

**EMPLOYEES' PERCEPTIONS OF PSYCHOLOGICAL CONTRACT VIOLATION
FOLLOWING IMPLEMENTATION OF PERFORMANCE CONTRACT AT THE
KENYA FORESTRY RESEARCH INSTITUTE**

BY

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DECLARATION

This management research project is my original work and has not been presented for a degree or any award in any other university

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This management research project has been submitted for examination with my approval as university supervisor

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DEDICATION

For Alpie. for encouraging me to keep on.

ABSTRACT

The degree to which employees perceive that their organization has fulfilled their psychological contract determines the level of three components; commitment, loyalty and satisfaction. These three components are very important for organizations that need to strap up their human resources for improved productivity. Psychological contract involves perceptions of the terms and conditions of the agreement between employees and the employer. Today in the Kenya public service, this relationship is largely defined by performance contract. This study sought to establish employees' perceptions of psychological contract violation at the Kenya Forestry Research Institute following implementation of performance contracting.

A case study design was used to enable the researcher gather relevant data for this academic undertaking. The target respondents included all employees in the 6 regional centres of KEFRI. Cluster sampling was applied to draw the sample size of 51 respondents. Primary data was collected using structured questionnaires. Of the 51 respondents, 36 responded to the questionnaire, bringing in a response rate of 70%. Data analysis was done by use of descriptive statistics and results presented in charts and graphs.

It was found that KEFRI employees' role in performance contracts was largely implementation (58%) while a considerable percentage said their role was implementation, monitoring and control (31%). Steady employment, secure employment, and support to attain the highest possible level were rated highest under commitments and obligations of the employer. This denoted a relational type of contract. Similarly the relationship with the employer was found to be stable as most of the negative aspects were rated low by the respondents. On commitments and obligations by employees following implementation of performance contracts, the respondents were ready to perform required tasks, accept increasingly challenging performance standards, accept new and different performance demands, respond positively to dynamic performance requirements, and commit personally to their organization. This further indicated the existence of a balanced dynamic psychological contract. It is recommended that KEFRI management endeavor to capitalize on the balanced dynamic psychological contract and turn it into a competitive advantage for increased productivity.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Modern organizations can't succeed unless the people they employ agree to contribute to their mission and survival. But flatter organizations, geographically dispersed work, and ever-increasing aspiration levels for service and innovation make it impossible for employers to motivate workers strictly through supervision or monetary incentives. Instead, workers and employers need to agree on the contributions that workers will make to the firm and vice versa. Understanding and effectively managing these psychological contracts can help organizations thrive. Psychological contracts are beliefs, based upon promises expressed or implied, regarding an exchange agreement between an individual and, the employing firm and its agents.

The terms "breach" and "violation" have been used, sometimes synonymously by researchers to capture an employee's perception that the organization has *failed* to adequately fulfil its obligations. However, Morrison and Robinson (1997) clearly distinguished between breach and violation: perceived breach is "the cognition that one's organization has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contributions" (p. 230). Violation, on the other hand, is "the emotional and affective state that may, under certain conditions, follow from the belief that one's organization has failed to adequately maintain the psychological contract" (Morrison and Robinson, 1997, p. 230). It corresponds to the feeling of anger, frustration and/or betrayal that may arise when the individual attributes the causes of the violation to the employer.

1.1.1 Performance Contracting

Performance contracting was only introduced in the beginning of the nineties in the Belgian public sector. The main aim appears to be savings. On the federal level, the use of contracts goes hand in hand with the creation of new autonomous enterprises. In this case the contract stipulates the compulsory public utility services they have to deliver and the conditions under which this has to be done. As the case of "the Post" shows, the performance contracts also allow for considerable autonomy in financial, human resource and internal organization management. On the regional level, however, practice is diverse. Performance contracts are embedded in an overall performance management strategy of the government. But in many cases, the contract is just another way of controlling already existing para-departmental

organizations (Bouckaert *et al.*, 2003). The management science of performance contracting originated in France in the 1960s and was embraced by Pakistan and Korea, then India and later African countries including Nigeria, Ghana, Gambia and more recently Kenya.

Performance contracting has become a popular paradigm in the public service in Kenya in the recent past. This follows the introduction of performance contracts in the public service in the year 2003 (Prajapati, 2007). The Government of Kenya through a gazette notice created Performance Steering Committee (PSC) in August 2003 to spearhead the introduction and implementation of performance contracts in the public service. In addition an oversight body Public Service Reforms and Performance Contracting (PSRPC) were established (Prajapati, 2007). This was the institutional framework through which performance contracts in the Public Service were going to be implemented. The President of the Republic of Kenya signed Legal Notice No. 93, a subsidiary legislative to the State Corporations Act, Cap 446 on the 10th August 2004. The purpose of the legal notice was to provide a legal basis for the implementation of performance contracts in the State Corporations and sets out the obligations, duties and responsibilities of the parties to the performance contract. The Legal Notice also provides for the removal of a Director of a State Corporation whose performance is unsatisfactory. It also enables the Minister for Finance to develop guidelines on incentives for achievement and sanctions for non-achievement of agreed performance targets (Prajapati, 2007). Currently the Kenya Government requires that all Ministries and State Corporations to sign performance contracts upon which their performance will be assessed against set targets at the end of the every financial year.

1.1.2 Perceptions

Perception is the process of attaining awareness or understanding of sensory information. The word "perception" comes from the Latin words *perceptio*, *percipio*, and means "receiving, collecting, action of taking possession, and apprehension with the mind or senses. What one perceives is a result of interplays between past experiences, including one's culture, and the interpretation of the perceived.

Two types of consciousness are considerable regarding perception: phenomenal (any occurrence that is observable and physical) and psychological. The difference every sighted person can demonstrate to him- or herself is by the simple opening and closing of his or her eyes: phenomenal consciousness is thought, on average, to be predominately absent without senses such as sight. Through the full or rich sensations present in senses such as sight.

nothing by comparison is present while the senses are not engaged, such as when the eyes are closed. Using this precept, it is understood that, in the vast majority of cases, logical solutions are reached through simple human sensation (Chalmers, 1997).

The processes of perception routinely alter what humans see. When people view something with a preconceived concept about it, they tend to take those concepts and see them whether or not they are there. This problem stems from the fact that humans are unable to understand new information, without the inherent bias of their previous knowledge. A person's knowledge creates his or her reality as much as the truth, because the human mind can only contemplate that to which it has been exposed. When objects are viewed without understanding, the mind will try to reach for something that it already recognizes in order to process what it is viewing. That which most closely relates to the unfamiliar from our past experiences, makes up what we see when we look at things that we don't comprehend

1.1.3 Psychological Contract

The origins of psychological contract date back to the writings of Argyis (1960) and Schein (1980). It can be defined as a set of individual beliefs or perceptions regarding reciprocal obligations between the employee and the organization (Robinson, Kraatz, & Rousseau, 1994). Some of these obligations are recorded in the form of a written formal contract of employment, but largely they are implied and not openly discussed (Anderson & Schalk, 1998). These obligations are perceived promises that both the employer and the employee believe have been made and accepted by both parties.

Psychological contracts differ from other types of contracts not only because of the innumerable elements they may contain, but also because the employee and employer may have differing expectations with respect to the employment relationship. Few of these elements are likely to have been specifically discussed; most are inferred only, and are subject to change as both individuals and organizational experience change.

The development of psychological contract in the minds of employees - that is, a picture of what they owe the organization and what the organization owes them in return- can result in perceptions of inequality and a sense of violation (Blancero *et ai.* 2007). To retain balance in the psychological contract, perceived increase in employee obligations need to be matched by perception of increased rewards. If increases in employee obligations are determined as

exceeding increases in rewards, it is possible to assume that a negative shift in the psychological contract has occurred. This situation may result in employee's withdrawal of Organizational Citizenship Behaviours (OCBs) or employee exiting from the organization (Blancero *et al.*, 2007).

A Psychological contract refers to mutual unwritten expectations that exist between an employee and his/her employer regarding policies and practices in their organization. Even if an employer has not made specific promises in that regard, every employee will appreciate clarity, fairness and good communication. The global economic downturn led to continual the restructuring, downsizing, mergers and takeovers in many organizations. That was accompanied by changes in how personnel felt and acted towards their employers. Violations or breaches of the psychological contract occur when an employee perceives that the organization has failed to fulfill one or more of its obligations comprising the psychological contract (Blancero *et al.*, 2007).

Robinson and Rousseau (1994) have suggested that psychological contract breach occurs when employees believe that the organization has failed to deliver its promises or obligations, and is relatively a common occurrence. Morrison and Robinson (1997) have referred to perceived breach as "the cognition that one's organization has failed to meet one or more obligations, within one's psychological contract (Morrison and Robinson, 1997, p. 230). Therefore, breach is the identification of perceived unmet obligations: it may be a relatively short-term phenomenon and may result in an individual returning to their relatively "stable" psychological contract state, or it may develop into full violation. In contrast to breach, violation is an "emotional and affective state that may follow from the belief that one's organization has failed to adequately maintain the psychological contract" (Morrison and Robinson. 1997. p. 230). Therefore, violation may be typified by an emotional response to unmet obligations. It corresponds to the feeling of anger, frustration and/or betrayal that may arise after the perception of a breach.

1.1.4 Performance Contracting at the Kenya Forestry Research Institute.

Performance contracting in Kenya has been growing since the first launch of the Civil Service Reform program (CSR) in 1993 (Obongo, 2007) to improve efficiency and productivity. Following the launch, the government created a steering committee on the Civil Service Reform Program (CSRP) at the national, provincial and district levels and in each ministry with a national secretariat as its operational arm. The government then conducted sensitization seminars to ensure that all actors in the reform process were properly and adequately sensitized (Nzioka. 1998). The reform programs were designed to be implemented in three phases: Phase I (1993-1998), which focused on containment. Phase II (1998-2001), which focused on performance improvement, and Phase III (2003-to date), whose focus will be refinement, consolidation and sustenance of reforms.

Policy issues dealt with under phase I included: staffing, civil service organization, training and capacity building, financial management, performance management, pay and benefits. Reflecting on his experience. Nzioka (1998) argued that were CSRs to herald the emergence of a civil service that is efficient, productive and result-oriented in consonance to the then prevailing Kenya's vision of being "newly industrialized country" (NIC) by 2020, then they should be geared towards: debureaucratization, decentralization, forge strategic alliances, develop a quality culture, be global and information technology driven. These are the same sentiments expressed by KCG (2003).

Phase I reforms program ushered in phase II reforms towards mid-1998. However, phase II reforms only gained momentum following National Alliance Rainbow Coalition (NARC) government in 2003 (Obongo, 2007). Phase II reform witnessed a series of ministerial and sectoral initiatives. The launch of governance reforms; justice, law and order sector reforms; judicial reforms: capacity building and training; e-governance; results based management (RBM); participation in quality awards and reintroduction of performance contracts were witnessed (Nyamweya. 2007; Government of Kenya. 2007; Kombo, 2007; World Bank. 2007; Obongo, 2007; Kenya Institute of Administration. 2008: Kobia and Mohammed. 2006).

The continuous need to improve both efficiency and effectiveness of the public sector in light of scarce resources and rising public expectations remains a major challenge to the public sector worldwide, hence the need for performance measures (Hoque, 2008). Thus

performance measures in the public sector have become important because of the need to improve public service, particularly from the "citizen" perspective (Black *et al.*, 2001). Performance measures are vital since "one cannot manage that which cannot be measured" (Zairi, 2003). Equally, Bruijn (2002) suggests that performance measurements in the public sector promote: transparency, learning, appraising, and sanctioning. So in the context of public sector, performance measurements are credited with: modernizing public budgets, boosting obligatory/voluntary reporting, stimulating contract management, enabling inter-administrative comparisons/benchmarking, promoting internal system diagnosis and creating a strategic management system (Greiling, 2005).

Since public sector management has become increasingly result and customer-focused, there is growing unwillingness among communities and governments to accept the continuation of historical commitments simply because they are historic (Jarrar and Schiuma, 2007). In sum, the emphasis in performance measurement today, explain why managing and measuring performance has become a key driver in public sector reform agenda in recent years. Given the diminishing differences between private and public sector, there is therefore a push today for the public sector to embrace customer-centric approach so as to justify its existence. Performance measures should therefore provide organizations with means for planning and implementing strategies.

Benefits aside, specific concerns have been raised regarding usage of performance information. Conceptual underdevelopment, limited or no recognition of stakeholder needs and data shortages technical/analytical usually compromises the establishment of robust measurement systems (Black *et ai*, 2001). Cornell University (2006), similarly cite David and Gaebler (1992) who contend that as society becomes more complex and diverse, the needs and preferences of customers are no longer homogeneous, yet governments still provide standardized services as though all their citizens are or will be equally satisfied. Ironically, while a majority of public sector reforms place strong emphasis on Performance Measurement and Management Systems (PMMS) reality suggests otherwise. PMMS do not in all cases appear to be the key driver of public sector modernization (OECD, 1997; Sanderson, 2001).

Sotirakou and Zeppou (2006) assert that many public organizations have not developed PMMS and even fewer use them as instruments of performance. Hence, Wilson (2000) warns that although there is a positive linkage between objectives, drivers and key performance

measures, the challenge lies in moving performance measures from being something that keeps scores to something that helps people and teams improve their performance. Similarly, Pidd (2005) cautions that over-reliance on performance measures may encourage performativity (that means people whose performance is being measured inflates scores without corresponding rise in performance, or subtle change through which performance as measured, comes to define reality). Bruijn (2002) also cautions that performance measurements can have a number of negative consequences: promoting game playing, adding to internal bureaucracy, blocking innovation, blocking ambitions and killing systems responsibility. Likewise, Hammer (2007) admonishes against what he calls "seven sins" associated with performance measurements: vanity, provincialism, narcissism, laziness, pettiness, inanity (and frivolity). The "sins" are indeed the sort of challenges that today's public sectors in Africa are grappling with necessitating prudence and firm commitment on the part of leaders to entrench performance oriented reforms.

Kenya Forestry Research Institute (KEFRI) is a state corporation established in 1986 under the Science and Technology Act (Cap 250) of the Laws of Kenya. KEFRI's mandate as stipulated in the creation Act is to carry out research in forestry and allied natural resources. The institute is managed by a board of management appointed by the minister of the parent ministry. A Chief Executive Officer, the Director, runs the day-to-day activities of the institute. KEFRI has six regional centres and 11 sub-centres spread around the country. It has a total workforce of 952 staff.

KEFRI subscribed to the performance contracting process in 2005/2006 and went on to register very good performance and was ranked first among all research institutes in the country. Introduction of the performance contracting process in KEFRI heralded a period of organizational change, as there was strategic shift especially on measurement of performance and resultant rewards. Robinson (1996) states that in times of organizational change, psychological contract assume an increasingly important role in employment relationships. During this period terms of employment agreement are being repeatedly managed, renegotiated and altered to fit changing circumstances. It is within such a dynamic environment that organizations may be less willing and/or less able to fulfil all their promises to employees. Non-fulfilment of the promises is referred to as perceived contract violation. This study is set to find out whether KEFRI has been able to fully meet the promises,

obligations and commitments that came with the implementation of performance contract and employees' perception of psychological contract violation.

1.2 Statement of the Problem

The maintenance of highly motivated and committed workforce is the desire of all organizations. It is therefore critical that any changes to key areas of the employment relationship take cognisance of that fact. Introduction of performance contract in the public service has brought in a new dimension in the employment relations whose cause and effect is the re-evaluation of the existing psychological contract by employees.

The degree to which employees perceive that their organization has fulfilled their psychological contracts involves their perceptions of the terms and conditions of the agreement between them and their employer. When employees perceive a fulfilled psychological contract, they recognize an equal exchange relationship between themselves and the organization. To date, the psychological contract construct has been studied both in the west (Turnley *et al.*, 2003) and in the east (Lo and Aryee, 2003).

In Kenya Njenga (2008) carried out a study on Employees' State of Psychological Contract Following Implementation of Performance Contract on Managers in Thika Municipal Council. Njenga recommended the need of further research to find out if there is correlation between current psychological contract and the outcomes of performance contract. Among other studies which have been done include Kagonya (2005) which was a study on the Psychological Contract, Organizational Commitment And Job Satisfaction in Commercial Banks In Nairobi, Kiboi (2006) conducted a study on the Management Perception Of Performance Contracting In State Corporations, Gathungu (2008) investigated on the Employees Perception Of Change At The Kenya National Audit Office, Limo (2008) carried out a study on the Employee Perception Of Quality Management Practices At Kenyatta National Hospital. In the same year Mburai (2008) performed a study on The Effects of Performance Contracts on Employees: A Case of Kenya Institute of Education, and also Simitu (2008) who did a study on the Effectiveness of Performance Contracts in Regulatory Corporation in Kenya.

Limited research works that have been done on contract violation in the public sector. This is perhaps because the public sector has often been regarded as one of the most job-protected environment and in which rigid formal structures have often served to keep far from all forms

of new modern management practices that may in one way or another disrupt traditional employment relationship of job security, guaranteed job advancement by seniority and payment by status and rank in return for loyalty, respect and trust. Since the field of performance contracting in the public sector is relatively new, there have been limited studies done to link it to perception of psychological violation. Yet maintenance of a positive state of psychological contract is the most effective method to compact negative consequences of dissatisfaction and non-commitment among employees.

Kenya Forestry Research Institute has been under performance contract for the last five years. Performance contracts have exposed KEFRI into a new competitive arena and the need to cope with resultant human resource management processes is imperative. By specifying new performance requirements of employees as a result of the strategic shift and reward entitlement, KEFRI has defined new expectations leading to a new employment relationship. Guest (1998) notes that human resource management policies are designed to maximize organizational integration, employee commitment, flexibility and quality of work. Stalker (2000) noted that companies that are successful are the ones that balance the unwritten needs of their employees with the needs of the organization. Performance contracts therefore create a framework within which the psychological contract is determined. There was need therefore to examine in detail employees' perception on psychological contract violation in relation to the performance contracting in organizations at the Kenya Forestry Research Institute.

1.3 Research Question

What are the employees' perceptions of psychological contract violation at the Kenya Forestry Research Institute following the implementation of performance contracting policy?

1.4 Research Objective

To establish employees' perceptions of psychological contract violation at the Kenya Forestry Research Institute following implementation of performance contracting.

1.5 Importance of the Study

The outcome of this study will be of importance in a number of ways. First it will provide KEFRI with feedback of the employees' perception of psychological contract violation following introduction and implementation of performance contract. Secondly, it will

enhance sensitisation of the KEFRI management on the need to have a rationalised psychological contract management in order to reduce the principal agent conflict that may impede attainment of expected performance outcomes envisaged through efficient performance contract. Thirdly, the study will give an academic knowledge contribution on the performance contract implementation at research institutes in Kenya, and the development content and context of psychological contract violation in employment relations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Perceptions

Employees' perception on psychological contract violation can also be referred to as Perceived psychological contract violation (Morrison & Robinson. 1997). PPCV is a construct that regards employees' feelings of disappointment (ranging from minor frustration to betrayal) arising from their belief that their organization has broken its work-related promises (Morrison & Robinson. 1997). and is generally thought to be the organization's contribution to a negative reciprocity dynamic, as employees tend to perform more poorly to pay back PPCV. The appraisal of one's psychological contract emerges from the cognitive assessment of the coherence between the perceived terms of the employment agreement and what has been delivered by the employer. When a discrepancy occurs, individuals will presumably increase or reduce their participation and involvement in the organization. In that respect, psychological contract fulfilment reflects the quality of the exchange process between employer and employee, such that individuals feel that they are more or less obliged towards their organization in return for the delivery of inducements by the employer (Coyle-Shapiro. 2000).

The assessment of one's psychological contract arguably is a stabilized outcome once the process of organizational socialization is over, so that the individual has developed a relatively enduring perception of the promises and deliveries he/she can expect from the organization (De Vos *et al.*, 2003). In this paper, we shall look at psychological contract fulfilment as the general perception of how well the organization is usually perceived to have fulfilled its obligations. This assessment reflects how the reciprocity norm underlying the employment relationship is persistent over time and leads to recurring expected or undesired performance. Morrison and Robinson have identified at least three sources of these discrepancies in perceptions: divergent schemata of the employee and employer; the complexity and ambiguity around employment contracts; and miscommunication between the two parties.

Both employees and employers come to the employment relationship with different cognitive schemata, which shape, guide and influence what they observe, remember, and interpret in the employment relationship (Fiske & Taylor. 1984). Each person, and thus each employee and employer, will hold a somewhat unique schemata. Because schemata are formed from experiences, the differences in schemata will be enhanced when the employee and employer

come from very different educational backgrounds, work experiences, industries and cultures. These differences in schemata will result in the employee and employer remembering, interpreting and perceiving their shared experiences and communication somewhat uniquely and thus they are likely to end up with very different understandings of the agreement between them.

The very nature of employment agreements and obligations also contribute to the occurrence of divergent perceptions of the employment agreement. The myriad of shared obligations between the employee and the employer is often enormous. As a result, it is likely many obligations may be overlooked, or forgotten. In addition, often the obligations with employees are implicit and ambiguous. For these reasons, employees and employers are likely to put their own spin on those obligations, and fill in missing information with their own biased interpretation (Griffin & Ross, 1991). The result of this complexity and ambiguity is that the employee and employer are likely to hold quite different and unique interpretations of their agreement.

Finally, amount and quality of the communication between the employee and employer can contribute to varied perceptions between them. The degree of effective and extensive communication at the outset of the relationship, when most obligations are formed, may greatly influence how much disagreement between the employee and employer arises. In addition, ongoing communication throughout the relationship will play a significant role, especially in turbulent environments when conditions and thus the terms of the employment agreement may change. However, effective communication is not always present. Status differences between the employee and employer, for example, may contribute to communication difficulty. Moreover, the "false consensus" effect (Ross, Greene & House, 1977) leads the employee and employer to assume that they share the same understanding of the agreement when in fact they may not and because of this bias, they do not discuss it or resolve the discrepancies between their perceptions.

2.2 Psychological Contracts

The concept of 'psychological contract' was introduced in 1960 (Argyris, 1960). In the next five years that followed, the new concept got much attention from various researchers. It received little attention thereafter until the 1990's. The economic downturn during that period led to the restructuring, downsizing, mergers and takeovers in many organisations. That was

accompanied by changes in the employees' feelings and behaviour towards their employers. The psychological contract helped explain those changes and, therefore, regained attention (Van den Brande, 2002).

In the early definitions of the concept, besides expectations from the individual, the expectations of the organisation were incorporated as well. Rousseau (1989) stated that these expectations are difficult to comprehend as a whole. They can be seen more like a multiple collective of diverse and differing expectations held by a set of factors (Anderson and Schalk, 1998). Therefore, Rousseau (1989) presented a narrower definition with the perspective of the individual as the central element. This takes the employees' ideas about what they expect from the organisation and what they feel they owe to the organisation into account. In addition to the individual aspect, Rousseau also emphasises the obligatory nature of the psychological contract.

Argyris (1960) laid the conceptual foundations for the concept of a psychological contract when he described employees in two factories maintaining high production in exchange for supervisors guaranteeing adequate wages and secure jobs. Levinson *et al.* (1962) expanded the concept further by highlighting the unwritten, implicit nature of the contract whereby the individual and the organisation specify what each expects to give and receive from each other in the relationship. Contemporary research has retained these core elements defining the psychological contract as dependent on "promises, reliance, acceptance, and a perception of mutuality" between an employee and the organisation (Rousseau, 1995, p. 22).

Although there is wide agreement among researchers that the psychological contract is essentially an exchange relationship between the organisation and individual employees, there is vigorous debate in the literature as to the appropriate levels of engagement (see Guest, 1998 and Rousseau, 1998 for the dialectic exchange). Advocates of a broad, multi-level approach to concept definition emphasise the need to consider the changing expectations and obligations of both the organisation and the employee in framing psychological contracts (Herriot *et al.*, 1997). By considering both employee and employer perspectives, it is possible to investigate the perception of mutuality (if any) that may exist between the two parties, and in the process, assess how well the employer has fulfilled its obligations to its employees (Coyle-Shapiro and Kessler, 2000). As such, researchers have explored the dynamic nature of the new employment relationship (Roehling *et al.*, 2000).

whereby employees and employers negotiate "new deals" such as training and personal development in return for flexible working practices.

Rousseau (1995) and her followers assert psychological contracts are formulated solely in the minds of individuals and as such they reflect individual beliefs, shaped by the organisation, regarding terms of an exchange between employees and the organisation. Rousseau's (1995) cognitive-perceptual definition of the concept highlights the importance of individual expectations, promises and obligations - of the employee towards the organisation and of the employer towards the employee (Rousseau, 1990). Thus, individual employees and managers can differ in their beliefs and perceptions of what constitutes the terms and conditions of the reciprocal exchange agreement. According to Rousseau (1989, p. 124), the psychological contract forms when "an individual perceives that contributions he or she makes obligate the organization to reciprocity (or vice versa)". It is the belief in this obligation of reciprocity, although unilateral, that constitutes the psychological contract.

Much of the current literature concerns the changing psychological contract through organizations delayering, flattening and restructuring. Literature shows that, the "old" psychological contract of job security in return for loyalty and hard work is now a thing of the past, and that a new trend of multiple career changes and fewer promotional opportunities is emerging (Spillius, 1996). Nevertheless, there are signs of a new psychological contract emerging in which companies promise to give employees support as they acquire new skills (Houlder, 1996). Employability, rather than stability, is the centrepiece of this contract. The psychological contract has also been discussed in relation to the expectations of new employees to an organization (Robinson *et al.*, 1994), where graduates reported a sharp drop in loyalty and commitment towards employers, largely because the companies failed to live up to promises and fulfil obligations made at the recruitment stage. This has wide implications for the psychological contract of the expatriate.

2.3 Psychological Contract Core Components

The identified and distinguished dimension of psychological contract includes transactional, relational and training and/career development (Robinson *et al.* 1994). Transactional contract involves short term-term monetary exchanges such as merit pay and it involves limits involvement by the organization and employee (Robinson *et al.* 1994). Relational contract involves broad, long-term obligations and reflects socio-emotional elements such as trust,

commitment, and loyalty. Training and career development has also been identified as a unique component of psychological contract. As part of new employment relationship, employees are expected to exchange effort and commitment in return for the organization providing employees appropriate training and career development opportunities.

Table 2. I: Promises and Commitments by Employees and Employers

Employees promise to:	Employers promise to provide:
Work hard	Pay commensurate to performance
Uphold company reputation	Opportunities for training and development
Maintain high level of attendance and punctuality	Opportunities for promotion
Show loyalty to the organization	Recognition for innovation or new ideas
Work extra hours when required	Feedback on performance
Develop new skills and update old ones	Interesting tasks
Be flexible	An attractive benefits package
Be courteous to clients and colleagues	Respectful treatment
Be honest	Reasonable job security
Come up with new ideas	A pleasant and safe working environment

Source: Guest, (1998), Is the psychological contract worth taking seriously? *Journal of Organization Behaviour*. Vol. 19, pp.649-64

Psychological contracts are based on specific promises made by both parties and generally accepted promises that are based on the general obligations of employers and employees. Even if an employer has not made specific promises in that regard, every employee will appreciate clarity, fairness and good communication. Every employer will appreciate employees dealing properly with confidential information and doing good work. In addition to general obligations, the psychological contract is further augmented with written agreements, such as employment contracts (Huiskamp and Schalk, 2002). Objective employee characteristics play only a small part in both setting the terms of the psychological contract and in implementing it. Context-specific differences between organisations, within organisations and among individuals are more important for the creation, development and evaluation of the psychological contract (Huiskamp and Schalk, 2002).

A thorough preliminary investigation of existing benchmarks and three studies support conceptualising the psychological contract as a multi-dimensional construct. Five dimensions are distinguished for organisation promises (De Vos and Buyens, 2002). These are presented in Table 2.2 below.

Table 2. 2: Organization Promises

Organisation promises	
1. Career development	Offering possibilities for development and/or promotion within the organisation (such as possibilities for development, chances of promotion)
2. Job content	Offering challenging, interesting job content (such as work in which employees can use their capacities, challenging tasks)
3. Social environment	Offering a pleasant and cooperative working environment (such as good communication among co-workers, good cooperation within the group)
4. Financial compensation	Offering appropriate compensation (such as remuneration commensurate with the work, conditions of employment that have favourable tax consequences)
5. Work-private life balance	Offering respect and understanding for the personal situation of the employee (for example, flexibility in working hours, understanding of personal circumstances)

Source: De Vos, A., Buyens, D. & Schalk, R. (2002). Antecedents of psychological contract: the impact of work values and exchange orientation on organizational newcomers' psychological contracts. *Workingpaper NO. 01/120*. Pg 3

Besides organisation promises five dimensions for employee promises can also be distinguished as presented in Table 2.4 below;-

Table 2. 3: Employee Promises

Employee promises	
1. Effort and performance	Willingness to make efforts to perform well for the organisation (for example, making efforts for the benefit of the organisation, doing good work both quantitatively and qualitatively, working well with co-workers)
1. Flexibility	Willingness to be flexible in carrying out the work that needs to be done (for example, working overtime, taking work home)

J. Loyalty	Willingness to continue working longer for the organisation (for example, not accepting every job offer that comes along, working for the organisation for at least several years)
4. Ethical conduct	Willingness to conduct oneself ethically towards the organisation (for example, not making confidential information public, dealing honestly with resources and budgets)
5. Availability	Willingness to keep one's availability status at an acceptable level (for example, taking training courses that become available, keeping up with trade literature)

Source: De Vos, A., Buyens, D. & Schalk, R. (2002). Antecedents of psychological contract: the impact of work values and exchange orientation on organizational newcomers' psychological contracts. *Working paper NO. 01/120. Ghent University. Faculty of Economics and Business Administration.* Page 4

2.4 Equity Theory

Equity theory is considered as zone of the justice theories. It was first developed in 1963 by John Stacey Adams, a workplace and behavioral psychologist, who asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Marks, 2001). The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the employee for the organization; this includes the work done by the employees and the behavior brought by the employee as well as their skills and other useful experiences the employee may contribute for the good of the company. Equity theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress, and that this distress leads to efforts to restore equity within the relationship.

Equity is measured by comparing the ratios of contributions and benefits of each person within the relationship. Equity Theory acknowledges that subtle and variable individual factors affect each person's assessment and perception of their relationship with their relational partners.

2.5 Psychological Contract Violation

Psychological contract violation has been defined as a failure of the organization to fulfill one or more obligations of an individual's contract (Robinson and Morrison, 1995). Morrison and Robinson (1997) however have argued that this definition focuses on the rational, mental calculation of what individuals have or have not received and downplays the emotional aspect of violation. These scholars have referred to perceived breach as cognition that one's organization has failed to meet one or more obligations within one's psychological contract. Breach is essentially the identification of perceived unmet obligations: consequently it may be relatively short-term and may result in individuals returning to their relatively stable psychological contract state, or alternatively it may develop in to full violation.

Violation is an emotional and affective state that may follow from the belief that one's organization has failed to adequately maintain the psychological contract (Morrison and Robinson, 1997). Contract violation is more than failure to meet expectations; responses are more intense because respect and codes of conduct have been called into question because essentially a promise has been broken and it is more personalized (Rousseau, 1989). Psychological contract violation invokes responses of disappointment, frustration and distress (Robinson and Morrison, 1995). McFairlin (1993) argue that there are three types of violation namely, distributive injustice that comprises unfulfilled transaction obligations that usually have specific monetisable outcomes; procedural justice that comprises an assessment of the fairness of procedures through which outcomes have been allocated, interactional justice which assess the interpersonal treatment received during implementation.

Violations or breaches of the psychological contract occur when an employee perceives that the organisation has failed to fulfil one or more of its obligations comprising the psychological contract (Rousseau and Parks, 1993). Rousseau (1995) posits that psychological contract breaches can take three forms: inadvertently, disruptive or reneging. These are presented in Table 2.1 below.

Although contracts can be breached in innumerable ways, there are a number of common forms. Recruiters may "over-promise" a job's opportunity for challenge, growth, or development. At the same time, however, eager job seekers may read what they want to hear into a promise. Managers, co-workers, or executives who say one thing and do another can all engender breaches. As common cause of breaches for many employees involve a change in

superiors. When one's boss or mentor is promoted, terminated or retires, old deals may be abrogated. Similarly, changes in human resource practices, even with constructive intent can appear to break old commitments. Then the different contract makers express divergent intentions. A mission statement can convey that the organisation rewards employees based on merit while the compensation system is based on seniority. Different contract sources may each convey mutually exclusive promises (Rousseau, 1995).

Table 2. 4: Forms of Psychological Contract Violation

Inadvertent	Able and willing (<i>divergent interpretations made in good faith</i>)
Disruption	Willing but unable (<i>inability to fulfil contract</i>)
Breach of contract	Able but unwilling (<i>reneging</i>)

Source: De Vos, A., Buyens, D. & Schalk, R. (2002), Antecedents of psychological contract: the impact of work values and exchange orientation on organizational newcomers' psychological contracts. *Working paper NO. 01/120. Ghent University, Faculty of Economics and Business Administration. Page 5*

2.6 Employee Responses to Perceived Psychological Contract Violation

A framework for understanding situational constraints on employees' responses to breaches of psychological contracts is provided by the exit, voice, loyalty, and neglect (EVLN) typology (Turnley and Feldman. 1998). This framework suggests that employees will respond to breaches of psychological contracts with: increased exit (leaving the organisation altogether), increased voice (taking initiative with superiors to improve conditions), decreased loyalty (decreasing the number of extra-role or "organisational citizenship behaviours" they engage in), and increased neglect (putting in half-hearted effort, more absenteeism and lateness, less attention to quality).

This framework also suggests that different responses to breaches of psychological contracts may be more likely to occur in different types of situations (Turnley and Feldman. 1998). The results of a study that they conducted supported the idea that breaches of psychological contracts have a pervasive negative effect on employees' exit, voice, loyalty, and neglect behaviors. In general, breaches of psychological contract were most strongly related to

measures of exit and loyalty and somewhat more weakly (although still statistically significantly) to measures of voice and neglect.

The situational factors moderated the relationship between breaches of psychological contracts and exit, but did not moderate the relationships between breaches of psychological contracts and voice, loyalty, or neglect. A possible explanation of why people do not engage in voice or neglect behaviour is that the situation may not allow them to act out their anger without injuring themselves further.

2.7 Performance Contracts

Rousseau (1995) distinguishes between transactional and relational contracts. Transactional contracts refer to collaborations of limited duration (2 to 3 years most) with well-specified performance terms. In contrast relational contracts are open-ended collaborations with only loosely specified performance terms. The ownership has significant implications for employee attitudes and workplace behaviour. The details are presented in Table 2.5.

Table 2. 5: Transactional Versus Relational Contracts

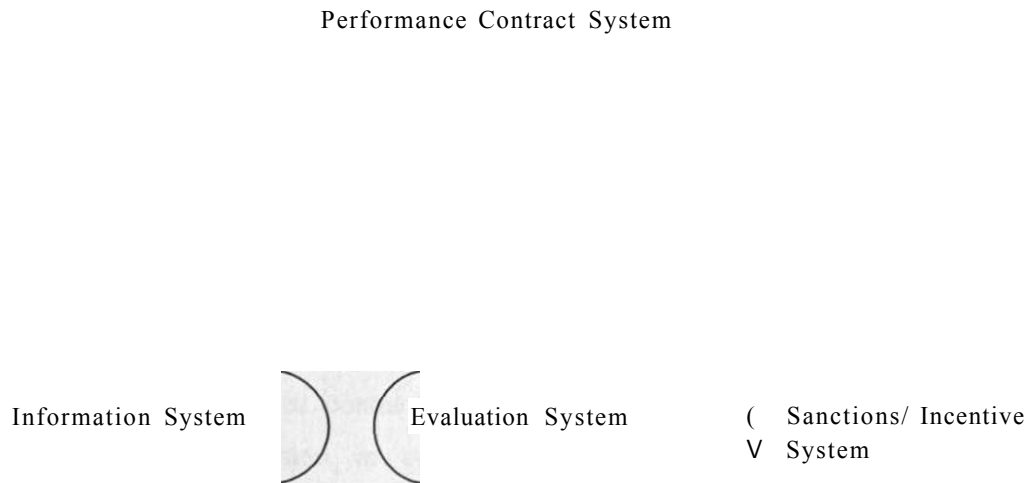
<i>Transactional</i>	<i>Relational</i>
Little organizational loyalty	High organizational loyalty
Employees develop marketable skills	Employees develop company-specific skills
Unstable employment	Stable employment
Flexibility/ easy exit	Willing to commit to one company
Less willing to take additional responsibilities	High intent to stay with organization
Reward system focuses on short term	Members highly socialized

Source: De Vos, A., Buyens, D. & Schalk, R. (2002), Antecedents of psychological contract: the impact of work values and exchange orientation on organizational newcomers' psychological contracts. *Working paper NO. 01/120. Ghent University, Faculty of Economics and Business Administration.* Page 4

There are two types of performance contracts namely the French system and the signaling system. The French system points out whether a target was met or not but cannot make an overall judgment on performance of the enterprise. On the other hand the signaling approach adopts the system of five point and criteria weight which ultimately result in the calculation of composite score or an index of the performance enterprise. France, China, United Kingdom and Senegal have adopted the French system, while Korea, Pakistani, Gambia, India and Kenya have adopted the Signaling system (Millward and Merriot. 2000).

A Standard performance contract consists of three sub-systems namely; Information systems, Evaluation System and Sanctions/ Incentives System as illustrated in figure below.

Figure 2. 1: Sub-systems of performance Contracts



Source: Author (2010)

Performance information system relates to the need for a reasonable balance between principal and the agency in the process of negotiating performance targets. Performance evaluation system consists of a number of steps relating mainly to the decision of developing criteria and procedural arrangement on how, when and who is to evaluate. Finally, the third subsystem is that of sanctions and incentives. This system links rewards/sanctions with measurable performance under results based management.

2.8 Performance Contracting and Result Based Management

Result Based Management has been defined as a means to improve management effectiveness and accountability by involving key stakeholders in refining realistic expected results, assessing rise monitoring progress towards achievement of expected results, integrating lessons learnt into management decisions and reporting on performance/' This management approach aims at enhancing efforts towards transforming organizations from Process oriented to a Result based management culture. The government of Kenya vides the Cabinet Memorandum of 4th September 2004 approved introduction and institutionalization of a Result Based Management approach in the Public Service (PCSC, 2005).

Public enterprises have to develop Strategic Plans and strive to achieve their mission and objectives. Strategic Plans provide a mechanism that supports the achievement of Vision 2030 and the Millennium Development Goals (MDG's). Strategic planning acts to strengthen and to loop linkages with policy, planning and budgeting. Strategic planning help in the formulation of annual work plans. Kobia and Nura (2006) states that " it is this work plan that forms a basis for the performances contract which is then implemented, evaluated and the information used to determine performance improvement"

2.9 Psychological Contract Violation and Performance Contracting

The concepts and relationships among key variables presented in this chapter provide a new approach to increasing our understanding of the underlying elements that affect implementation of performance contracting in relation to the way employees" perceive psychological contract violation in organizations. Accordingly, the performance of employees depends not only on synergy potential available from the organization but also on whether the synergy can actually be realized. Given that relationships between the antecedent conditions (such as cultural differences and intended autonomy removal) on the one hand and the behaviour of the acquired management and employees on the other may lead to high turnover and poor organization performance, it is the fulfilment of the psychological contract and the expectations of both sides in any organization that determines these relationships and the ultimate outcome of performance contracting (Mathieu and Zajac, 1990).

In particular, when the psychological contract established in an organization is fulfilled, it results in lower stress, less negative attitudes, and higher managerial commitment and cooperation, resulting to higher workers' output in the organization. Extensive differences,

autonomy removal, and the breaking of the psychological contract are likely to lead to acquired management stress and negative attitudes which, in turn, will reduce performance in the organization and employees' commitment to the success of the performance contracting implementation process. Meta-analysis studies found that the strongest and most predictable behavioural consequence of employee commitment to their organization is the turnover rate (Mathieu and Zajac, 1990). Conversely, the fulfilment of the psychological contract helps negotiate broad organizational differences and facilitates the performance management of the employees and the implementation of the performance contracting.

Violation of psychological contract therefore will have negative implications for a wide spectrum of employee attitudes and behaviors. When reciprocal promises and expectations are not met, it affects adversely organizational commitment, work satisfaction, job security, and motivation and leads to stress in the workplace (Mathieu and Zajac, 1990). Performance contract has ushered in change in psychological contract because by specifying the new performance requirements of employees, and the rewards they will receive upon attainment. The public sector must therefore re-define new expectations and the employment relationship. Emergence of new human resources policies and practices, employment relations, organizational culture/environment and levels of participation upon implementation of performance contracting is eminent. All these definitely lead to perceptions of either fulfilment or violation of the psychological contract (Mathieu and Zajac, 1990).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research design was 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.

3.2 Data Collection

The target respondents included all employees in the 6 regional centres of KEFRI. The main respondents were the managers, supervisors and other employees. The researcher therefore sampled the population by applying cluster/stratified sampling method as Table 3.1 below:-

Table 3. 1: Sampling Schedule

No.	Station	Population	Sample Size (10%)
1	KEFRI Headquarters	100	10
2.	Muguga	90	9
3.	Karura Centre	56	6
4.	Londiani	60	6
5.	Gede	40	4
	Kitui	64	7
7	Maseno	90	9
	Total	500	51

This ensured that the respondents in different levels of employment were considered in the data collection. The sample size of the whole population was about 10% of the whole population. This is adequate to give reliable information concerning the subject matter of the study. Primary data was used in the study. It was collected using a questionnaire (see appendix I). The questionnaire was self-administered. The drop and pick method was used. Envelopes were used to enhance confidentiality. The questionnaire was divided into two parts. Part one sought information on the respondents' profile. Part 2 contained measures on psychological contract of the management employees in the research institute. The instrument was a direct adoption from Rousseau (1989) designed around Performance Contract Inventory (PCI.)

3.3 Data Analysis

The data was edited for accuracy, uniformity, consistency and completeness and was coded before statistical analysis. The data was then analysed using descriptive statistics. The results were presented in simple graphics analysis, which formed the basis of quantitative analysis of the collected data. The graphical data displays were used, in which graphs summarized the data in order to facilitate comparisons. Tabular description in which tables of numbers was also used to summarize the data.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, results and discussion. The objective of this study was to establish employees' perceptions of psychological contract violation at the Kenya Forestry Research Institute following implementation of performance contracting.

4.2 Response Rate

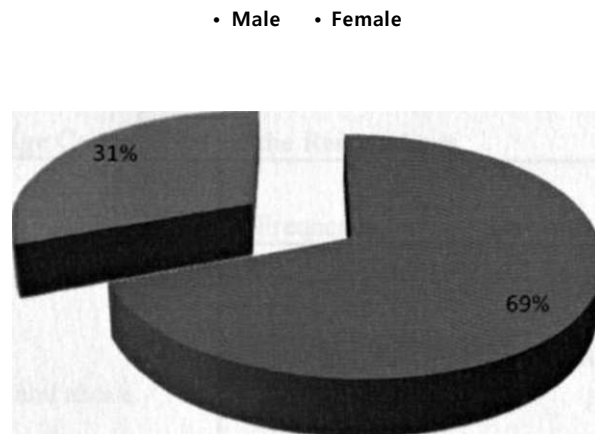
The researcher targeted 51 respondents and managed to get 36 of them. The response rate for this study was therefore 70%. According to Babbie (2002) any response of 50% and above is adequate for analysis, thus 70% is sufficient for this study.

4.3 General Information

4.3.1 Gender Distribution

The researcher asked the respondents to indicate their gender and found that 69% of them were male as compared to 31% who were female. These findings are presented in the figure 4.1 below.

Figure 4. 1: Distribution of Respondents by Gender

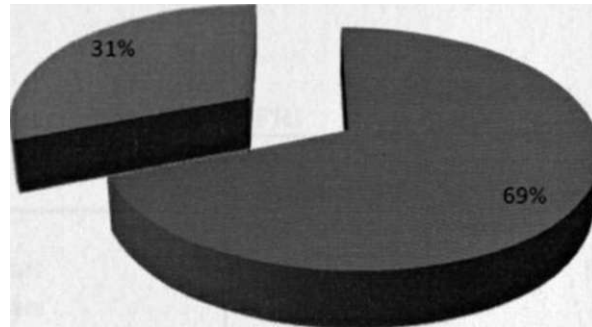


4.3.2 Scientists versus non-scientific staff

The respondents were asked to indicate whether they were scientists or non-scientists. 69% of the respondents were non scientists compared to 31% scientists. These findings are presented in figure 4.2 below.

Figure 4. 2: Distribution of Respondents by category

• Non-scientists • Scientists



4.3.3 Age Composition of the Respondents

The respondents were asked to indicate their age bracket. 47.2% of the respondents were in the age bracket of 40-49 years of age and 30.6% were in the age bracket of 30-39 years of age. Respondents who were over 50 years were 19.4% while only 2.8% were in the age bracket of 18-29 years of age. These results are presented in the table 4.1 below.

Table 4. 1: Age Composition of the Respondents

Item	Frequency	Percent	Cumulative Percent
18 to 29	1	2.8	2.8
30 to 39	11	30.6	33.3
40 to 49	17	47.2	80.6
50 years and above	7	19.4	100.0
Total	36	100.0	

4.3.4 Respondents Number of Years Worked for the Institute

The researcher wanted to know the number of years that the respondents had worked at KEFRI. 50% of the respondents said that they have worked at the organization for more than 20 years compared to 22.2% who said they have worked in the organization for 10-14 years. Respondents who have worked at KEFRI for 1-4 years and 15-19 years were 11.1%, respectively while only 2.8% have worked for the organization for less than one year. These findings are presented in the table 4.2 below.

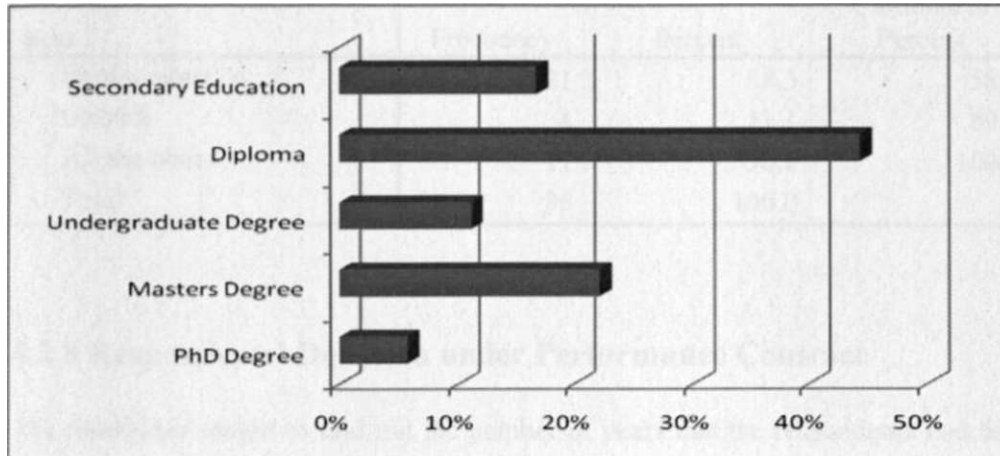
Table 4. 2: Years worked in KEFRI

Item	Frequency	Percent	Cumulative Percent
<1 year	1	2.8	2.8
1 to 4 years	4	11.1	13.9
5 to 9 years	1	2.8	16.7
10 to 14 years	8	22.2	38.9
15 to 19 years	4	11.1	50.0
> 20 years	18	50.0	100.0
Total	36	100.0	

4.3.5 Academic Qualifications

Respondents were asked to indicate their highest qualification. 44.4% had attained Diploma qualification, 22.2% of the respondents had a masters degree. Respondents with highest academic qualification of secondary education were 16.7% while those who had attained an undergraduate degree were 11.1%. 5.6% of the respondents had PhD degree as the highest academic qualification. These results are presented in the figure 4.3 below.

Figure 4. 3: Distribution of Respondents by Academic Qualification



4.3.6 Respondent Designation/ Position

The researcher further wanted to know the designations/positions of the respondents at KEFRI. Majority of them (55.6%) were staff (i.e. non management), compared to 25% who were supervisors. 19.4% of the respondents held management positions. These results are presented in the table 4.3 below.

Table 4. 3: Distribution of Respondents by Designation/ Position

Item	Frequency	Percent	Cumulative Percent
Management	7	19.4	19.4
Supervisory	9	25.0	44.4
Staff (i.e. non management)	20	55.6	100.0
Total	36	100.0	

4.3.7 Respondents' Role in Performance Contract

The respondents were asked to indicate their role in performance contract. The results are presented in Table 4.4 below. Majority of the respondents (58.3%) said that their role was implementation compared to 30.6% who said that their role was implementation, monitoring and control. 11.1% of the respondents said their role was control alone. These findings are presented in the table 4.4 below.

Table 4. 4: Distribution of the Respondents by Role in Performance Contract

Item	Frequency	Percent	Cumulative Percent
Implementation	21	58.3	58.3
Control	4	11.1	69.4
All the above	11	30.6	100.0
Total	36	100.0	

4.3.8 Respondents' Duration under Performance Contract

The researcher sought to find out the number of years that the respondents had been under performance contract. Results are presented in Table 4.5 below. 38.9% of the respondents stated that had been under performance contract for five years compared to 27.8% who said three years. Respondents who had been under performance contracts for four years were 25% and 8.3% said they have been under performance contracts for less than two years.

Table 4. 5: Distribution of Respondents by Duration under Performance Contract

Item	Frequency	Percent	Cumulative Percent
Five years	14	38.9	38.9
Four years	9	25.0	63.9
Three years	10	27.8	91.7
Less than 2 years	3	8.3	100.0
Total	36	100.0	

4.4 Perceived Commitments and Obligations by Employer

The respondents were asked to rate the extent that their employer made a number of commitments or obligations following implementation of performance contract. The results are presented in Table 4.6 below. As shown in the table, steady employment with a mean score of 4.24, secure employment with a mean score of 4.09, and support to attain the highest possible level of performance with a mean score of 4.06 were rated highest. Those that were moderately rated included availability of a job as long as the organization needs them with a mean score of 3.74, adjustment to new challenging performance requirements with a mean score of 3.65. organization's concern for employees long term well being with a mean score of 3.62, organizational

support in meeting increasingly higher goals with a mean score of 3.51, organization's help and development of employee marketable skills with a mean score of 3.50, availability of opportunity for career development within the organization with a mean score of 3.48, specific well defined responsibilities in the institute with a mean score of 3.34. stable benefits for employees" families, help employees respond to an even greater industry standards with a mean score of 3.26, wages and benefits that employees can count on with a mean score of 3.21, job assignments that enhance employees' external marketability with a mean score of 3.21, organizational responsibility to employees personal concerns with a mean score of 3.13, and concern with employees' personal welfare and work with a mean score of 3.00.

Those items that were rated lowly included advancement within the organization with a mean score of 2.91, making decisions with employees' interests in mind with a mean score of 2.82, limited involvement in the organization with a mean score of 2.78. provision of opportunity for promotion with a mean score of 2.71, training employees only for the current job with a mean score of 2.62. provision of contacts that create employment opportunities elsewhere with a mean score of 2.62, potential job opportunities outside the organization with a mean score of 2.59, requiring employees to perform only a limited set of duties with a mean score of 2.34, making no commitment to retain employees in the future with a mean score of 2.30. and short term employment with a mean score of 1.42.

Table 4. 6: Employees Perceptions of Commitments and Obligations by Employer

Item	N	Mean
Steady employment	34	4.24
Secure employment	34	4.09
Support to attain the highest possible level of performance	35	4.06
A job as long as the my organization needs me	35	3.74
Enable me to adjust to new challenging performance requirements	34	3.65
Concern for my long term well being	34	3.62
Support me in meeting increasingly higher goals	35	3.51
Concern with my personal welfare and my work	34	3.50
Opportunity for career development within the organization	33	3.48
A job limited to specific well defined responsibilities	35	3.34

Stable benefits for employees' families	35	3.26
Help me respond to an even grater industry standards	35	3.23
Wages and benefits I can count on	33	3.21
Job assignments that enhance my external marketability	34	3.21
Development opportunities within the organization	35	3.20
Be responsible to my personal concerns	32	3.13
Help and develop my marketable skills	35	3.00
Advancement within the organization	34	2.91
Make decisions with my interests in mind	34	2.82
Limited involvement in the organization	32	2.78
Provide opportunity for promotion	35	2.71
Training me only for my current job	34	2.62
Contacts that create employment opportunities elsewhere	34	2.62
Potential job opportunities outside the organization	34	2.59
Require me to perform only a limited set of duties	35	2.34
Makes no commitment to retain me in the future	33	2.30
Short term employment	33	1.42

4.5 Perceived Relationship with the Employer

Respondents were asked to rate the extent to which a number of items described their relationship with the employer following implementation of performance contracts. The results are presented in Table 4.7 below. The rating was in a scale of 1 to 5 where 1 was not at all, 2 to a slight extent, 3 moderate extent, 4 to a great extent and 5 to a very great extent. The respondents rated these items as slightly or not at all; more and more work for less pay with a mean score of 2.78, organization demanding more from employees while giving less in return with a mean score of 2.78, withholding information from employees with a mean score of 2.75, not sharing important information with employees with a mean score of 2.64, stagnant or reduced wages the longer employees work for the organization with a mean score of 2.56, difficult in predicting future direction of employer's relations with employees with a mean score of 2.56. institute acting as if it doesn't trust its employees with a mean score of 2.50, introducing changes without involving employees with a mean score of 2.31, decreasing benefits in the next few years with a mean score of 2.20, future uncertainty

regarding organization's relations with employees with a mean score of 2.00. and uncertainty regarding employers' commitment to employees with a mean score of 1.86.

Table 4. 7: Perceived Relationship with the Employer

Item	N	Mean
More and more work for less pay	36	2.78
Demands more from me while giving me less in return	36	2.78
Withholds information from its employees	36	2.75
Doesn't share important information with its employees	36	2.64
Stagnant or reduced wages the longer I work here	34	2.56
Difficult to predict future direction of its relations with me	36	2.56
Acts as if it doesn't trust its employees	36	2.50
Introduces changes without involving employees	36	2.31
Uncertainty regarding its commitment to me	35	2.20
Has uncertain future regarding its relations with me	35	2.00
Decrease benefits in the next few years	35	1.86

4.6 Employees Perceptions of their Commitments and Obligations

Respondents were asked to rate the extent to which they have made a number of commitments and obligations to their employer following implementation of performance contract. The results are presented in table 4.8 below. The rating was in a scale of 1 to 5 where 1 was not at all, 2 to a slight extent. 3 moderate extent, 4 to a great extent and 5 to a very great extent. Commitments and obligations that were rated highest included, performance of required tasks with a mean score of 4.69, accepting increasingly challenging performance standards with a mean score of 4.58, seeking out development opportunities that enhance their value to employer with a mean score of 4.33, accepting new and different performance demands with a mean score of 4.28. responding positively to dynamic performance requirements with a mean score of 4.25, committing themselves personally to the organization with a mean score of 4.17, actively seeking internal opportunities for training and development at 4.1667, making personal sacrifices with a mean score of 4.06.

Commitments and obligations that were rated moderately included, building contacts outside the organization to enhance employees' career potential with a mean score of

3.97, seeking out assignments that enhance employability with a mean score of 3.94, continuing to work for the present organization with a mean score of 3.91, leaving at the choice of employee, protecting the organizations' image with a mean score of 3.71, making employees increasingly valuable to employers outside the organization with a mean score of 3.66, adjusting to changing performance demands due to business necessity with a mean score of 3.58. building skills to increase future employment opportunities elsewhere with a mean score of 3.56, taking organization's concerns personally with a mean score of 3.17, planning to stay with the institute for a long time with a mean score of 3.11, and fulfilling limited number of responsibilities with a mean score of 3.06.

Commitments and obligations that were rated lowly included, no obligation to remain with the institute with a mean score of 2.97, remaining with the organization indefinitely with a mean score of 2.94. only performing specific duties agreed into on recruitment 2.39, making no plans to work elsewhere with a mean score of 2.28, quitting whenever employees want with a mean score of 1.86, doing only what employees are paid to do with a mean score of 1.83, and having no future obligations to the institute with a mean score of 1.75.

Table 4. 8: Employees Perceptions of their Commitments and Obligations

Item	N	Mean
Perform required tasks	36	4.69
Accept increasingly challenging performance standards	36	4.58
Seek out development opportunities that enhance my value to my employer	36	4.33
Accept new and different performance demands	36	4.28
Respond positively to dynamic performance requirements	36	4.25
Commit myself personally to this organization	36	4.17
Actively seek internal opportunities for training and development	36	4.17
Make personal sacrifices	36	4.06
Build contacts outside this organization that enhance my career potential	34	3.97
Seek out assignments that enhance my employability	36	3.94
Continue to work for present organization	34	3.91
Leave at my choice protect the organizations' image	35	3.71

Make myself increasingly valuable to my employers outside the organization	35	3.66
Adjust to changing performance demands due to business necessity	36	3.58
Build skills to increase my future employment opportunities elsewhere	36	3.56
Take this organization concern personally	36	3.17
Plan to stay here a long time	36	3.11
Fulfil limited number of responsibilities	36	3.06
I am under no obligation to remain with my employer	34	2.97
Remain with this organization indefinitely	35	2.94
Only perform specific duties I agreed into when hired	36	2.39
Make no plans to work anywhere else	36	2.28
Quit whenever I want	36	1.86
Do only what I am paid to do	35	1.83
I have no future obligations to this employer	36	1.75

4.7 Employees' Overall Perceptions of Fulfillment after implementation of Performance Contract

The respondents rated a number of aspects regarding psychological contract following implementation of performance contracts. The results are presented in table 4.9 below. The rating was in a scale of 1 to 5 where 1 was not at all, 2 to a slight extent, 3 moderate extent, 4 to a great extent and 5 to a very great extent. Aspects that were rated highest by the respondents included, employee perception of fulfilled commitment to their employer with a mean score of 4.54, and respondents living up to their promises to the employer with a mean score of 4.29. The respondents rated moderately the organization's fulfilment of its commitments and obligations with a mean score of 3.80, and organization's living up to its promises with a mean score of 3.11. The respondents believed the commitments and promises made by the employer were the responsibility of; the organization with a mean score of 3.80, senior management with a mean score of 3.50, boss or supervisor with a mean score of 3.56, and co-workers or work groups with a mean score of 3.43. Respondents' felt that overall satisfaction with their job was moderate with a mean score of 2.97.

Table 4. 9: After the implementation of performance contracts

Item	N	Mean
Overall, how well have you fulfilled your commitment to your employer	35	4.54
In general, how well do you live up to your promises to your employer	35	4.29
Overall how well does your organization fulfil its commitment to you	36	3.58
In general how well does your employer live up to its promises	36	3.11
Senior management	36	3.50
Boss or supervisor	35	3.56
Your co-worker or work group	35	3.43
Overall, how satisfied are you in your job	35	2.97

4.8 Perceived Change in Employment Relationship after implementation of Performance Contract

The respondents were asked to rate the extent to which a number of issues constituted a change in their employment relationship with KEFRI. The results are presented in table 4.10 below. The rating was in a scale of 1 to 5 where 1 was not at all, 2 to a slight extent, 3 moderate extent, 4 to a great extent and 5 to a very great extent. Target setting was indicated as having changed employment relationship to a great extent with a mean score of 4.11 compared to increased pressure of work with a mean score of 3.47. Evaluation of performance managed a mean score of 3.39 while performance based rewards had a mean score of 2.81.

Table 4. 10: Perceived Change in Employment Relationship after implementation of Performance Contract

Item	N	Mean
Target setting	36	4.11
Increased pressure of work	36	3.47
Evaluation of performance	36	3.39
Performance based rewards	36	2.81

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the research findings, conclusions and recommendations.

5.2 Summary of Research Findings

The study sought to establish employees' perceptions of psychological contract violation at the Kenya Forestry Research Institute following implementation of performance contracting. It was found that there was high participation in performance contracting amongst KEFRI's employees. Based on the findings, 91.7% were under performance contract for 3-5 years.

Steady employment, secure employment, and support to attain the highest possible level of performance were rated highest in regard to commitments and obligations made by the employer. Respondents affirmed that they trust their employer and that the employer does not withhold important information. Employees were further moderately certain regarding employers future commitment to them and with the belief that there will be a slight possibility of decreased benefits in the next few years. These factors mean that KEFRI employees have a relational contract with their employer based on trust though erosion in terms of expected future benefits is envisaged.

On employees' perceptions of their commitments and obligations, the research Findings showed that employees were ready to perform required tasks, accepting increasingly challenging performance standards, seeking out development opportunities that enhance their value to employer, responding positively to dynamic performance requirements, committing themselves personally to the organization and accepting new and different performance demands. All these were rated to a great extent. This compares favourably with the desire to quit from the institute, doing only the work employees are paid to do, and having no obligations for the current employer which were rated low.

Employer and employees' overall measure of fulfilment after implementation of performance contract indicated that employees perceived to have fulfilled their commitment to their employer to a very great extent. They had also lived up to their promises to a great extent. The research findings also indicate that the organization had moderately fulfilled its commitment and lived up to its promises. The respondents further felt that it was the responsibility of the organization to fulfil its commitments with senior management ranking second. Co-workers or group work ranked lowest.

Target setting was perceived to have had the highest change in employment relationship after implementation of performance contract. Increased pressure of work and evaluation of performance were moderately ranked. Performance based rewards were ranked lowest.

5.3 Conclusions

From the findings above we can conclude that the perceived psychological contract has not been violated following implementation of performance contract. There is a relational contract that is long term and open ended based on trust and loyalty. This is demonstrated by respondents ranking job security and stability highly. This was also revealed when respondents' ranked performance based rewards low. The transactional contract that entails short term or limited duration primarily focusing on economic exchange, specific and narrow duties, and limited employee involvement in the organization is minimally evident from the research findings.

From the research Findings, the high ranking of career development within the organization and enhancing workers long term employability, employees obligation to develop skills valued by employer, and successfully perform new and more demanding tasks are indications of a balanced dynamic relationship between employer and employee. It can therefore be concluded that there were no perceptions of psychological contract violation at KEFRI.

This study concludes that introduction and implementation of performance contract in KEFRI did not affect employees' perception on psychological contract.

5.4 Recommendations

It is recommended that KEFRI management endeavors to exploit the balanced dynamic psychological contract in place. KEFRI management should put in place structures to harness this competitive advantage for improved employee performance and productivity. This study recommends that a further study be carried out at KEFRI to establish the level of job satisfaction among the employees. The study should also focus on causes of job dissatisfaction. The study also recommends that a study be carried out on the viability of performance based reward system as relates to performance contracting. Rewards should be based upon performance and contribution to the organization's success. This would boost the morale of the employees and provide an avenue for excellence.

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Please answer all questions in order
Most questions can be completed by ticking in one of the answer boxes. If
asking if you do not find the right answer that fits your case, please use
the response 'other'.
For most of these questions you will have five possible answers to choose
from. Please tick the appropriate answer for each question.
Remember the accuracy of your description depends on your insight
into what is happening in the questionnaire. You will not be identified with
your answers.
To accurately complete this questionnaire, you will need to
provide the following information:
1. Your Organization, means - Kenya Forestry Research Institute
2. Your Supervisor, means - the person to whom you report directly
3. Your Work Group or Cell workers, means - all other persons who
report to the same supervisor as you do
If you have completed the instructions, please begin with the first question

Appendix II: Questionnaire

PART ONE:

DEMOGRAPHIC INFORMATION

(Tick as appropriate)

1. What is your gender?
Male [] Female []

2. What is your profession
Scientist [] Non-Scientists []

3. What is your Age Bracket?
18-29years []
30-39 years []
40-49Years []
Over 50 Year []

4. How long have you worked in KEFRI
< 1 year []
1 -4 Years []
5-9 Years []
10-14Years []
15-19 years []
> 20 Years []

5. What is your highest academic qualification?
Secondary []
Diploma []
Undergraduate Degree []

Masters Degree

PhD Degree

Which of the following position do you hold

Management

Supervisory

Staff

What is your role in Performance Contract

Implementation

Monitoring

Control

All the above

For how many years have you been under Performance Contract?

Five Years

Four Years

Three Years

Less than Two Years

PART TWO:

A) FOLLOWING IMPLEMENTATION OF PERFORMANCE CONTRACTS, TO WHAT EXTENT HAS YOUR EMPLOYER MADE THE FOLLOWING COMMITMENTS OR OBLIGATIONS?

Please answer each question following the scale of >

- | | |
|-----------------------------|----------------------------------|
| 1. Not at All | 4. To a Great Extent |
| 2 To a Slight Extent | 5. To a very Great Extent |
| 3 Moderate Extent | |

No	Statement	1	2	3	4	5
1	A job as long as the my Organization needs me					
2	Concern with my personal welfare and my work					
3.	Limited involvement in the organization					
4.	Support to attain the highest possible level of performance					
5.	Opportunity for career development within the organization					
6.	Help and develop my marketable skills					
7.	Secure employment					
8.	Makes no commitment to retain me in the future					
9.	Training me only for my current job					
10	Be responsible to my personal concerns					
11	Help me respond to an even grater industry standards					
12	Development opportunities within the organization					
13.	Job assignments that enhance my external marketability					
14	Wages and benefits 1 can count on					
15	Short term employment					
16	Make decisions with my interests in mind					

17	A job limited to specific well defined responsibilities					
18	Support me in meeting increasingly higher goals					
19	Advancement within the organization					
20	Potential job opportunities outside the organization					
21	Steady employment					
22	Concern for my long term well being					
23	Require me to perform only a limited set of duties					
24	Enable me to adjust to new challenging performance requirements					
25	Provide opportunity for promotion					
26	Contacts that create employment opportunities elsewhere					
27	Stable benefits for employees' families					

**(B) FOLLOWING IMPLEMENTATION OF PERFORMANCE CONTRACTS,
TO WHAT EXTENT DO THE ITEMS BELOW DESCRIBE YOUR
EMPLOYER'S RELATIONSHIP TO YOU?**

Please answer each question following the scale of:-

- | | |
|-----------------------------|----------------------------------|
| 1. Not at All | 4. To a Great Extent |
| 2 To a Slight Extent | 5. To a very Great Extent |
| 3 Moderate Extent | |

No	Statement	1	2	3	4	5
1	Withholds information from its employees					
2	Difficult to predict future direction of its relations with me					
3.	Demands more from me while giving me less in return					
4.	Acts as if it doesn't trust its employees					
5.	Has uncertain future regarding its relations with me					
6.	Decrease benefits in the next few years					
7.	Introduces changes without involving employees					
8.	Stagnant or reduced wages the longer I work here					
9.	Doesn't share important information with its employees					
10	Uncertainty regarding its commitment to me					
11	More and more work for less pay					

(C) FOLLOWING IMPLEMENTATION OF PERFORMANCE CONTRACTS, TO WHAT EXTENT HAVE YOU MADE THE FOLLOWING COMMITMENTS OR OBLIGATION TO YOUR EMPLOYER?

Please answer each questions using the following scale;-

- | | |
|-----------------------------|-----------------------------------|
| 1. Not at All | 4. To a Great Extent |
| 2 To a Slight Extent | 5. To a very- Great Extent |
| 3 Moderate Extent | |

No	Statement	1	2	3	4	5
1	Quit whenever I want					
2	Make personal sacrifices					
3.	Perform required tasks					
4.	Accept increasingly challenging performance standards					
5.	Seek out development opportunities that enhance my value to my employer					
6.	Build contacts outside this organization that enhance my career potential					
7.	Remain with this organization indefinitely					
8.	I have no future obligations to this employer					
9.	Take this organization concern personally					
10	Do only what I am paid to do					
11	Adjust to changing performance demands due to business necessity					
12	Build skills to increaser my future employment opportunities elsewhere					
13.	Plan to stay here a long time					
14	Leave at my choice Protect the organizations' image					
15	Fulfil limited number of responsibilities					
16	Respond positively to dynamic performance requirements					

17	Make myself increasingly valuable to my employers outside the organization					
18	Continue to work for present organization					
19	I am under no obligation to remain with my employer					
20	Commit myself personally to this organization					
21	Only perform specific duties I agreed into when hired					
22.	Accept new and different performance demands					
23	Actively seek internal opportunities for training and development					
24	Seek out assignments that enhance my employability					
25	Make no plans to work anywhere else					

**(D) AFTER IMPLEMENTATION OF PERFORMANCE CONTRACTS,
HOW WOULD YOU RATE THE FOLLOWING;**

Please answer each question following the scale of:-

- | | |
|-----------------------------|----------------------------------|
| 1. Not at All | 4. To a Great Extent |
| 2 To a Slight Extent | 5. To a very Great Extent |
| 3 Moderate Extent | |

No	Statement	1	2	3	4	5
1	Overall, how well does your organization fulfil its commitment to you					
2	Overall, how well have you fulfilled your commitment to your employer					
3	In general how well does your employer live up to its promises					
4	In general, how well do you live up to your promises to your employer					
5	Overall, how satisfied are you in your job					
5.	To what extent do you believe the commitment your employer has made to you. are responsibility of the following; -					
(i)	Your co-worker or work group					
(ii)	Your boss or supervisor					
(iii)	Senior management					
(iv)	The organization					
(v)	Others (specify)					

(E) IMPLEMENTATION OF PERFORMANCE CONTRACTS AT KENYA FORESTRY RESEARCH INSTITUTE RESULTED IN THE FOLLOWING:

1. Target Setting
2. Evaluation of Performance
3. Performance based Rewards and Sanctions
4. Increased Pressure of Work

Kindly Rate the Extent to which each of the issues mentioned above constitute a change in your Employment Relationship with Your Organization

Please answer each question following the scale of:-

- | | |
|-----------------------------|----------------------------------|
| 1. Not at All | 4. To a Great Extent |
| 2 To a Slight Extent | 5. To a very Great Extent |
| 3 Moderate Extent | |

		1	2	3	4	5
1	Target Setting					
2	Evaluation of Performance					
3	Performance Based Rewards and Sanctions					
4.	Increased Pressure of Work					

**You have come to the end of the questionnaire.
Thank you for your cooperation**

Appendix III: Letter of Introduction

SCHOOL OF BUSINESS
C/O MBA Coordination Office
UNIVERSITY OF NAIROBI
P.O. BOX 30197
NAIROBI

4th October, 2010

Dear Sir/Madam

RE: COLLECTION OF SURVEY DATA

I am a post Graduate student at the University of Nairobi, School of Business. As part of the fulfillment of the requirements a Master's of Business Administration degree, I am undertaking a management research project on Employees Perception of Psychological Contract Violation following the implementation of Performance Contracts at the Kenya Forestry Research Institute.

This therefore is to kindly request you to assist me collect data by filling the accompanying questionnaire. The information provided will be solely for academic purposes. My supervisor and I further assure you that the information you will give will be treated with utmost confidence.

Your honest participation will be appreciated

Yours faithfully,

Rose Bosibori Osoro
MBA Student/Researcher

Professor Peter K'Obonvo
Supervisor and Senior Lecturer
University of Nairobi