link between PC and strategic plans and lack of effective implementation of PC is as a result of inadequate resources. Kiboi (2006) focused on perception of management of performance contracting in state corporations and established that PC helps in clarifying vision and mission of an organization; provides a reasonable sense of direction, enables organizations meet their performance targets. Langat (2006) studied the factors necessary for the design of a good performance contract in state corporations. The study established that for a successful design of a PC, vision, mission and strategic objectives must be clearly defined.

From the above, the researcher did not find any study on the use of PC as a human resource strategy for managing performance. This research will therefore seek to evaluate PC as a human resource management strategy for managing performance in Teachers Service Commission. The underlying question of the study will be: To what extent has performance contracting been used as a human resource management strategy for managing performance at the Teachers Service Commission?

1.3 Objectives of the study

To establish the extent to which performance contracting has been used as a human resource management strategy for managing performance.

1.4 Significance of the study

- a) Teachers Service Commission as they use performance contracts as a strategy for managing performance.
- b) Management and staff of other state corporations as it will provide insight on some of the challenges in the use of PC as a human resource strategy for managing performance.
- c) Scholars/researchers will find it important as the study will increase to the body of knowledge in this area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Performance Management

(Armstrong, 2000) defined performance management as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing capabilities of teams and individual contributors. Performance management is based on the principle of management by agreement or contract rather than management by command. Performance management can be defined as a strategic and integrated approach to delivering sustained success to organizations by improving performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong, 2000). It is a continuous self renewing cycle with activities such as role definition, performance agreement/contract which defines expectations, personal development plan that sets out the actions people intend to take, managing performance throughout the year and performance review. According to Cascio (1998) performance management is part of a continuous process of improvement over time that demands daily, not annual attention. It requires willingness and commitment from individual or team every day.

Performance management is the process of improving the quality and quantity of work done and bringing activity in line with an organization's objectives. Performance management should not be imposed on managers as something special to be done but it should be treated as a natural process that all good managers should follow (Walters,1995). Performance management aims to provide the means through which better results can be obtained from the organization, team and individuals by understating and managing performance within the agreed framework of planned goals, standards and competence requirements. It involves the development of processes for establishing shared understanding about what is to be achieved, it is an approach to managing and developing people in a way that increases the probability that will be achieved in the short and longer term (Armstrong, 2001).

In pursuit of the goal of performance improvement, performance management in public sector management advocates for the empowerment of managers, i.e. vesting the public

manager with the power and authority he/she needs to serve the citizen, and strengthen the links between government and its diverse clientele in civil society (CAPAM, 1994). Underlying the empowerment premise is the assumption that the power or authority that is delegated to the average manager would not only be shared with the subordinates, but would also be exercised for the public good (Hope, 2001). This is assumed to increase efficiency, based on the notion that public sector managers are hampered by rules and regulations, and have few incentives to take risks and to be innovative and service-oriented. Performance management is also expected to increase accountability because clear and explicit managerial targets, combined with managerial autonomy and incentives to perform, make it easier to establish the basis for managerial accountability and to achieve outputs (Hills and Gillespie, 1996; Lane, 1995). Further, according to Therkildsen (2001), this in turn increases political accountability by making it easier for managers to match targets with political priorities. Politicians can, in turn, hold managers accountable for their performance, and also performance targets can make service provision more transparent to customers. Performance management leads to increased transparency and explicit performance targets are further steps toward better democratic control and accountability of the bureaucracy. It is a means of getting results from individuals, teams and the organizations at large, and allows for the development of indicators against which performance can be later measured.

Armstrong, (2000, 2001) documents that as a strategy, performance management is concerned with performance improvement in order to achieve organizational, team, and individual effectiveness. Secondly, Performance management strategy is concerned with satisfying the needs and expectations of all the organizations stakeholders. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core competences of the organization and the capabilities of individuals and teams. Thirdly, performance management strategy is concerned with satisfying the need and expectations of all the organizations stakeholders – owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected and who have a voice on matters that concern them, whose opinions are sought

and listened. Finally, performance management strategy is concerned with communication and involvement. It aims to create a climate in which a continuing dialogue between managers and the members of their teams take place to define expectations and share information on the organization's mission, values and objectives.

Performance management can contribute to the development of a high involvement organization by getting teams and individuals to participate in defining their objective and the means to achieve them. Performance management strategy aims to provide the means through which better results can be obtained from the organization, team and individuals by understanding and managing performance within the agreed framework of planned goals, standards and competence. Cascio (1998) notes that performance management strategy is concerned with everyone in the business not just managers. It believes in the responsibility shared between managers and team managers. In essence, managers should regard the people who report to them as customers for their managerial contribution and services they can provide. Managers and their teams are jointly accountable for results and are jointly involved in agreeing what they need to do and how they need to do it, in monitoring performance and in taking action. Performance management is based on the belief that everything that people do at work at any level contributes to achieving the overall purpose of the organization. It is therefore concerned with what people do (their work), how they do it (their behavior) and what they achieve (their results). It embraces all formal and informal measures adopted by an organization to increase corporate, team and individual effectiveness and continuously to develop knowledge, skill and competence (Cascio, 1998).

2.2 Effective Performance Management

According to Cummings and Worley (2005), performance management is an integrated process of defining, assessing and reinforcing employee work behaviors and outcomes. Performance management includes practices and methods for goal setting, performance appraisal, and reward systems which influence the performance of individuals and work groups. Fletcher (1993) identifies a number of trends in performance management within the broader performance management system. These include; reduction of paperwork;

clarity of objective setting. It is increasingly important to have precise meaningful and auditable goals related to the business and not general unaccountable objectives; emphasis on the quality of the review discussion. The review interview is critical in terms of manager feed back, the quality o employee commitment to preparing for and contributing to self evaluation and discussion of organization factors of performance; greater involvement of staff in progress. Organizations are increasingly assessing the levels of staff involvement and encouragement by the manager. Staff attitudes are also being assessed in terms of their satisfaction with the involvement in the progress and the fulfillment of the outcomes, for example developmental assistance. Effective performance management includes the following;

2.2.1 Goal/Target setting

The level of success of a strategy depends on the degree of participation in planning and on personal acceptance of the goals, indicators and targets set. Therefore effective implementation of PC is likely to be successful if it rests on meetings and consensus between the enterprise management and their government supervisors, rather than a top down imposition of plans and targets (Song, 1983). This also applies to the lower levels of the enterprise. PC should be based on corporate plans as result of participative planning process which will gain more support from managers. On the other hand if a corporate plan is drafted by an outside consultant or a small group at the top, it is not likely to achieve targets or commitment from employees in meeting the targets that have been set (Musa, 2001).

Goal/target setting involves managers and subordinates jointly establishing and clarifying employee goals. It affects performance through influencing what people think and do by focusing their behavior in the direction of the goals, energize behavior, motivate people to put forth the effort to reach difficult goals that are accepted and clarifies duties and responsibilities. The first element of goal/target setting is establishing goals that are perceived as challenging but realistic and to which there is high level of commitment. It involves having employees participate in the goal setting process so as to increase motivation and performance. Participation also convinces employees that the targets are

achievable and can increase their commitment to achieving them. Employee participation is likely to be effective if employees are involved and will therefore support goal setting. Participation in goal setting is likely to be seen as legitimate, resulting in the desired commitment to challenging goals (Cummings & Worley, 2005).

The second element in the goal setting process involves specifying and clarifying the goals measurement. When given specific goals, workers perform higher because ambiguity is reduced than when they simply receive no guidance. Clarifying goal measurement requires that employees and supervisors negotiate resources necessary to achieve the goals such as time, equipment, raw materials and access to information. If employees cannot have appropriate resources, the targeted goal may have to be revised. The process of specifying and clarifying goals can be difficult if the business strategy is unclear, hence under such conditions, attempting to gain consensus on the measurement and importance of goals can lead to frustration and resistance to change.

2.2.2 Performance Appraisal/Review

Performance appraisal is a feedback system that involves the direct evaluation of individual performance by a supervisor, manager or peers. Most organisations have some kind of evaluation that is used for performance feedback, pay administration and in some cases counselling and developing employees. Thus performance appraisal represents an important link between goal setting and process and reward systems. Managers should do three things well in the process of performance management. These are: to define performance through goal setting, measures and assessment; facilitate performance by identifying obstacles to good performance and providing resources to accomplish objectives; and encourage performance by providing a sufficient number of rewards that people care about and doing so in a timely and fair manner (Cascio, 1998, Cummings & Worley, 2005).

2.2.3 Reward/Sanctions systems

The execution of a strategy depends on individual members of organizations especially key managers. Motivating and rewarding good performance for individuals and units are key success factors in effective strategy implementation (Shirley, 1983). According to Cummings and Worley (2005), organizational rewards are powerful incentives for improving employee and work group performance. It can also produce high levels of employee satisfaction. Reward systems interventions are used to elicit and maintain desired levels of performance. To the extent that rewards are available, durable, timely, visible and performance contingent, they can reinforce and support organizational goals, work designs and employee involvement.

Reward system should align the actions and objectives of individuals with objectives and needs of the firm's strategy. Financial incentives are important reward mechanisms because they encourage managerial success when they are directly linked to specific activities and results. Intrinsic non-financial rewards such as flexibility and autonomy in the job are important managerial motivators. Negative sanctions such as withholding of financial and intrinsic rewards for poor performance are necessary to encourage managers' efforts (Pearce and Robinson, 2007, Thompson et al, 2007).

2.2.4 Resources and Capacity

According to Thompson et al (2007), effective strategy implementation depends on competent personnel and effective internal organizational systems. No organization can hope to perform the activities required for successful strategy implementation without attracting, motivating and retaining talented managers and employees with suitable skills and intellectual capital. The task of implementing challenging strategic initiatives must be assigned to executives who have the skills and talent to handle and can be counted on to turn decisions and actions into results to meet established targets. Without a smart, capable result-oriented management team, the implementation process ends up being hampered by missed deadlines and misdirected or wasteful efforts. Building a capable organization is thus a priority in strategy execution.

High among organizational building priorities in the strategy implementation is the need to build and strengthen competitive valuable competencies and organizational capabilities. Training therefore becomes important when a company shifts to a strategy that requires different skills, competencies and capabilities.

2.3 Performance Contracting

Although a performance contract is not a new concept in public sector performance contracting in public sector management is an instrument to reform state owned enterprises. (Hope, 2002).performance contract or agreements specify standards of performance or quantifiable targets which government require public officials or management of public agencies or ministries to meet over stated period of time. As part of the performance orientation in government, the common purposes of performance contracting are to clarify the objectives of service organizations and their relationship with government, and to facilitate performance evaluation based on results instead of conformity with bureaucratic rules and regulations. The setting of specific performance targets, in a format that can be monitored, is intended to provide a basis for evaluating performance and improving accountability in the public enterprise sector. This illustrates the shift in emphasis from the input and procedure-oriented controls of the past to the new paradigm of output or results-oriented controls.

The Government of Kenya (Legal Notice No.93, 2004) defines PC as a freely negotiated performance agreement between government, acting as the owner of the agency and the agency. It clearly specifies the intentions, obligations, responsibilities and powers of the parties. It addresses economic, social and other tasks to be discharged for economic or other desired gain. The fundamental principle of performance contracting is the devolved management style where emphasis is management by outcome rather than management by processes. It therefore provides a framework for changing behavior in the context of devolved management structures.

Kumar (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance

comprehensively but also ensures improvement of performance management by making the autonomy and accountability aspect clearer and more transparent. OECD (1999) defines PC as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results.

It is considered an essential tool for enhancing good governance and accountability for results in the public sector. Essentially, a PC is an agreement between the government and a public agency (Kenya, Sensitization Training Manual, 2004). It establishes goals for the agency, sets targets for measuring its performance, and provides incentives for achieving the targets; also set mechanisms for controlling the outcome rather than the process. Performance contracts in State Corporations in Kenya focus on two levels: The first Level is between the government and the Board of Directors (BOD). The BOD binds themselves to the achievement of mutually agreed targets. The second level is between the BOD and the Chief Executives. The Chief Executive is charged with the management of a corporation and is therefore assigned the responsibility of ensuring that the contract the Board has signed with the government is achieved (Directorate of Personnel Management Training Manual 2005) .

Performance Contract (PC) System originated in France in the late 1960s, and was developed with great deal of elaboration in Pakistan and Korea and later in India (OECD, 1997). The concept of PC has been effectively used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka; also in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Other countries such as UK, USA, Canada, Denmark, Finland, Malaysia and others have successfully incorporated PC in their management systems. In Africa, the system was adopted in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire (Trivedi 2004, Mapelu 2005). PC in Kenya can be traced to the early 1990's when a few state corporations namely Kenya Railways, National Cereals and Produce Board and Mumias Sugar attempted to develop and implement performance contracts. Performance Contracting originated from the perception that the performance of the Public Sector has been consistently falling below the expectations of the public. Performance Contracting is part of the broader public

sector reforms aimed at improving efficiency and effectiveness in the management of public service. The problems that have inhibited the performance of government agencies are largely common and have been identified as excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (RBM Guide, 2005). Performance contracting is therefore seen as an effective tool for managing productivity.

According to World Bank (2000) public contracting in Ghana started at rural water supply sector and as result PC has transformed the structure and strategy of the operation of rural water supply. By 2000, district assemblies and communities played a significant role in planning water supplies. The new policy and structure has attracted extra funds, and work is accelerating. This reform process started with an extended dialogue with the major stakeholders in the sector, out of which a new rural water and sanitation policy was developed. The policy was then implemented in several large pilot projects, supported by a number of external agencies, and finally the lessons from those projects were incorporated into the national programme itself. The success of this approach was due to the fact that national and international NGOs were contracted to build the capacity of local-level NGOs and CSOs. The Community Water Supply Agency (CWSA) was created as a facilitating agency rather than an implementer. CWSA, as a semi-autonomous public-sector agency, signs an annual performance contract with the State Enterprise Commission. It is committed to staying efficient and lean, below 200 staff, and highly decentralized to its ten regional offices. The Government of Botswana efforts to improve on its service delivery to the public did not make the desired impact. Hence, public outcry about poor service delivery by the Public Service grew even stronger. Consequently, the government conducted a study, between 1994 and 1997, to determine what could be done to address the problem. The study recommended the review of the earlier reform initiatives and introduction of a Performance Management strategy with the following components of Decentralization, Computerization of Personnel Management System, and Performance Management System as new reform initiatives. These initiatives have since been implemented from 1999.

2.3.1 Types of performance Contracts

Performance Contracts are referred to by various names in different countries (Trivedi 1990). The most popular terms include: Performance Contracts, Contract Plan, contract De Programme, Letter of Agreement, Performance Agreement and Memorandum of Understanding. Among OECD countries, there are seven broad types of PCs namely: Framework agreements, Budget contracts and resources agreements, organizational performance agreements, Chief executives performance agreements, Funder-provider agreements, Inter-governmental performance contracts and partnerships agreements and Customer service agreements. However there is a general consensus that there are only two main types of contracts; the French based system and the Signaling system; and the others fall within these two types of contracts.

The French based system was introduced in France to improve public enterprises in France in the early 1960s. It was introduced during a crisis in the performance of public enterprises when the government realized it had lost considerable sums of money in loss making public institutions. The system entails identification and agreement on performance criteria at the beginning of the year and eventual evaluation at the end of the year. It was used in France, Senegal, Benin and Morocco. Signaling System is based on the principle of how best management can make use of a given level of capital. It aims at motivating management to maximize return on investment. A criterion of evaluation is developed to determine improvement in the productivity and the level of increase in public profitability. A PC is therefore signed at the beginning of the year and evaluated at the end of the year and management is awarded an incentive based on real improved performance. The signaling system is therefore based on the principle that public management should be appropriately guided on the principle that aims at improving real productivity and its efforts acknowledged and rewarded by an incentive system. The system has been used in Pakistan, South Korea, Bangladesh Ghana, Nigeria and the Gambia.

According to World Bank (2000) public contracting in Ghana started at rural water supply sector and as result PC has transformed the structure and strategy of the operation of rural water supply sector. By 2000, district assemblies and communities played a

significant role in planning supplies and improved performance as result of PC. The new policy and structure has attracted extra funds, and work is accelerating. This reform process started with an extended dialogue with the major stakeholders in the sector, out of which a new rural water and sanitation policy was developed. The policy was then implemented in several large pilot projects, supported by a number of external agencies, and finally the lessons from those projects were incorporated into the national programme itself. The success of this approach was due to the fact that national and international NGOs were contracted to build the capacity of local-level NGOs and CSOs. The Community Water Supply Agency (CWSA) was created as a facilitating agency rather than an implementer. CWSA, as a semi-autonomous public-sector agency, signs an annual performance contract with the State Enterprise Commission. It is committed to staying efficient and lean, below 200 staff, and highly decentralized to its ten regional offices.

Humphries (2003) in his work on performance contracting and competitive advantage identifies five critical success factors of any performance contract. They include; Establishment and communication of a clear vision and business plan on how outsourced services and the out-sourcing approach will support the operating strategy and create competitive advantage for the firm; partnering philosophy that should be centered around candor, win-win decision making, common goals, accountability, transparency, effective teamwork, elimination of redundancy, and lasting relationships; Selection of labor force with superior competencies, cost structures, and a compatible culture that are deliverable for and applicable to the firm performance and overall strategy and vision; A flexible performance-based contract that enables, promotes, and requires behaviors and results consistent with the vision, strategy, philosophies, and goals; Management visibility and involvement. In his comparative study of two state corporations on the relationship between performance contracts and financial performance contracting Wambati, 2008 found out that PC was a powerful tool for improving financial performance within two state corporations in Kenya. He observed that since the introduction of PC in two corporations the financial performance of the two corporations had improved tremendously.

2.3.2 Introduction of the PC strategy in Kenya

The policy decision to introduce performance contracts in the management of the public service was conveyed in the Economic Recovery Strategy for Wealth and Employment Creation (ERS) (2003 – 2007). The process began in October 2004 when sixteen pilot state corporations signed and implemented performance contracts. In the financial year, 2005/2006, all of the 35 ministries/departments, 116 state corporations and five pilot local authorities signed and implemented performance contracts. The financial year, 2006/2007 is the second year of full scale implementation of performance contracts in the public service by all government ministries/departments, state corporations and local authorities.

From the performance evaluation report of 2005/2006, it noted that performance contracting was a valid and necessary strategy. However its success was seen to be dependent on political goodwill and focused leadership. The report recommends that there is need to extend the strategy to cover all arms of government. In addition, there was need to legislate the strategy, strengthen the performance contracting steering committee and its secretariat to be able to monitor and provide timely feedback on quarterly performance reports to the Public Agencies and to develop a communications strategy that clearly spells out methods of packaging, marketing, disseminating information and sensitization of stakeholders. In the financial year 2006/2007, 38 ministries, 127 state corporations and 175 local authorities signed performance contracts.

The following steps were taken in the introduction of performance contract in the state corporations: Strategic plans were developed to determine whether each state corporation had a strategic plan. Where none existed, then a strategic plan was developed and implemented and ensuring that the strategic plan was linked to national policy documents, targets were used to identify growth oriented targets upfront in financial, non financial service delivery, operational and qualitative sectors. Assigning weights is done to targets and signing performance contracts and thereafter cascade performance contracts. Facilitation ensures achievement of targets, employees should be facilitated and carry out continuous monitoring and evaluation of performance on monthly,

quarterly and annually and finally, preparing employees in the fund for the desired changes in working styles, attitudes and work ethics.

2.3.3 The Concept of Strategy

Chandler (1962) defined strategy as the determination of the basic long term goals and objectives of an enterprise, the adoption of action and the allocation of resources necessary for carrying out these goals. This means that strategy is about managing new opportunities. The strategy that is chosen should be one that optimizes the resources available in order to achieve organizational goals and objectives. According to Mintzberg (1987), strategy is a plan, ploy, a pattern of behavior, a position in respect to others and a perspective. Strategy therefore specifies the intended course of action of an organization, develops ways to outwit a competitor, is emergent in a process of actions and it is a position in the market. The characteristic of strategy is that it is deliberate as well as emergent. It is a pattern of actions and resource allocations designed to achieve the goals of an organization (Bateman and Zeithaml, 1993). Quinn (2003) defined strategy as the pattern or plan that integrates organizations major goals, policies and action sequences into a cohesive whole. Goals state what is to be achieved and when the results are to be accomplished while policies guide the limits within which action should occur.

Strategy is the direction of an organization over the long term, which achieves advantage in the changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder's expectations (Johnson and Scholes, 2003). This means that organizations should provide value to their customers better than their competitors. Strategic planning involves making decisions about the organizations' long term goals and strategies. It is an ongoing activity in which all managers are encouraged to think strategically and focus on the long term, have a strong external orientation as well as being focused on short term-tactical and operational issues. In strategic planning senior management is responsible for the development of the strategic plan. The concept of strategic planning is concerned with where are we now, where do we want to be, how do we get there, who must do what and how are we doing (Bateman and Zeithaml, 1993).

2.4 Quality of Service in performance management

According to Thomas (1978), a service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything and its production may not be tied to a physical product. Zeithamal et al, (1993) defines service quality as a measure of how well the service level matches customer expectations. An organization must be consistent in delivering quality service in conformity with the turbulence of its internal and external environment. The quality of a service offered is of significant and strategic concern, since it is an important indicator of customer satisfaction, which is the basis of customer loyalty for continual profitability of the public sector.

Consequently, the user/customer of the product or service is an important consideration in the achievement of the organization's objectives, Rust and Zahorik (1996). Tom and Austin, (1985) upheld that "The Customer has all the votes" and there is a role for marketing, and strategy formulation, but ultimately, it all boils down to perceived, appreciated and consistently delivered service and quality to customers. Increasingly, it is recognized that even the service quality of government/public institutions, credibility and the quality of service delivery, matters a great deal for a country's economic performance(Njoroge, 2003).The core issue as to why business exists is to make profit through offering quality service to the target customers , however, no returns can be realized whatsoever when there is no contact between the product or service deliverer and the customers, both prospective and existing clients.

2.4.1 Determinants of Quality of Service

Defining and modeling the quality of services is generally acknowledged to be more difficult than modeling the quality of goods due to the intangible nature of services themselves (Bergman & Klefsjo, 1994). Kotler, (2003) summarized the generic determinants of service quality into five as: reliability, responsiveness, assurance, empathy and tangibility. According to Palmer (1992), service quality technique is applicable across a broad range of service industries and can be modified to take into

account the specific requirements of an organization. The determinants of service quality were derived from Service Quality Models through an extensive research; The generic determinants can be used as the basis for the measuring service performance as a starting point and then expanded to the industry or markets of study, (Njoroge, 2003). Generally speaking, a quality service/substance must be of a fair standard as compared to its substitutes in the market produced by other suppliers. Issues such as; taste, after use effects, convenience of use and mode of display or packaging is a reflection of the quality of service offered.

2.4.2 Measures of Quality of Service

The conceptualization and measurement of service quality have been well described and researched by Parasuraman, et al (1985). They provide an explanation of the concept of service quality and identify the various “gaps” that affect service quality as perceived by consumers. Among them, the difference between customers’ expectations of service and their perceptions of the service is defined as the “perceived service quality”. They developed service quality as a scale for measuring customer perceptions of service. This scale has been subject to criticism and refinement and there is a continuing debate about the measurement of quality service and the determinants, which should be used (Mathews, 1995). PEs has to identify the appropriate measure to apply in the measurement of service quality so as to avoid significant deviations from the standard. This will also call for comparison between the measuring used by other competitors’ in the same industry, probably experiencing similar working conditions.

Due to the unique nature of services, quality service is not easy to measure. Several researchers are in agreement that quality service consists of the comparison between expectations and performance. Zeithaml et al (1990), states that service quality are the consumers’ judgment about an entity’s overall excellence or superiority. It is a form of attitude and results from the comparison of expectations to perceptions of performance received. Gronroos (1982) model, analyses service quality on the basis of expectations and the perception of the service. In addition, Christopher et al (1991) confirms that perceived performance is more important than the reality of performance. Measurement

of the quality of service is not easy from the outward look though, the better way to do this could be to analyze the existing variance between the expected and the actual performance. This calls for the feedback from the customers and beneficiaries of the services.

Consequently, as Tom and Austin (1985), stated that the real issue is what is perceived reality is what counts. Since services are characterized by experience and credence qualities, consumers use various cues and through their experiences develop attitudes towards the services offered by an organization. Service quality dimensions are mainly based on the attitudes of the consumers. Therefore to measure perceived service quality, attitude measures are applicable.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the proposed research design, data collection and the techniques for data analysis that was used.

3.2 Research design

The research design used was case study. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003), since this study seeks to an in-depth study of performance contracting as a human resource strategy for managing performance within the Teachers Service Commission headquarters, Nairobi. The results are expected to provide an insight on implementation of PC as a strategy of managing performance at TSC. In depth interviews with 6 key informants was carried out so as to seek additional information to secondary data. The key informants were; the Commission Chairman, Commission Secretary, Heads of Departments, Heads of Divisions, Finance Officer, and Coordinator planning Policy and Research.

3.3 Data Collection

The study used both primary and secondary data. Secondary data was collected from quarterly and annual evaluation reports, organizational strategic plan, customer satisfaction survey reports, individual work plans, operational plan and service charter (TSC, 2009). Primary data was collected through a face to face interview with top management team. An interview guide was used to collect data on PC as a human resource management strategy for managing performance at TSC. The respondents consisted of 6 members of management team and the Chairman of commission of TSC. The management team comprised of the Secretary Commission, Heads of Departments, Heads of divisions, Finance officer and Planning policy and research.

3.4 Data Analysis

Content analysis was used to analyze the collected data. According to Mugenda (1999), content analysis is the systemic qualitative description of the composition of the objects or materials of the study. Shapiro & Markoff (1997) assert that content analysis itself is only valid and meaningful to the extent that the results are related to other measures. The information was analyzed and evaluated to determine their usefulness, consistency, credibility and adequacy. Content analysis technique was then used because it assists in making inferences by systematically and objectively identifying specific messages and then relating them with their occurrence trends.

3.5 Operationalization of variables

A variable is a measurable characteristic that assumes different values among the subjects. It is therefore a logical way of expressing a particular attribute in a subject (Mugenda and Mugenda: 2003). A variable is a discrete phenomenon that can be measured in two or more categories. The independent variable is the variable predicted to, while the dependent variable is predicted from. The independent variable for this particular study are, performance contracting indicators; Corporate Strategic Plan, Service Charter, Annual Operational plan, Annual Individual Work Plans, Performance Appraisal Reports and Customer satisfaction survey. All these activities define and independently interact in yielding better results in performance contracting. The dependent variable in this study was performance management as human resource management strategy.

CHAPTER FOUR:

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1: Introduction

This chapter presents the qualitative analysis. The analysis included content analysis of secondary data obtained from quarterly and annual evaluation reports, organizational strategic plan, customer satisfaction survey reports, individual work plans, operational plan and a service charter. The study objective was to establish the steps of performance contracting and how it has been used as a human resource management strategy for managing performance. The following section discusses all the necessary information in achieving these objectives.

Content analysis was used as a method of data analysis for qualitative data (secondary data) in the study. All the necessary secondary data documents were gathered and indicators such as performance management in human resource and contracting were analyzed into relevant smaller units for reliability. Weber (1990) notes that to make valid inferences from the text, it is important that the classification procedure should be reliable in the sense of being consistent: Inferences from the units were made and the study findings are as presented in the following sections.

4.2 Interpretation of Findings

4.2.1 Performance Contract implementation process at TSC

The introduction of quality performance contracting is a management cycle comprising of various interdependent cycles. The introduction of Performance Contracting at TSC took what would be termed as employee-driven approach which started around January and February 2005/06 where departments were required to identify targets/ activities from the strategic plans to incorporate them in the performance contracting of the subsequent year. For instance, in the period of January-February activities that were to be carried out in June-July were identified. After the targets were identified and analyzed, they were compiled to generate performance contracts. The draft was then presented to the Teachers Service Management for approval and amendment if any. Around the same time activities were cost and incorporated in the annual budget. After the amendment and

approved by management, targets were submitted to the Ministry of Education for negotiations. This was done before 15th of April 2005/2006 contract year and the TSC was invited to defend the performance contracting strategy. After successful negotiation performance contracting targets were forwarded to the Public Service Reform and Performance Contracting Committee for vetting and after which it was cleared for signing around 15th May and June and all contracts were supposed to be signed by 30th June pending commencement on 1st July of the next contract year..

4.2.2 Level of performance contracting at TSC

Implementation of performance contracting at all government institutions including TSC occurs in three levels which include: organization level/the Ministry, Departmental Level and Employee level. The commission signs the contract with the Ministry of Education which is a superior entity in the government hierarchy and acting as the owner of government agency. This contract parties are chief executive to the commission and the Ministry of Education. The CEO later signs the Performance contract between himself and commission. The contract is cascaded to departments, divisions, sections and individual work plans. Therefore all members of the organization are in one way or the other engaged in performance contracting through individual work plan and departmental work plans. Individual work plan is signed between the individual member and the immediate supervisor all derived from operational plans. The management sets performance targets which are contained in annual operational plans which are later disseminated to all departments, divisions and sections for implementation. The departments, divisions and sections are required to prepare specific operational plans to facilitate implementation. After which evaluation of performance is carried out through quarterly reports which are submitted, compiled and later relayed to supervisory agencies such as the Minister of education, inspectorate of state corporation steering Committee and the Public Investment Secretariat. A summative evaluation of performance is carried out at the end of the year; the commission undertakes annual reporting and performance evaluation. External evaluation of performance is also carried out through customer satisfaction survey in order to establish the perception of customers on the organization service delivery.

4.2.3 Communication of Performance contracting strategy in TSC

The employees of an organization are an important factor of production and hence their interests must be safeguarded. Key informants were divided with regard to communication of the strategy. Some of them confirmed that they were never consulted by their managers through Heads of Divisions, sections and their assistants while others said they were not sensitized and hence were not aware of PC strategy implementation. In effect the idea has met a lot of resistance, lack of coordination, inadequate sensitization because PC was communicated through circulars from the ministry of state for Public Service (DPM) and a few officers being hand picked for two days training who were in turn asked to draft the performance contracting document. Therefore the employees have frustrated the process at TSC.

4.2.4 Performance of PC as performance management strategy at TSC

The commission has embraced reforms over the last six years. Both pre and post preparation for reforms has led to introduction and development of vision and mission statements, corporate identity through the design of new logo, development of new service charter ,decentralization of most TSC functions , development of a strategic plan (2005-2010) and finally the introduction of PC . Despite these commitments the commission has had challenges in performance management. Customer satisfaction survey 2007 indicated that although there was some improvement in service delivery, customers are not satisfied with the services offered by TSC, review of strategic plan to align it with vision 2030 priorities, low levels of acceptance by employees , unrealistic and unspecified targets, weak monitoring mechanisms with some division having not established internal M&E mechanisms hence making it difficult to keep track of progress made, lack of clear criteria for measuring quantity and quality of work accomplished , lack of or inadequate supporting documents presented as evidence for achievement of targets, little information or inadequate sensitization on strategic planning, the performance contracting processes and how these cascade to all the levels in the organization. Key informants cited additional challenges that include; staff appraisal not being done frequently to assess performance gaps that need to be filled, unutilized funds accruing from financial allocation, and inadequate skills to drive the PC.

4.2.5 Categories of performance gaps in implementation of performance contracting.

Gaps in performance management are identified through performance measurement. In this current research TSC had just implemented the 4th cycle of performance contracting which comprise of Weighing/measuring of various components. Analysis of key informant's observations and various measurements used yielded categories of performance gaps within the organization. These categories are classified according to their characteristics as follows; Poor performance culture. This culture has been synonymous with state owned parastatals and contributed to; low levels of acceptance by the employees; resistance to change; lack of ownership of reform initiatives and over delegation by supervisors. Managerial/input related gaps identified through evaluation were associated to poor planning by the management such as; unrealistic targets set; some targets were too ambitious; unutilized resource; lack of working tools/equipment and lack of information/sensitization.

Process related gaps included unclear role definition such as ; lack of job descriptions; inability to cascade the Performance Contracting process; lack of annual divisional and individual work Plans; excessive controls and weak interdepartmental/domain linkages.Process related gaps. included compliance and measurement of performance management such as ; weak internal M&E structures; unreliable measuring criteria/subjective reporting; bureaucratic procedures which is time consuming; non existent procedures; poor policy implementation and lack of or inadequate supporting documents presented as evidence for achievement of targets were among process specific gaps hampering the implementation of steps in performance contract.

4.2.6 Benefits of performance contracting strategy at TSC HQs.

Documented survey reports indicated that PC has strengthened performance culture in TSC.People have internalized the idea of having annual operational plans, every service area prepares annual plans and set targets, it has enhanced efficiency in utilization of resources, and streamlined service delivery by moving away from the previous systems that were process oriented to management by results.

4.2.7 Critical Evaluation of PC implementation at TSC

Introduction and preparation of PC just like in project management is guided by timeliness where by delay in one of the event may translate into confusion in cascading of activities. PC being at a critical and important 4th cycle of its implementation has registered significant effects on performance management. Most of the challenges currently experienced can be attributed to the initial steps of its implementation. The review of goals of performance and setting of target was not realistically done asserting on their feasibility and this resulted into current challenge of over ambitious targets. On the other hand review of strategic plan did not fully accommodate the change of external environment and more so vision 2030 which was launched 2008. The current challenge at hand of reviewing of strategic plan 2009/2015 from current 2005 /2010 in order to accommodate vision 2030 will be too costly to the already fragile PC implementation thereby resulting into delay in its implementation. Sensitization of employees at initial step in the introduction of PC is an integral component in the contribution of its ownership by employees. TSC management fall short in its mandate to timely raise the sensitization prior to introduction of PC as a performance strategy .The current trends of weak internal M&E teams may further delay successful implementation of the subsequent steps of PC as performance gaps are not identified, thereby impeding on the overall objective of PC as performance management strategy.

CHAPTER FIVE:

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the study summary of findings, conclusions and recommendations. The study aimed at establishing the steps for performance contracting and how it has been used as a human resource management strategy. The study carried out content analysis of secondary data as well as additional information from study key informants. The following are sub sections guiding this chapter.

5.2 Summary of Findings

The introduction of PC at TSC was an attempt to improve service delivery from process based to result based management model.

The departments were required to identify targets/ activities from the strategic plans to incorporate them in the performance contracting of the subsequent year. For instance, in the period of January-February activities that were to be carried out in June-July were identified. After the targets were identified and analyzed, they were compiled to generate performance contracts. The draft was then presented to the Teachers Service Management for approval and amendment. Around the same time activities were cost and incorporated in the annual budget. After the amendment and approval by management, targets were submitted to the Ministry of Education for negotiations. This was done before 15th of April and the TSC was invited to defend the performance contracting strategy. In conclusion commencement and introduction of PC at TSC was in July the financial year 2005/2006

The study revealed that are three levels of PC contracting within TSC. These were organization level/the Ministry, Departmental Level and Employee level. The commission signs the contract with the Ministry of Education which is a superior entity in the government hierarchy and acting as the owner of government agency. This contract

parties are chief executive to the commission and the Ministry of Education. The CEO later signs the Performance contract between himself/herself and commission. The contract is cascaded to departments, divisions, sections and individual work plans. Therefore all members of the organization are in one way or the other engaged in performance contracting through individual work plan and departmental work plans. Individual work plan is signed between the individual member and the immediate supervisor all derived from operational plans. The management sets performance targets which are contained in annual operational plans which are later disseminated to all departments, divisions and sections for implementation.

It was observed that both pre and post preparation of reforms has led to introduction and development of vision and mission statements, corporate identity through the design of new logo, development of new service charter ,decentralization of most TSC functions , development of strategic plan (2005-2010) and finally the introduction of PC. However, the challenges exist despite these commitments in performance management. Customer satisfaction survey 2007 shown that although there was some improvement in service delivery, customers were not satisfied with the services offered by TSC, review of strategic plan to align with vision 2030 priorities has led to almost an overhaul in PC strategy implementation process at TSC.

The study also observed that key informants were divided with regard to communication of performance contracting strategy prior to its introduction. Some of them confirmed that they were never consulted by their managers through Heads of Divisions, sections and their assistants while others said they were not sensitized and hence were not aware of PC strategy implementation and in effect the idea has met a lot of resistance, lack of coordination, inadequate sensitization because PC was communicated through circulars from the Ministry of state for Public Service (DPM) and a few officers being hand picked for two days training who were in turn asked to draft the performance contracting document. In effect the employees have frustrated the process of PC.

The study observed that there existed gaps in performance management identified through performance measurement. In this current research TSC had just implemented

the 4th cycle of performance contracting which comprises Weighing/measuring of various components in performance contracting. These performance gaps were categorized as follows based on their characteristics;

Poor performance culture. This culture has been synonymous with state owned parastatals and contributed to; low levels of acceptance by the employees; resistance to change; Lack of ownership of reform initiatives and over delegation by supervisors.

Managerial/input related gaps identified through evaluation were associated to poor planning by the management including; unrealistic targets set; some targets too ambitious; un utilized resource; lack of working tools/equipment and lack of information/sensitization.

Process related gaps included unclear role definition such as ;lack of job descriptions; inability to cascade the Performance Contracting process; lack of Annual Divisional and individual work Plans; Excessive controls and weak interdepartmental/domain linkages.

Process related gaps. included compliance and measurement in performance management they Include; weak internal M&E structures; unreliable measuring criteria/subjective reporting; bureaucratic procedures/time consuming; poor policy implementation and Lack of or inadequate supporting documents presented as evidence for achievement of targets were among process specific gaps hampering the implementation of steps of performance contract.

The analysis indicated that introduction of PC has to some extent resulted into improved service delivery in TSC (public service sector). The key informants also shared the opinion that PC has strengthened performance culture in TSC, people have internalized the idea of having annual operational plans, every service area prepares annual plans and set targets, it has enhanced efficiency in utilization of resources, and streamlined service delivery by moving away from the previous systems that were process oriented to results based management and the organization is almost living to its mission and vision.

Whilst the implementation of PC has registered significant effects on human resource management, most of challenges currently experienced in its implementation can be attributed to the initial step of its implementation. The review of goals of performance and setting of target was not realistically done and this resulted into current challenge of over ambitious targets. On the other hand review of strategic plan did not fully accommodate the change of external environment and more so vision 2030 which was launched 2008. The current challenge at hand is reviewing of the strategic plan 2009/2015 from current 2005 /2010 in order to accommodate vision 2030 priorities which will be too costly to the already fragile PCs implementation thereby resulting into delay in its implementation. Sensitization of employees in initial step in the introduction of PC is an integral component of its ownership by employees. TSC management fall short in its mandate to timely raise the sensitization of PC prior to its introduction as a performance strategy .The current trends of weak internal M&E monitoring may further delay successful implementation of the subsequent steps of PCs as performance gaps are not identified thereby impeding on the overall objective of PCs as performance management strategy.

5.3 Conclusions

From the research findings, it was established that PC strategy now in its 4th cycle and follows a defined process and to some extent involves organizations employees and management. The role played by different cadre in PC implementation process at TSC were varied. Generally not all employees were consulted as it could have taken a considerable amount of time and money. Hence only their representatives and Heads of Departments, divisions and sections and their assistant were consulted.

Introduction of performance contracting has resulted to good practices in performance management. The activities accrued from the introduction of PC strategy include; the organization mission and vision, strategic plan, annual operational plans, individual work plans, quarterly performance reports among other activities that were never important in process based management.

PC has to some extent resulted into improved service delivery in TSC. It has strengthened performance culture and, people have slowly began to internalize the idea of having annual operational plans, every service area prepares annual plans and set targets. It has enhanced efficiency in utilization of resources, and streamlined service delivery.

The study also established that there existed various categories of performance gaps including poor performance culture, managerial/input related gaps, and process related gaps.

The study can conclude that PC has been faced by numerous challenges through its implementation process. More specific challenges are reviewing of strategic plan 2009/2015 from current 2005 /2010 in order to accommodate vision 2030 priorities, weak internal M&E mechanisms, and low levels of acceptance by employees, poor performance culture, unrealistic and unspecified targets.

5.4: Recommendations

The management should inculcate a practice of regular review and reference making of the PC throughout its lifespan. At the start of the PC process, it would be prudent to include majority of the employees so that they feel part of the organization and consequently the process. The basis of doing this lies on the principle of “First who, then what” i.e. it is important to have the right people on board, then the problem of managing and directing them largely goes away”.

Current weak M&E mechanism necessitates recruitment or outsourcing of a monitoring and evaluation officer who will train all the programme staff in this area. Further training of staff in M&E and data analysis is essential. The management should identify an organization with good practices in M & E and who may be willing to coach TSC staff and share experiences as a method of learning. Management needs to devote the time analyzing the process in order to provide timely guidance on PC as a strategy for managing performance

There is need to sensitize staff at all levels about performance contracting strategy for managing performance, train qualified staff so that they require adequate skills to drive the process, institutionalize an effective internal monitoring and evaluation system, linking performance contracting to the cycle of performance management so that we set targets, implement, evaluate, appraise, reward and sanction, documentation of targets that have been achieved, performance contracting strategy should not only capture key and value adding activities but also other related functions, a structured system of cascading performance contracting process is required- from top management to the lowest employee, continuous sensitization of employees, strengthening monitoring and evaluation system accompanied by automation, accessing teaching fraternity to introduce PC management strategy and there is need to align the strategy to financial sources.

TSC management should consider a quick harmonization of the strategic plan that meets vision 2030 priorities and addressing the performance gaps so as avoid further delay and contradiction of the fragile PC implementation yet to undergo crucial steps and maximum benefits as a strategy in human resource management .

The study focused only on Teachers service commission as a public sector agent of the government and therefore not representative in generalization of other public sectors. Further research should therefore be carried out in other government agencies and the results compared so as to make conclusive and representative observation on the role of performance contracting as human resource management strategy. This study focused on performance contracting in public sector as human resource management strategy .Other studies should focus on other strategies on human resource management.

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APPENDICES

Appendix I: Interview Questionnaire Guide

Goals of the interview process

1. To determine performance contracting implementation process at TSC HQS
2. To identify factors that affect performance contracting implementation at TSC HQS
3. To find out the effect of performance contracting at TSC HQS

INTERVIEW QUESTIONS

The following sections provide sample questions to be used in evaluating performance contracting implementation at the TSC HQS

BACKGROUND REVIEW

The following questions are designed to confirm the ability of the respondent to answer the research questions adequately.

Educational background

1. What is the highest level of education you have received?

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2. How long have you worked in this organization?

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3. What do you like best about your current position?

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4. What do you like least?

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Performance contracting strategy implementation process at TSC HQS

The following is a list of questions designed to gather information relating to performance contracting strategy implementation process at TSC.

1. Does TSC have a strategic plan? If yes, do you have a copy?

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2. What role have you played as the chairman of the commission in the implementation of the performance contracting at TSC HQS?

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3. How effective has performance contracting strategy been at TSC HQS?

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4. Are you aware of any major strategic changes that have occurred in TSC for the last 5 years? If yes, enumerate a few.

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5. What are your responsibilities with regard to performance contracting strategy?

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6. Is the organizational strategy of performance contracting procedures clear and concise? If no, suggest ways to improve it.

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7. Were all the employees representatives involved before implementation of performance contracting strategy?

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8. How feedback on performance contracting is communicated at TSC HQS? If so, how often?

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9. Briefly enumerate some of the performance targets in the recent cycle (2009/2010).

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10. What factors may have influenced the pace of implementation of performance contracting at TSC HQS?

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11. What was the response of the employee's to the new Human Resources Management strategy?

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12. What mechanism is put in place to make sure that the strategy is implemented at all levels?

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13. Is the staff under you conversant with the performance contracting strategy for managing performance?

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14. How often does your division achieve its set target/objectives?

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15. Is performance contracting strategy inspirational to the employees of the TSC HQS? If no, state the underlying reasons?

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16. Were the concerns of internal and external customers taken into consideration before implementing performance contracting?

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17. What means of communication does the management use to communicate the awareness of the strategy?

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18. What factors may have influenced the speed of implementation of performance contracting strategy at TSC HQS?

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19. How has the board of management responded to the implementation gaps that exist at TSC?

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20. How would you rate the level of board of management involvement in performance contracting strategy implementation gaps?

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21. How has the management responded to the performance contracting implementation gaps that exist at the TSC HQS?

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22. To what extent were the employees committed to performance contracting implementation process?

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23. How do you intend to source for extra funds to facilitate the implementation of performance contracting strategy?

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24. Enumerate the effects of performance contracting strategy at TSC HQS.

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25. What is the relationship between performance contracting and performance appraisal evaluation?

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26. What were the major challenges encountered in the process of performance contracting implementation.....

Appendix II: Secondary Data

- (i). TSC Strategic plan
- (ii). Service charter
- (iii). Operational plans
- (iv). Divisional plans
- (v). Individual work plans
- (vi). TSC customer satisfaction survey report 2007
- (vii). Annual and quarterly performance report

Appendix III: List of Interviewees

- (i). Commission Chairman
- (ii). Commission Secretary
- (iii). Heads of Departments
- (iv). Heads of Divisions
- (v). Finance officer
- (vi). Coordinator policy planning and research