EFFECT OF PERFORMANCE CONTRACTING IN THE IMPLEMENTATION OF STRATEGIC PLAN IN EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

BY

STEPHEN KIMAIYO CHEPKONGA

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DECLARATION

This Research Project is my original work and has not been presented to any other university for academic award

Signed --- Date-----------------------

Stephen Kimaiyo Chepkonga

Reg. D61/ 70499/2008

This Research Project has been submitted for examination with my approval as the university supervisor

Signed------------------------------------- Date----------------------------

DR. Z. B. AWINO, PhD

Senior Lecturer

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

This work is dedicated to the memory of my Father the late Chepkonga Kendagor; and to my Mother Mama Catherine Kimoi; my dear wife, Carol and children Lucy, Christian and Collins; my brother Luka and the entire family for their support, encouragement and prayers throughout the duration of my studies.

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
EAPCC	East African Portland Cement Company Limited
ERP	Enterprise Resource Planning System
HOD	Head of Department
MBA	Master of Business Administration
MOU	Memorandum of Understanding
P.C	Performance Contracts

ABSTRACT

The extent to which the performance contracts reflect what is captured in the strategic plan and to the extent to which their effects are felt is what this study sought to investigate. The objective of this study was to establish the effect of performance contracting in the implementation of strategic plan in East African Portland Cement Company Limited. A case study approach through content analysis was used to have an in-depth on the effect of performance contracting in the implementation of the strategic plan in EAPCC. Primary and secondary data were used and the respondents were drawn from the top level management who are involved in corporate strategic management issues. The interview guide was used to collect the primary data from the respondents and the results were then used to make inferences about the implementation of performance contract at the organization and how significant it was in the implementation of the strategic plan at both the corporate and the departmental levels. The fundamental principle of performance contracting is the devolved management style where emphasis is management by outcome rather than management by processes. Its therefore provides a framework for the changing behaviors in the context of devolved management structures. Government view performance contracts as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day- to- day management to the managers themselves. The public sector in Kenya is faced with the challenge of poor and declining performance, which in turn inhibits realization of sustainable economic growth. The problem of poor performance in the public service is largely attributable to excessive regulations and control, frequent political interference, multiplicity of principals, poor management, outright mismanagement and bloated staff establishment. In addition to

regressing economic growth, declining performance in the service has resulted to poor service delivery, degeneration of infrastructure and a severe brain flight. All these issues are exhibited in the organization under this study. It was also clear from the study that organizations sometimes squander business opportunities in terms of sales and derived profits. This is due to the slow pace of reaction caused by bureaucratic tendencies and rules and interference from other stakeholders. The procurement and disposal Act, the appointment of CEO's by the government agencies has slowed down the performance of the organization in a great deal. From the finding, though with aforesaid which is common to many public organizations, it is concluded that the performance contract has been effective because it has enhance accountability, commitment, transparency in the general running of the organization. This has led to improved financial results for the period under review.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the last decade attention is given to so-called corporate governance; defined as the manner by which corporations are directed and controlled. This is as a result of the conflict between the owner and the manager of the firm as pined in the seminal work of Berle and Means (1932).

With the separation of management and ownership in largely publicly traded corporations, Fama and Jensen, (1983)), shareholders have ceded power to the board of directors and management. The increasing power of management and management-dominated boards has led to accountability problems (Morck et al, 1988). Jensen and Meckling, (1976), highlight the importance of agency problems between management and the owners/ shareholders of an organization. The literature has also elaborated on the mechanisms that are available to mitigate these agency challenges and the goal of these mechanisms is to align the interest of managers or board members with the interest of shareholders. Increase in agency conflict has led to development of various mechanisms that are aimed at reducing these conflicts. Some of the measures such as board structure (in terms of board size, percentage of executive to non-executive directors), use of board committees (such as audit committees), executive compensation and corporate takeovers and performance based contracting have been used for decades to mitigate against agency costs arising from separation of ownership and management.

The underlying reason for these concerns has been the realization that poor public governance has led to wastage and misuse of public resources. Consequently, concern shifted to corporate governance and in particular how to ensure that private and public sector corporations used resources effectively and efficiently hence the performance contracting.

1.1.1 The Strategic Planning

A company's strategy is the game plan management has for the company in the chosen market arena for competing successfully, pleasing customers and achieving good business performance (Ansoff, 1987). Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through configuration of resources within a changing environment to meet the needs of the market and to fulfil stakeholder's expectations (Johnson and Scholes, 2002).

Strategic planning involves setting up a strategy that one's business is going to follow over a defined time period. It can be for a specific part of the business, like planning a marketing strategy, or for the business as a whole. Usually a board of directors sets the overall strategy for the business and each area of the company plans their strategy in alignment with the overall strategy. Differing businesses use various time periods for their strategic planning. The time period is usually dependent on how fast the industry is moving. In a fast-changing environment like the internet, 5-year plans don't make sense. In industries that change more slowly, longer range planning is possible and desirable.

Therefore the strategic planning is the process by which leaders of an organization determine what it intends to be in the future and how it will get there. To put it another way, they develop a vision for the organization's future and determine the necessary priorities, procedures, and operations (strategies) to achieve that vision. In the case of East African Portland Cement Company, included are measurable goals which are realistic and attainable, but also challenging; emphasis is on long-term goals and strategies, rather than short-term such as annual objectives. Strategic planning assumes that certain aspects of the future can be created or influenced by the organization. Strategic planning is ongoing; it is "the process of self-examination, the confrontation of difficult choices, and the establishment of priorities" P. Feiffer et al., (2000).

1.1.2 Concept of Performance Contracting

The key trend in the public management of agency conflicts in most countries is the increasing resort to performance contracting although different countries opt for different modes of performance contracting. In India, the term memorandum of understanding is used (Trivedi, 2004). In Senegal, the term contract plan is used, while in Pakistan, signalling system is used (Navarro, 1996). Bolivia, Ghana and Kenya use the term performance contracting.

A Performance contract is freely negotiated performance agreement between Government, organization and individuals on one hand and the agency itself (Kenya, Sensitization Training Manual, 2004). It is an agreement between two parties that clearly specify their mutual performance obligations, and the agency itself. A Performance Contract is defined as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agree results OECD (1999).

While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. In this paper performance contracting is used as a management tool to help public sector executives and policy makers to define responsibilities and expectations between the contracting parties to achieve common mutually agreed goals.

The concept of performance contracting was first introduced in the management of state corporations in Kenya in 1989. A Parastatal Reform Strategy Paper, which was approved by cabinet in 1991, was the first official recognition of the concept of performance contracting as it was part of the following policies that were recommended to streamline and improve the performance of State Corporations. This included divestiture or liquidation of non-strategic Parastatals, contracting out commercial activities to the private sector, permitting private sector competition for existing state monopolies and improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives amongst others.

In August 2003, the government appointed a committee to spearhead the introduction and implementation of Performance Contracts namely the performance Contracts Steering Committee. The government made a decision to introduce performance contracts in state corporations on a pilot basis in 2004. This resulted into the first performance contract between the company and the Government which was signed in July 2004 to run for one year ending 30th June 2005 in tandem with the company's financial year. Sixteen State Corporations, amongst them, East African Portland Cement Company signed the performance contract by December 2004. The criteria for selecting the pilot companies included representation of diverse sectors and corporations with Strategic plans. Following the success in implementing performance contracts in state corporations, the government extended the process to

Public Service beginning with Permanent Secretaries and accounting officers. Further, in April 2005, Government decided to place the management of one hundred and seventy five local authorities on performance Contracts. Accordingly, five major municipalities completed Performance Contracts on 30th September 2005 on pilot basis.

1.1.3 Implementation of Strategic Plan

Strategy is about deliberately choosing to be different, Porter (1985) and to succeed, strategy has to be right including all the implications for its implementation. Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful implementation remains a major challenge.

According to Mintzberg (1987), strategic planning implementation include establishing annual objectives, devising policies, allocating resources, altering an existing organization structure, restructuring and re-engineering, revising reward and incentives plans, minimizing resistance to change, matching managers with strategy, developing a strategy supportive culture, developing an effective human resource function and if necessary downsizing, David, (2003). Strategic plans owe to be implemented as per the agreed variables and the major initiatives to implement business strategies are usually led by the organizational chief executive officer and supported by top level managers.

1.1.4 Cement Industry in Kenya

The cement manufacturing industry is a very vital sector in the development of the country. However the sector faces a number of challenges, principal among them include power problems, climate protection and responsible use of all fuel and raw materials. It therefore becomes important to develop strategies that will counter these challenges especially looking at their strategic plans and performance. Cement was first used in East Africa in 1877 to construct the roof arches of the cathedral church in Zanzibar. The colonialists realized the need for cement during the construction of the Uganda railways in the 19th century. Cement became even more of a necessity with opening of vast Kenya and Uganda hinterland. Administrative, residential, commercial and other institutional buildings had to be built and cement was the most effective material for the purpose. (www.eaportlandcement.com).

The cement industry in Kenya has been dominated by three companies for many years namely Bamburi Cement Company, E.A. Portland Cement Company and Athi River Mining Company. Further the three players are listed in the Nairobi Stock Exchange. With liberalization in the 1990's it has seen new Companies such as Mombasa Cement, National Cement, China Cement and Cemtech/Sanghi Cement Company in West Pokot enter the market. Other entrants which joined in the recent past include imports from COMESA countries such as Helwan Cement imported from Egypt and other low cost producers from China, Malaysia and India which have since then threatened the position of the other Cement Industries. (E.A standard October 2010). None of these new entrants are members of the Nairobi Stock Exchange.

The total market consumption capacity of cement in Kenya is 3.35 million tons per year while the current market size production and supply according to 2009/10 statistics is 2.5 million metric tons. (www.osc limited.Com 2010). The entire industry is run and managed by private investors except the East African Portland Cement Company which is under the control of the Government of Kenya under the Ministry of Industrialization. It is against this background that this paper proposes to undertake the study of East African Portland Cement being a public company compared to the other private firms.

1.1.5 East African Portland Cement Company Limited

EAPCC Limited began life as a trading company importing Cement for early construction work in East Africa. The company was formed by Blue Circle industries of United Kingdom. British staff named the company Portland after noticing the resemblance in colour and quality of set cement to the Portland stone, quarried in Dorset, England. EAPCC the manufacturer of Cement and cement products was the first cement company to be set up in Kenya in February 1933. Portland was incorporated in Kenya and opened a factory in Nairobi's industrial area in the 1933. The company had one small cement mill (cement mill No. 2) and use to import clinker from India to grind at the industrial Area. Initial production capacity was 60,000 tons of cement per annum (www.eapcc.co.ke).

By December 1956, construction work of a new factory at Athi River started. Commissioned in 1958, the factory consisted of a rotary kiln (wet), a big cement mill (cement mill No.1 & 3). The production capacity increased to 120,000 tons per annum. Increasing business and national development saw the commissioning of a new rotary kiln (wet) in October 1974, which added 180,000 tones of produced cement, bringing the total factory production to 300,000 tons of cement per annum. In 1979 due to increased cement demand, the company carried out a minor up-grating which involved putting up a new and bigger Raw mill (number 4). Converting the old raw mill into a cement mill number 3 increased fan capacities for both kilns which resulted in more clinker production. The mini up-grating increased the factory production capacity from 300,000 to 340,000 tons of cement per annum.

In October 1996, the company commissioned a new kiln, complete with raw mill (A vertical roller– Atox), a bigger limestone crusher and a modern raw material preblending system. This brought factory production to 600,000 tons of cement per annum. Today, EAPCC continues to dominate the local market, with Portland cement, sold under the brand name Blue Triangle Cement, being a brand of choice throughout Kenya and the entire COMESA region. Currently the production stands at 1.2 million tons per year after the commissioning of a modern cement mill (Cement Mill 5) in mid 2010. (www.eapcc.co.ke).

EAPCC is one of the few state corporations listed in Nairobi stock Exchange. Its Shares are selling at shs.110 per share at the moment (August 2011). They are among the 20 shares index and are considered one of the blue chips highly valued share. East African Portland Cement Company shares are mostly held by corporate institutions, that is, over 90% and individual investors hold the remainder of less than 10%. The Kenya government holds majority share holdings at 52%. It is a state corporation by virtue of the Government of Kenya having controlling shares (52%) through the National Social Security Fund (27%) and Treasury (25%). The other shareholding structure is spread out between Lafarge (41.7%) and the public at (6.3%). In essence the company has a low capitalization trading in the Nairobi stock exchange. The company commands 38% of the domestic market share and also undertakes trading operations in Uganda, Rwanda while gearing for entry to Southern Sudan market. (www.eapcc.co.ke).

1.2 Research Problem

Since inception of parastatals in Kenya in the early 1960's the overall performances of these parastatals have been wanting and the Government have established performance based contracting as one of the ingredients to turn around these organizations (Economic Recovery Strategy for Wealth and employment Creation (2003-2007)). It is thus expected that the concept of performance contracting have had an effect in the state corporations' strategic plans and the overall performance of these institutions.

Whereas several studies have been carried out in strategic management process and performance in organizations in Kenya, a few have linked effect of performance contracting to institutions' performance but not to Strategic plan, Kirathe (2008). More so, with the other findings that the financial performance of state corporations improved with the introduction of performance contract, Korir (2006), it would be assumed that performance contracting have also had an effect on the firms' implementation of strategic plan given that the institutions' plans and objectives are derived from the strategic plan. However, there has been no particular research on the effect of performance contracting to the firm's implementation of strategic plan given that the strategic plans play a key role in guiding institutions into the future.

Besides, not all firms experience the same level of internal and external monitoring by the Government (Lippert and Moore, 1995). Lorsch and Maclver (1989) found that members of board and management exercise more power when firms are facing external threats such as from high level of regulatory supervision or surveillance. With greater monitoring from the Government through performance contracting it is therefore expected that the firm's strategic thinking and to a large extent strategic planning have changed to accommodate the new approach.

It is on the above premise and research gap in this area that this study proposed to undertake a study of the effect of performance contracting on the firms' implementation of strategic plan using a study of East African Portland Cement Company Limited (one of the state owned enterprise). The study was to establish the level of implementation of performance contract and also establish whether performance based contracting have had an effect on the Company's implementation of strategic plan. It therefore sought to address the knowledge gap by answering the question; does performance contracting have an effect on the implementation of strategic plan in East African Portland Cement Company Limited?

1.3 Objective of Study

The objective of this study was to establish the effect of performance contracting in the implementation of strategic plan in East African Portland Cement Company Limited.

1.4 Value of the Study

This study will be useful to the state owned enterprises as it will point out whether the practice of performance contracting does improve strategic planning process and re-direct Government policy formulation in performance contracting in future. The performance contracting system has great potential in that this system is an option to accomplish relevant strategic goals for the particular institution and the parent ministry. One would wish to point out the opportunities of the system that they have something to do with the strengthened will to cooperate between the ministry and its subordinate agencies and the development of evaluation methods and an indicator system for performance contracting. The findings of this proposal will therefore assist the parent ministries in understanding the impact the performance contracts have had on the strategic planning of the units under the various ministries.

The organisational chief executives' performance agreements clarify the strategic areas that the department will contribute to and the priority areas for its work, enable them to be clear about responsibilities in terms of the government's ownership, collective and purchase interests, and provide a clear statement of outputs to be delivered in the agreement. The adoption by departments of comprehensive performance management systems for assessing performance of their staff has served to clarify roles and responsibilities, enjoin staff in the work and objectives of the organisation, and improve communication both between staff and their managers, and within organisations as a whole.

Moreover, one of the main benefits of the approach of written agreements such as the performance contracts is the increased transparency throughout the public service in terms of information about what departments do and how much their activities cost. Before the development of output based appropriations and written agreements, chief executives, other executives did not always know the full extent of their department's activities and the relative cost of various aspects. This clarity assists in departmental management and ministerial and departmental decision making. It also enables staff to gain a clearer understanding of how their work contributes to the work of the department and to the government's wider objectives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of both the published and unpublished sources of literature that is relevant to the study. It provides a critical review of recent scholarly work in corporate governance, strategic planning and other topics that hinges on this study. In this review the research articulates the theoretical framework, identifies studies models, theories and techniques and case studies that support the study while identifying the missing link.

Lane (1987) defines a contract as a binding agreement between two or more parties for performing, or refraining from performing some specified act(s) in exchange for lawful consideration. On the other hand, The American Heritage Dictionary (2009) defines performance as the results of activities of an organization or investment over a given period of time and further states that a performance contract is a management tool for measuring negotiated performance targets. Performance contracting as part of strategic management is, therefore, defined as a binding agreement between two or more parties for performing, or refrains from performing some specified act (s) over a specified period of time. It is a freely negotiated performance agreement between the government, acting as the owner of public agency on one hand, and the management of the agency on the other hand.

The performance contract specifies the mutual performance obligations, intentions and the responsibilities of the two parties. Similarly, it also addresses economic/social and other tasks to be discharged for economic or other gain. It organizes and defines tasks so that management could perform them systematically, purposefully and with reasonable probability of achievement. These also assist in developing points of view, concepts and approaches to determine what should be done and how to go about doing it. The expected outcome of the introduction of the performance contracts includes improved service delivery, improved efficiency in resource utilization, institutionalization of a performance-oriented culture in the public service, measurement and evaluation of performance, linking rewards and sanctions to measurable performance, retention or elimination of reliance of public agencies on exchequer funding, instilling accountability for results at all levels and enhancing performance.

2.2 The Strategic Planning

Prior to1960's the business environment was rather stable and therefore strategic planning was entrusted in the hands of the owners and had become increasingly irrelevant to modern management practices and therefore, this called for more flexible and adaptability in strategic planning, forcing managers responsible for implementing strategies be involved in all stages of strategy formulation (Barclays Africa, 1997), that is the top management of the organization. This practice was counterproductive as managers who were implementers of the strategic plans were not involved at the formulation stage. Aosa (2000) supports this view when he argues in his study that due to increased environmental turbulence in the early 1970's, especially 1973 top executives were forced to recast the way they looked at their business for survival. They redefined performance strategic management as a proactive management tool for achieving business goals and objectives, through a structured and continual process of motivating, measuring and rewarding individual and team performance.

However, Steiner (1983) speculates that many of the strategic planning systems failed to link planning, performance contracting and resource allocation and did not place emphasis on strategy implementation. He further observes that the existing systems failed to reward managers and employees for strategic thinking, creativity and innovation. This led to disenchantment with strategic planning and thus forcing managers to believe that it was of little or no value to the organization. Despite of these problems practitioners and academics like Porter (1983) came in support of strategic planning by placing emphasis on strategy implementation.

Strategy implementation is one of the components of strategic management and refers to a set of decisions and action that result in the formulation and implementation of long term plans designed to achieve organizational objectives, Pearce and Robinson, (2003). Implementation is an important component of the strategic planning process.

It has been defined as the process that turns strategies and plans into action to accomplish objectives (Pride and Ferrell, 2003). It addresses, who, where, when and how to carry out certain activities successfully, Kotter et al, (2003). Once a company has chosen a strategy to achieve its goals, strategy then has to be put into action by selecting appropriate organizational structure and managing its execution through tailoring the management systems of the organization to the requirement of the strategy (Hill and Jones, 2001). Successful strategy implementation depends in the part of organizations structure. The strategic plan has to be institutionalised or incorporated into the system of values and norms that will help shape employee behaviour making it easier to reach strategic goals. Strategic plans must be operationalized or translated into specific policies, procedures and rules that will guide planning and decision making by managers and employees (Stoner et al, 2001).

The strategic plan has a linkage with the performance contract in that performance contract is an annual activity that lasts for a year. It involves negotiating targets based on the targets set out on the strategic plan for the institution. Consequently, strategic plan is a long term plans for three to five or even ten years, five years in the case of EAPCC. To achieve the plan it is broken down into annual activities which are the ones included in annual performance contract. Thus its relation to strategic plan is that achievement of strategic plan is dependent on the achievement of performance contract which is short term in nature. The contract is signed to show commitment by the managers to implement the strategic plan.

2.3 Performance Contracting

The term can be traced from France in the late 1960's and it was later developed with great deal of elaboration in Pakistan and Korea and much later in India (OECD, 1997). In Canada the government's approach to performance contracting and management were rooted in early 1990's expenditure management systems designed to cut costs during a period of budget deficits (Kernaghan & Siegel, 1999) and in France they were first introduced in the Directorate General for Taxes (DGI) specifically designed to respond to two main concerns (Grapinet, 1999); first, as tools meant to ensure consistency in a decentralized context and second, as tools to enhance pressure on the entire services network in order to improve performance. Gore (1996) recognizes the importance of performance contracting when he admits that in the United States federal government, performance contracts are in one way or the other changing the way many bosses do their jobs. Gore believes that many managers have changed their attitude towards workers which in turn has encouraged innovation and good customer service.

On the other hand, Hill and Gillespie (1996) argue that performance contracting is 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.

Further, Therkildsen (2001) speculates that performance contracts if well executed increase political accountability by making it easier for managers to match targets with political priorities. Politicians can, in turn, hold managers accountable for their performance as being witnessed in many developing nations.

Performance contract was introduced in Kenya as a measure to ensure implementation of government policies throughout various institutions. It ensures accountability and performance by public institutions. It is also ensure sustainability and cost effectiveness of the institutions. In the Kenyan context a performance contract between the government and individual public institution. It is based on the concept of cascading, for example, ministries enter contract with institutions within it (the ministry enter into contract with the board of paratastals). The parastatals board enters into contract with the CEO and the CEO contract with departmental heads. The performance contracting practice hence mirrors very closely the OECD definition 'as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results'.

2.4 Effect of Performance Contracting

The term effect looks at whether the program is logically designed to address all mandated and voluntary requirements (design effectiveness) and whether the program is actually operating as designed (operative effectiveness). In this sense, the evaluation helps to determine if the program is delivering required target outcomes and appropriately reflecting the organization's voluntary promises regarding its approach to governance, risk and compliances in terms of agreed targets. This is the evaluation contemplated by the performance contracting guidelines and its critical process to undertake (Trivedi, 2004).

The relationship between performance contracts and its effect on the implementation of strategic plans is that one of the requirements of performance contracting is to later analyze and gauge the results or the output of the parties who have signed the contract. This would indicate the effectiveness of the contract as whether the performance was better or poor. So in order to assess the effectiveness of the performance contract, evaluation is necessary hence performance evaluation is the most critical stage in the process of performance contracting. It involves assessment of the extent to which public enterprises have achieved agreed performance targets (Trivedi, 2004).

2.5 Countries' Experiences with implementation of Performance Contracts

Performance contracting has been implemented in a number of countries both developed and developing with the sole purpose of improving public sector performance (Commonwealth secretariat, Performance contracts, a handbook for Managers pg10). The countries implementing the process have obtained varied results and the concept has also been refined by the implementing nations to suit their specific needs, thus producing hybrid models. An analysis of countries that have successfully implemented performance contracting in public sector agencies reveals a commonality of issues that led to the adoption of the concept. These are; need to improve performance, need for greater transparency and accountability, need to improve productivity, need to reduce, or eliminate reliance on exchequer and the need to give autonomy to government agencies (Richard, 2002).

In Africa, the first country to adopt performance contracts was Senegal which practiced the French system. The results of the introduction of performance contracts in Senegal were varied. Though the financial performance of the public enterprises did not reflect any improvement, the system did provide the Government with an opportunity to systematically compare the cost of social objectives and investment proposals with their benefits. Secondly, public enterprises were now obliged to undertake strategic planning which it was not the case before and thirdly in a few cases, some aspects of the public enterprise performance have improved measurably.

The Royal Kingdom of Morocco enacted a legal framework Law 69-00 in November 2003 to give it the enabling legislation to introduce and implement program contracts. The program contracts are prepared through a process of negotiation of the terms of the contract by all parties involved and agreement on all areas of performance measurement before implementation (performance contract steering committee, 2004). The public enterprises reported improvement in service delivery, cost reduction and greater autonomy for management.

In France, the concept of Performance contracts was first introduced in the year 1967. France went through four phases of the contract system in less than two decades and some of the reasons cited for the breakdown of the contracts were unexpected change in economic conditions and political interference whenever it appeared to be convenient (Sharma, op.cit). The French system has nevertheless continued to exist in spite of the above problems due to the high quality of upper level public servants and the similarity of background of the enterprise managers (Sharma, op.cit)

The Government of India introduced performance contracts (which are referred to as Memorandum of Understanding MOU'S) in 1987/88 financial year, to measure performance of public enterprises, Pandey IM (2000). The institutional framework in India for implementation of MOUs does not provide for a legal framework but works on a basis of administrative committees which coordinate the negotiation of MOU's, target setting and evaluation (Mehdi, 2000). The System of performance contracting in India has led to enhancement of achieving targets, autonomy of public enterprises to the Government in terms of dividends and the contribution of public enterprises to the Government in terms of Dividends and surpluses has increased significantly Gosh Arijit,(2003).

In the United States of America, performance management contracts exist for both the Federal (Government) agencies and public enterprises in form of performance agreements. It involve a systematic process of planning work and setting expectations continually monitoring the performance, developing the capacity to perform', periodically rating performance and rewarding good performance (Nellis, 1988).

Performance agreement contains four key business objectives and targets which clearly reflect the organization's priorities for the year ahead, and the way in which performance against these targets will be measured. Targets have to be smart with measures for achievement and the job is to be performed, identifying the key competencies, standards and behavior expected for the individuals current responsibilities especially in relation to leadership and broader corporate objectives. Lastly it contains the bonus to be paid on achieving the target results and the penalties for not meeting the targets (Nellis, (1988).

The main reasons for the introduction of performance contract in Korea were due to inefficiency in management and lack of capacity within the public enterprises (Mason, et al 1999). The goal for the introduction of performance contracts was to ensure management accountability by revitalizing competition, ensuring management autonomy for Government invested institutions and promoting career development.

The Korean Government adopted the signaling system of performance contracting which gave emphasis on improvement in real productivity, assignment of weights to the targets and the incorporation of the incentive system to reward/sanction public enterprise management.

The Government of Korea had made a decision to retain Government invested institutions in key sectors involved in delivery of service to the public particularly in power, water, and roads sector. The rest were privatized, thus leaving only thirteen government invested institutions which were put on performance contracts (Willey et al, 2000). In this case of Korea, there exists a strong incentive system to reward/sanctions good/bad performance. It has also demonstrated that autonomy under performance contracts increased transparency and accountability and that performance of public enterprises greatly improved. In Denmark, contract agencies operate on organizational performance agreements linked to Chief Executive Performance agreements and employment contracts. An evaluation done of the system by the Danish National Audit Office found development of efficiency gains for contract agencies outpaced gains for government institutions that did not use contracts. Finland, New Zealand and United Kingdom have also reported evidence that performance contracting has a positive effect on performance management, efficiency and quality of Services.

Over and above all, it must be emphasized that optimal contractual form is country and cultural specific, depending on factors such as trust, type of transaction, objectives, legal and administrative limitations, risk management and institutional history.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter discusses the overall methodology used in the study. It provided for research design, the data collection process, the instruments used for data gathering, as well as the data analysis method which was adopted in the study so as to meet the objective stated in chapter one of this study.

3.2 Research Design

The approach that was that was used in this study was content analysis as the research design proposed was the use of a case study of East African Portland Cement Company. All data gathered was therefore related to this organization and the study used primary and secondary data from the following sources; use of the company's latest strategic plan, the company's periodic departmental strategic reports, the performance contracting agreements and published financial statements. This approach enabled the research describe, analyze and interpret results accordingly.

3.3 Data Collection

In assessing the effect of performance contract in implementation of the strategic plan; this paper undertook both primary and secondary data analysis.

Primary data was collected to establish the level of implementation of performance contract by the firm against targets as set out with the Government. Besides, primary data was used to assess the effect that performance contract have had in the implementation of firm's strategic plan. This was done using an interview guide. As the statement problem was focusing on only one institution, the interview method proved to be the most ideal for ensuring that the data received was appropriate and also the respondents were easily approached as they were the company’s head of departments and senior managers in the departments of Production, Sales & Marketing, Finance, Human Resource, Information Technology and Strategy. Personal interviews were conducted to get an in-depth understanding of the subject matter. The targeted number of managers was six, being the head of the selected departments of the company.

The company adopted performance contracting under pilot study in August 2004 and the Year 2006 was taken as the base year since it was the year which preceded a full year under performance contract. Year 2010 was chosen as the end year as it provides the latest complete data. The company’s strategic plan used in the purpose of this research runs for ten years, 2005 to 2010 and 2011 to 2015.

3.4 Data Analysis

Primary and secondary data was analyzed by content analysis which is a methodology in the social sciences commonly used by researchers to analyze transcripts of interview with participants (Wikipedia). The data gathered from the interviews was analyzed using content analysis. Content analysis was expected to provide real evidence that the performance contracting had effect on the implementation of the strategic plan of the organization. This type of analysis does not limit the respondents’ answers and therefore the data gathered shed light on the content analysis which is appropriate for case study scenario and had been used in similar studies in Kenya by other scholars.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The findings reflect the opinions of the respondents regarding the effect of performance contracting in the implementation of strategic plan in EAPCC. The respondents were the senior managers working in the levels of Heads of Departments of the company. The data emerging from the study is presented with the aim of offering a detailed analysis of the information collected regarding the effect of the subject matter under discussion.

The objective of the study was to find out the effect of performance contracting in the implementation of strategic plan in EAPCC and also to help in the realization of the objective of the study, the managers were interviewed at their work stations on their opinion subject matter been discussed. The research target was the six senior managers of which all save for one from whom the principal assistant was available for the interview.

The researcher managed to get responses from all of them and their opinion and responses have been analyzed below. The responses were analyzed and summarized basing on the questions expressed in the interview guide. Some responses on some of the questions were combined in order to achieve a simplified synopsis of the whole research.

4.2 Data Findings and Analysis

The researcher undertook to obtain information from the targeted management group as stated in the research methodology. The respondents interviewed were the six senior manager of the company and therefore they were well placed to participate in this research and experienced in the area under this study. Following are the presentations of data collected arising thereof.

4.2.1 Understanding of Performance Contracting

The respondents were asked whether they understood clearly what performance contracts were and to the extent of knowing what their requirement are in terms of the goals and objectives. All of them said they understood what performance contracts were and what is expected of them in terms of goals and objectives.

As far as the performance contract is concern, most the respondents were aware of its existence and only a few were not aware of the Performance contract. The respondents were to further indicate whether there are sections/ provisions of the contract that they were satisfied with and those they were not satisfied with. The majority were of the opinion that they were satisfied with performance contract and it was guiding them on their daily routine work. Moreover, from the finding most of the respondent did agree that the measuring methodology used in the Performance contract were well defined and easy to understand. The study further sought to establish the level of awareness of the performance contracting; whether the respondents had read it and they had formed an opinion on the contract. The findings indicate that all the respondents were aware of Performance contract and a good number had read the performance contracts and participated in its formulation as signed with the chief executive officer. The same managers who had read the performance contract had also formed an opinion on it.

4.2.2 Whether the company has a Strategic Plan

All the managers were of the opinion that a strategic plan exist and it guides them on their performance targets. This was due to the fact that it was cascaded down from the MD to HOD's then to the staff which the respondents felt as the best approach. Over and above the existence of the strategic plan, the study established that there exist other plans; operational and financial plans that are drafted to guide day- to- day running of the organization and associated financial implications in terms of costs and revenues (budgets).

Asked further to state if they are faced with any challenge in adoption and implementation of the strategic plan, half of the respondents felt that there were challenges in adoption and implementation of the strategic plan. They noted that meeting the performance targets and monitoring the same with the strategic plan were the main challenges. The same numbers of respondents felt there were no challenges and stated that achieving maximum performance consistent with the strategic plan was one of the responsibilities in fulfilling the current performance contract. Amongst the respondents who admitted that they were no challenges, also thought that maintaining in place the systems and procedures in line with the strategic plan was one of the most challenging responsibilities in fulfilling the current performance contract.

4.2.3 If the indicators expressed reflect achievable benchmark performance

The research asked the respondents whether the indicators that are expressed in the performance contract do really reflect achievable benchmarks in their departments and a sizeable number of the respondents think that benchmarks set in the performance contract are achievable, a few said that the benchmarks were somehow achievable while the remainder of the respondents said the benchmark were not achievable. The performance contract sometimes serves as a wake-up call to the non-performing and underperforming managers. When setting the p.c, the optimum productivity is brought into consideration and thus the p.c drawn reflects achievable benchmark performance. This result indicates that the benchmark set affect the performance of the managers in terms of the departments' set objectives in the year under review.

4.2.4 Received training on performance contracting

The researcher sought to find out whether the managers have gone through any training regarding how to handle performance contract and utilize the requirements of the same contracts in their management of operations within their respective departments. Most of the respondents said they have undergone training on the requirements of the same. This was done in line with the company policy that top and senior management were to assist in the formulation and implementation of the performance contract because they were in a pivot position to drive the organizational processes to its desired conclusion. Only a minority were of a different opinion.

The study further sought to establish whether these trainings were tailored to the performance contract entered into with the government agency or for general performance and half of the respondents were for the same opinion, the other half somehow disagreed that it was tailored to the contract they entered with the government agency, the office of the prime minister. This group of respondents reaffirmed that the training was very good as it encompasses all sectors and was not directed to a specific industry/ institution. The training received could be used elsewhere apart from the organization.

4.2.5 It established the setup to individual job expectation, work plans and staff performance contracts

As a performance management tool, performance contracts are expected to establish accountability and align performance expectations with the organizational goals, enable tracking of organizational goals together with work plans and to facilitate their achievement focused on results, rather than on subjective assessment, thus motivating, improved employee performance, develop and maximize the unique skills and capabilities of the talented workforce and provide a systematic framework to integrate pay, performance and reward systems. This was reiterated by all the respondents who agreed to this fully. As far as the adoption of performance contract is concern, all respondents accepted that the performance contract boosted the establishment of accountability and alignment of performance expectations with the organizational goals. The perception was that individual job expectation should be clearly stated to avoid duplication of roles or collusion of roles.

4.2.6 Managers' involvement in the company's decision making process

The study was to establish the extent to which performance contract had allowed autonomy in decision making in addition to effect of performance contract in the implementation of strategic plan. It further sought to determine the extent to which stakeholders have influenced the management in the decision making process. These stakeholders include the Board of Directors, the parent ministry - ministry of industrialization, the treasury, the Office of the President, inspector general of corporations and state corporation advisory board. The overall results showed that the majority of respondents felt that the Board of Directors and ministry of industrialization influence management most followed by treasury and the Office of the President and the corporations inspector general and the State corporation advisory in that order.

4.2.7 If the company developed and offered demand driven products

Of the respondent interview, nearly the entire group agreed that the product development function had improved since adoption of performance contract while a few disagreed. The quality of the cement product has tremendously improved which has even attracted a high demand from the customers compared to the other competitors. This can also be attested in the company's new structure which encompasses a product development function and work on product development as well as development of strategic partnership with distributors and contracted retailers which is currently on course and ongoing. The marketing team acquainted themselves with the customers' requirements through a market research and then the organization ends up producing a customer oriented product. This is expected to broaden the customer base and to a large extend the increase in the market share.

4.2.8 Have human resource development policies and diversity of relevant skills on the job improved

Majority of the respondents agreed and opined that since the adoption of the performance contract, human resource base and the development its policies had been strengthen while a minority somehow disagreed. Job evaluation has been done to assess the skill competencies that gauge performance and recommend improvements on the weak areas.

The respondents were further asked whether the acquisition of relevant skills and its diversity had improved. Over half of the respondent agreed that the acquisition of relevant skills and its diversity has greatly improved after the implementation of performance contract and the other half somehow agreed. The strengthening of the human resource development policies is evident in the adoption and emphasis of the training programs especially in the post contracting period.

In addition, the company had also being seen to facilitate staff training by paying for professional courses and sponsoring overseas training in line with the requirements of the jobs undertaken. Also a firm was contracted to carry out job analysis and evaluation. This was embraced by the Board of directors and implemented thus improved processes in the workplace. When the company embraced the ISO certification the procedures has strengthen the mode of doing business in the company.

4.2.9 Were staff equipped with proper skills in both communication and customer relations?

The research sought to find out how managers would rate the progress their company had made after signing performance contract in educating or otherwise informing the market of their economic activities and how beneficial they are in maintaining fair play in the market.

All the respondents, agreed to this and they were fully convinced that staff had acquired the necessary skills. Due to the insistence on customer focus in every business process stage, training to all staff was carried out in view to improve on customer relations. In the ERP (JDE) system, included was customer relation management module (CRM) where effective communication and customer related report issues are transmitted to the people concern with the view of managing customer complaints, effective follow-up and measure progress.

On the same issue of communication to the stakeholders, the respondents were asked on how they would rate the information flow and its availability to the stakeholders who include investors, customers and the general public after the implementation of performance contract, most of the respondent were of the opinion that the company information flow had reached the intended levels as those in other corporate companies. This was through establishment of the customer care department and the organization has also invested heavily on the state of the Art technology communication equipment and systems to allow ease of communication.

4.2.10 Have corporate image and culture been boosted through close strategic alliances and cooperation

Majority of the respondent agreed that the company had created a positive corporate image since the adoption of the performance contract whereas a minority was uncertain. This is reinforced by a corporate social responsibility policy established by the organization aimed at improving company image as well.

Subsequently, half of the respondents agreed that the adoption of the performance contract improved the company's image. This is evident in the new number of client achieved in the post contract period as opposed to the reflection of the previous clientele. In addition, there have been new strategic partnerships created on the strength of the corporation's image. The organization has put investment on behavioral culture training with the aim of improving company image. The organization has teamed up with a consulting firm, Uuugwana Team to bring about cultural change within the staff thus promoting ethics, coerciveness and teamwork which will foster the achievement of the corporate goals.

4.2.11 Did the company meet its set targets

It rests on the premise that the development and eventual signing of performance contracts are done by the top management as a result of free negotiation between them and the company. The parties agree on the targets to be achieved at the beginning of the year and an evaluation is carried out at the end of the performance period. This helps in application of incentives to good performance and sanctions poor performance. Given that the signing of the p.c are cascaded down the organizational hierarchy, the study sought to find out the perceived effectiveness with which the top management communicates what is required from the other organizational members in line with strategic plan. As far as the meeting of set targets is concern, all respondents agreed that the company met its targets. This was also boosted by organization’s immerse resources ranging from human resources, financials to fixed assets.

4.2.12 How is the general performance of the company after the adoption and implementation of performance contract

The general performance indicated that there were improvements on financial systems in terms of upgrade, adherence to procedures and guidelines; the enhancement of plant efficiency and capacity expansion and overall gains achieved on adoption and successful implementation of performance contracts in close collaboration with the company’s strategic plan.

The majority of the respondents were of the opinion that things have changed for the better. This is evident through running costs scaled down, employee motivation skills improvement, technology use and capacity investment made, general performance has improved greatly. The study can infer from the improved financial performance as demonstrated by the growth in profits that performance contracting as a management tool has encouraged the growth of the organization. The respondents observed that there was a general improvement in product development function, expanded capacity to take care of the increasing demand of the product in the local market and beyond, internal business process and embracement of information technology in the post performance contracting period. This is evident by the new computerization system, Enterprise Resource Planning (ERP) which was implemented during the course of the financial year. The installation of new ERP system has cut down costs and other inefficiencies in the organization. It also undertook cost reduction strategies through disposal of idle asset and introduction of coal instead of furnace oil in the running of the plant. A new milling plant was also installed late last year which has since increased the milling capacity to 1.3 million tons which is almost double the product output.

4.3 Interpretation of Results

The Government and other stakeholder's interference in the operations of the organization pose a major challenge to the performance of the performance contract as agreed upon at the beginning of the financial year. This may slow down the gains being realized by the organization after successful implementation of the performance contract.

Many organization are controlled by the government through direct appointment of CEO's in which some interests (political or otherwise) could become manifest. As a result, these organizations have to deal and grapple with a myriad of shareholders whose interests are diverse amid perceived excessive regulations and controls, frequent political interference, and multiplicity of principals amongst others. It is expected that such interests would creep in during the strategic planning process in the state organizations whose impact is expected to extend to the design and administration of Performance contract. These expectations are confirmed, though to a lesser degree, by the findings of the study. Nevertheless, it could be observed that shareholder interests are paramount to making strategic decisions and a thorough analysis of the same is necessary for proper stakeholders mapping.

It is a requirement that all public institutions prepare performance contracts based on the strategic plan. The strategic plan is the cornerstone for the implementation of a performance contract. The strategic objectives in the strategic plans of the public institutions should be linked to the government policy priorities and objectives as set out from time to time, in such policy publications as the national development plan, the national annual budget and even the vision 2030.

There were tremendous improvements in the levels of transparency and accountability where obligations of all public organizations are included in the publicly signed performance contracts and in most cases uploaded on the organization's websites for stakeholders' reference. The above results are in support of the researcher's expectations that the introduction and consequent signing of Performance contract in the state organizations would act as a springboard towards their concentration and focusing in the achievement of paramount objectives.

There was consensus from the respondents that ISO Certification has had an impact on service delivery. For example, ISO 9001:2008 certificate which most ISO certified institutions have is about Quality Management System (QMS). It seeks to get all employees to appreciate that they are both clients (internal) and service providers (to the external clients), that whether internal or external, clients have the right to receive quality service to their satisfaction and that officials have the obligation to provide quality service. Certification signifies that the quality of services rendered meets international standards which are a major boost to the credibility and demand for services.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

In this chapter the finding of the study are summarized and discussed in relation to the objectives of the study. Also included in this chapter are the conclusion, limitation of the study, recommendation and the implication of the study on policy, theory and practice for further research. The objective of the study was to establish the effect of performance contracting in the implementation of strategic plan in EAPCC.

The study has shown that performance contract has been a successful tool in improving the setting up of the strategic plan under this study. As observed the effect of performance contracting was significant; changes in employee, customer, social and internal process perspectives may be directly attributed to the implementation of performance contracting. The study found out that managers felt that the BOD and the ministry were the most influential in decision making process while the Treasury, Office of the President, the state corporation's body and State Corporation Advisory Board were less influential. The study then states that performance contract has considerably allowed some independency in decision making compared to the period before the implementation of the performance contracting. This reinstates the idea that managers cannot make critical business decision without fear of influence from out.

5.2 Conclusion

The study concludes that majority of the respondents have had sufficient information about the operations of the organization under the study. With the introduction of performance contract, the organization has developed a reasonable sense of direction, a conviction that business cannot operate successfully without performance contract, performance targets and measures kept in pace with emerging technologies and trend, performance contracts acting as an effective tool for improving performance in the organization, the organization attaching much importance to performance contract and the organization’s capacity to achieve its strategic plan has greatly improved after the introduction of p.c.

This study also concludes that there has been a high involvement of managers in the settings of objectives, defining strategies and determining targets. This demonstrates the involvement and effect put by managers to improve performance in their organization in order to achieve the targets set in the strategic plan. Additionally as per analysed data above, there exist some influence on the management from other quarters such as the board of directors and the parent ministry of industrialization. An increased autonomy in the running of this company is required in order to improve their performance as agreed in the performance contract and reiterated by the strategic plan. The Performance contract reflects the principle that public managers would be reasonably autonomous vis-a-vis stakeholders when it comes to operational issues.

The study found out that this view received a relatively low positive perception from the respondents. The finding implies that there are traces of political influence in the management of state organizations making it possible for Performance contract not working as expected. Overall, the study can infer from the improved performance that performance contract as a management tool has encouraged proper utilization of resources and has encouraged participation of the managers in the decision making process of the organization.

5.3 Recommendations

The study found out that to ensure sustainability of the performance contract as a management tool, it should be legislated and entrenched in the laws of Kenya. There is therefore need to review the existing legal and institutional frameworks that currently govern the operations of the public agencies in tandem with the requirements of the performance contract agreements. This would allow a uniform application of policies and better ways of evaluating their operations.

The study also recommends that there is a need to developing customized and coordinated training programs on the performance contract for all involved managers. There is also need to develop communication strategy for performance contract strategy that clearly spells out methods of marketing, disseminating and sensitizing all employees in all government organizations which have signed performance contracts. Some of the areas that the study had in perspective that require further improvement include but not limited to institutionalizing performance- oriented culture in the corporations, integrating Performance contract with other management systems, putting in place the legal framework for strategic plans at legislative level, and reforming their design and implementation process.

5.4 Limitations of the study

The researcher encountered various limitations that tended to hinder the study as a whole. This study was a case study design which makes it difficult to generalise the findings. This is because this type of study allows in-depth study of a given unit and in this context the effect of performance contract and implementation of strategic plan at EAPCC. The results of the analysis cannot be inferred to other organizations.

The study was also limited by the fact that the scope was narrowed in that the researcher only interviewed the top management and other manager who may hold significant knowledge about the organization were left out. However the researcher countered this limitation by creating time to talk about the research to the concern respondents after the official interview. The research was also limited by time. The researcher had to work within a limited time span and this meant that intense exposure to the subject variables may have been constrained.

5.5 Suggestion for further study

The study was based on a case study and this warrants the need for another study which would ensure generalization of the study findings in Kenya from other organizations' manager point of view and therefore the findings cannot in any way be generalized to other countries which have had similar strategies.

Other related dimension of the concept of performance contract in relation with the strategies plan could be investigated in other public enterprises. One such investigation could be the relationship between strategic planning/ performance contracting and economic performance of the public organization.

5.6 Implication of the study on policy, theory and practice

The study focused on the effect of performance contracting in the implementation of strategic plan in EAPCC. A performance contract is a management tool that ensures correlation between various government organizations, an enabling public policy environment for other downstream reforms and a fair and accurate impression about public enterprise performance. On the basis of this correlation, the strategic plans developed by the various organizations provide the impetus on the formulation of performance contracts. The performance targets, indicators, obligations and measurements are all drawn from strategic plans implying that there should be very close link between the two.

The foundation for designing a performance contract is the strategic plan of the public organization. This is because the strategic plan defines the organization's current situation, where the organization intends to go, how it will get there, what needs to be done and by who, and how this will be reviewed. The strength of performance contracts is performance indicators, which are derived from the mission and objectives of the organization, as contained in the strategic plan. The performance contracts clarify the goals and objectives of the public organizations, including their obligations and responsibilities, and measure the extent of achievement of each objective.

Overall, strategic planning in public organizations has been only moderately successful, as only a few have been able to achieve significantly successful results and transformed themselves dramatically. Others have been able to make important changes in parts of their operations, but many organizations have stumbled, dissolved into controversy and lost their nerve.

There have been similar studies done elsewhere which have relationship to the study done. Lings (2004), argues that if properly executed performance contracting has a significant positive effect on staff commitment and satisfaction. The study through the evidence-based research results found that the company applying internal market orientation strategy viewpoint could benefit to promote the organization internal and external performance. Thus it could benefit the service industries to establish perfect human resources management strategy with marketing viewpoint, and maintain the value goals of continuous survival, high growth and high profit in practice.

Also, Slater (1999) reiterated that performance contracting if well executed may increase real speed in decision making and builds self-confidence in employees. He reckons that bureaucracy which is a common feature in organizations that still rely on the management apparatus that had worked in the 1970s is terrified by speed and simplicity which are some of the essentials of the performance contracting.

Moreover, Martins (2000), in his empirical study on performance contracting in the human services affirms that several agencies that participated in the study had experienced improved performance. For, instance, the Oklahoma Community Rehabilitation Services Unit found that 19 contractor's costs per placement declined by 51 percent between 1992 and 1997, that the average number of months that clients spent on waiting lists decreased by 53 percent.

Performance contracting has been instrumental in helping state corporations and government ministries to introduce instruments to monitor client satisfaction. Examples of such instruments are the client help desks in all government ministries and other state organizations, accessible complaint channelling via the internet and other avenues, and annual reporting of performance and challenges to the public (Bouckaert, Verhoest and De Corte, 1999).

In conclusion performance contracting as an implementing tool in strategic planning is of great importance under the public organizations. There is, however, need for a good definition of outputs and solid performance measures which will be able to promote organization internal performance through a well customer-oriented ability of employees to further promote the organization external performance, the top leadership must respect the operational autonomy of the contracted organizations/ministries; knowledge of strategic planning, its development and monitoring capacities among the staff is central to success of performance contracting and the management support and their technical knowledge is vital; and management instruments, focusing on performance and cost in the field of human resources and financial management should be developed in an integrated manner.

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APPENDICES

APPENDIX: ONE

THE INTERVIEW GUIDE

A: Understanding the performance contracting and Strategic Plan

1. Do you understand what performance contracting entail? If yes, do the measures expressed in the performance contracts well defined and easy to understand?
2. Are you aware whether the company has a strategic plan? if yes how is its implementation?
3. In your opinion, do you think the indicators expressed in the performance contract reflect achievable benchmark performance?
4. Have you received any training in the performance contracting? If yes, how could you rate the level of training received?
5. Have you developed individual work plans in line with the organizational performance contracts and by extension to the strategic plan?

B: Effects of performance contracting on implemented strategic plan

1. Have the performance contracts introduce the setup of the individual job expectation and staff performance plans?
2. Has the introduction of performance contracts improved the seeking of multi-skills and diversity so as to remain relevant to the job?
3. With the implementation of performance contracts, are you involved in the decision making process in the company?

4. Since the adoption performance contracts, has the company developed and offered customised demand driven products?
5. Have the company's financial systems, procedures and guidelines improved after the introduction of performance contracts?
6. Since the introduction of performance contracts, have human resource development policies such as job analysis, description and evaluation developed and are being implemented? If yes, has this boosted the job satisfaction, enjoyment and increased accountability amongst the organization's staff?
7. How would you rate the plant efficiency in terms of capacity and technological improvements and cost effectiveness after the adoption of performance contracts?
8. Are staffs better equipped with appropriate skills in communication and customer relation in line with its flow to investors, customer and public in general after the implementation of performance contracts?
9. After the implementation of performance contracting, has the company established strategic alliances and cooperation important in fostering a positive corporate image and culture?
10. Do you think the company have adequate resource to meet its set targets given the performance contracts commitment?
11. How would you rate the general performance of the company especially after the adoption and implementation of the performance contracts?

APPENDIX TWO

LETTER OF INTRODUCTION FROM UNIVERSITY

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 9/9/2011

TO WHOM IT MAY CONCERN

The bearer of this letter Mr Stephen K. Chepkonga

Registration No. D61/70499/2008

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX THREE

BLUE TRIANGLE Cement

THE EAST AFRICAN PORTLAND CEMENT COMPANY

Holding Life Together

Athi River Off Namanga Road
P O Box 20-00204 Athi River
Tel: (254) 045 – 6620627, 6622777
Fax:(254) 045 – 6620406, 6622378
E-mail: info@eapcc.co.ke
Website: *www.eastafricanportland.com*

Ref: EAPCC/hr.train/research/lm

September 12, 2011

Stephen Chepkonga,
University of Nairobi
NAIROBI

Dear Sir,

RE: RESEARCH PROJECT

We are in receipt of your letter dated 9th **September, 2011** on the above subject.

East African Portland Cement Company Limited acknowledges with appreciation your request to collect data on **'Effect of performance contracting in the strategic plan'** in the Company in pursuant of you MBA Degree programme.

Kindly get in touch with the undersigned for details and other modalities.

Please also ensure you provide the company with a report of your research findings after completion.

We look forward to fruitful working relations.

Yours faithfully,
For: E.A. Portland Cement Co. Ltd

ELIZABETH KIMANI
Ag. HR PLANNING & DEVELOPMENT MANAGER

cc: Ag. Stores Manager

APPENDIX FOUR

LETTER OF INTRODUCTION TO THE RESPONDENT

13th September 2011

Dear   Respondents,

I am a postgraduate student at University of Nairobi, pursuing a Master degree in Business Administration (Strategic Management). As part of partial fulfilment for this degree, I am conducting a research study on: EFFECT OF PERFORMANCE CONTRACTING IN THE IMPLEMENTATION OF STRATEGIC PLAN IN EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED.

It is therefore for this reason that I kindly request that you spare me a few minutes of your busy work schedules to ask you a few questions in regard to the above subject.

The information from this interview will be treated with confidentiality and in no instance will your name be mentioned in this research. In addition, the same information will not be used for any purposed other than for this research. Your assistance in facilitating the same will be highly appreciated.

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Stephen K. Chepkonga Supervisor