PERCEIVED RELATIONSHIP BETWEEN PERFORMANCE CONTRACTING AND EMPLOYEE PERFORMANCE AT AGRICULTURAL DEVELOPMENT CORPORATION

BY

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DECLARATION

STUDENT’S DECLARATION

This research project is my original work and has not been presented for a degree at any other university.

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SUPERVISOR’S DECLARATION

This research project has been submitted for examination with my approval as the candidate’s University Supervisor.

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DEDICATION

This study is dedicated to my dear family; loving husband Hosea, sons Paul and Victor and daughter Dorothy. It is also dedicated to my dear parents Christina and Wilfred Tarus who gave me the right foundation for life and education in particular.
ACKNOWLEDGEMENT

I am greatly indebted to several people and institutions whose contribution and support has seen the accomplishment of this project.

Firstly, I acknowledge God whose presence and help in every way has been real to me throughout the period.

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I thank ADC Management for allowing me to carry out the survey in her organization and my colleagues who contributed in one way or another toward achievement of my project objectives.

My gratitude goes to the University of Nairobi for every facilitation towards undertaking the project smoothly.

I am indeed very grateful to everyone who contributed in any way to my successful completion of this project.
ABSTRACT

This project is Human Resource Management research project. It is a survey carried out at Agricultural Development Corporation (ADC). The objective of the study was to find out perceived relationship between Performance Contracting and employee performance.

Numerous literature is available relating to Performance contracting however, there is no study that has been done on relationship between performance contracting and employee performance in the agricultural sector and more specifically at ADC.

The study adopted survey research design. The population of the study was employees at ADC. Due to the high number of target population, it was necessary to carryout sampling. The study used stratified random sampling to arrive at an appropriate sample size, in this case, respondents were stratified as management, supervisory and clerical.

The data collected was analyzed and presented by use of frequency tables, percentages, mean and standard deviation with appropriate interpretation. The survey findings indicate that Performance contracting was used at ADC and that there was a positive relationship between PC and employee performance as perceived by employees. Majority of respondents agreed that the performance of employees had improved with introduction of Performance Contracting.

The survey concludes that Performance contracting is indeed an effective tool for performance improvement. It motivates employee performance especially when reward is linked to good performance. The survey however recommended that there was need to train all employees on PC and cascade it down to all cadres if it has to be understood, embraced and used effectively throughout the organization. Moreover, organizations need to look into other factors that could affect employee performance to ensure a wholesome approach to management of employee performance. The study recommends that further studies be carried out to find out the relationship between Performance Contracting and other Human Resource variables such as staff
motivation. It also recommends that the same study be undertaken in other government agencies as well as private companies to see if similar results shall be obtained.
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CHAPTER ONE: INTRODUCTION

1.1 Background

No other area offers greater potential for personnel and Human Resource specialists to contribute to their organization’s success than the improvement of performance management (Rankin, 2003). In most organizations the performance of individual employees is a major determinant of organizational success. Torrington, D., Hall, & Taylor, S. (2008) posit that planning and enabling performance have a critical effect on individual performance; goals, standards, appropriate resources, guidance and support from individual manager all being central. Many businesses have become global and as a result, success requires much higher levels of performance in quality of goods and services produced, the cost at which they are produced and the speed with which the producers innovate and get new products and services to the market (Lawler, 1995). In the private sector, the principle measure of successful performance is profit but in the public sector organizations, performance is judged against goals or their programs and whether the desired results and outcomes have been achieved. The problems that have inhibited the performance of Government agencies are largely common and have been identified as excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (RBM Guide, 2005). The Government introduced Performance contracting with the aim of instilling accountability for results at all levels in public organizations (GoK, Legal notice no.93, 2004).

Performance Contracting is one of the many performance management tools. It originated in France in the late 1960s and today almost all Organization for Economic Cooperation and Development (OECD) countries use some variant of the tool in managing their public sectors (GoK, 2010). Implementation of Performance contracting in Kenya is in line with International
best practice as various Governments have adopted Performance Contracts as part of their performance management system. The Performance contract is a freely negotiated agreement which defines expectations or results to be attained; it is therefore expected to improve employee performance. The employees are expected to participate in setting the objectives and standards of performance as well as performance measures and indicators. It is in the interest of this study to find out the perception of relationship between performance contracting and performance of employees at Agricultural Development Corporation.

1.1.1 Perception

Perception is the process of registering sensory stimuli as meaningful experience, Britannica concise Encyclopedia. Mullins (1999) defines perception as the mental function of giving significance to stimuli such as feelings, shape etc. Bennet (1997) defines perception as a process in which one interprets sensory inputs such as sight, sound, smell and feelings. It is the process by which people select, organize and interpret information to form a meaningful picture of the world, Kotler & Armstrong, (2004).In psychology, perception is recognition and interpretation of sensory stimuli based chiefly on memory. The neurological processes by which such recognition and interpretation are affected. According to Kibera & Waruingi (1998) perception is the process by which we attribute meaning to incoming stimuli received through our five senses. Perception is a very complex cognitive process that yields a unique picture of the world, a picture that may be quite different from reality (Sailewu, 2001).

People can form different perceptions of the same stimulus because of three perceptual processes: selective distortion, selective attention, and selective retention. Selective distortion describes the tendency of people to interpret information in a way that supports what they already believed. Selective retention refers to people’s tendency to retain information that
supports their attitudes and beliefs. Selective attention influence the way employees perceive change within their working environment. People often distort information to be consistent with prior beliefs (Kotler and Keller, 2007). Price et al, (2004) observed that people fail to register much information to which they were exposed in memory, but tended to retain information that supported their attitudes and beliefs. According to Bennett (1997), Perception is influenced by personality, expectations, motivation and interest. Perceptions are developed over time and can change as new information and experiences are acquired. Martin (1998) proposes that perception differs from one individual to another hence employees will perceive issues differently. In the mid 1960’s, Cole (1997) advocated the view that an individual’s behavior is formed on the perception of what they consider to be the reality. In this study, perception shall be used in its broad meaning as defined above.

1.1.2 Performance Contracting
Performance Contract is a contract that outlines the tasks an agency has to discharge for the achievement of desired results. Tasks are defined so that management can perform them systematically and with reasonable probability of accomplishment (information booklet on Performance Contracts in the Public Service, March 2005). Nellis (1989) defines Performance Contracting as negotiated agreements between government as owners of a public enterprise and the enterprise itself in which the intensions, obligations and responsibilities of the two parties are freely negotiated. Performance Contracting is the process of drafting a written or negotiated agreement between government or its representative agency and the management of Public enterprise and other public organizations directly delivering Public services or between government and private managers of the state assets wherein quantifiable targets are explicitly specified for a given period and performance is measured against targets at the end of the period, World Bank (1995).
Performance contracting is not a substitute for overall Performance management but one element of a performance framework for generating desired behaviors in the context of devolved management structures which is part of an overall resource allocation system (OECD, 1999). It is a management tool for measuring performance, it measures performance and enables recognition and reward of good performance and sanctions bad performance (Mann and GoK, 2005a). The performance Contract defines expectations or results to be attained and the necessary competencies required to attain results. It covers; objectives and standards of performance, performance measures and indicators, competency assessment and core values/operational requirements. It is a performance management system that aims at introducing a culture in the public sector organizations that focus on results rather than inputs and procedures. The emphasis on results necessitates performance oriented management culture that gives attention to the right values and behaviors.

In Kenya, Performance Contracting is defined as a freely negotiated performance agreement between the Government and the respective Ministry, Department or Agency (MDA) which clearly specifies the intentions, obligations and responsibilities of the two contracting parties. It stipulates the results to be achieved by the contracted party and the commitments of Government as the contracting party (Government of Kenya, 2010). Performance contracting concept can be traced to early and mid1990’s when a few state Corporations such as Kenya Railways, National Cereals and Produce Board, Kenya Airways and the defunct Kenya Posts and Telecommunications attempted to develop variants of performance Contracts. These however were not implemented or where implemented were found unsuccessful.
1.1.3. Employee Performance

There are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it is a record of the person’s accomplishments, (Armstrong 2005). Kane (1996) argues that performance is something that the person leaves behind and that exists apart from the purpose. Not just the instruments for results, behaviors are also outcomes in their own rights-the product of mental and physical effort applied to tasks and can be judged apart from results. A performance consists of a performer engaging in behavior in a situation to achieve results (Mohrman et al 1989).

Performance is synonymous with behavior. It is something that people actually do and can be observed. Performance includes only those actions/behaviors that are relevant to the organization’s goals and that can be measured in terms of each individual’s proficiency(level of contribution). Performance is what the organization hires one to do and do well. In everyday practice, the term performance tends to be used in a loose way to embrace both outputs and behavior. On an individual basis it is a record of the persons’ accomplishments. Kane (1996) argues that performance is something that the person leaves behind and that exist apart from the purpose. Bernardin et al (1995) are concerned that performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction and economic contributions. Campbell (1990) believes that Performance is behavior and should be distinguished from the outcomes because they can be contaminated by systems factors. According to (Brumach 1988), performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results but behaviors are also outcomes in their own right, that is, the product of mental and physical effort applied to tasks. Williams (2002) observes that there are two interdependent conceptions of individuals’ performance that
organizations need to embrace if they have to manage what employees do and achieve at work. Hartle (1995) refers this as the ‘mixed model’ approach to performance management reflecting the importance of both the how and what of employee performance as these have implications on performance management interventions.

Campbell McCloy et al (1993) correctly state that consequences and results are often not fully under the control of the individual but organizations use results anyway. In many cases, they try to make intelligent judgment about the extent to which specific individuals are responsible for observed outcomes (Schmidt 1993). From a conceptual point of view organizations might reasonably choose to define performance in terms of behavior and in so doing help distinguish the relationship between behavior and results.

As is evident from behavioral models, results provide the context – they make clear what behavior should be directed towards. But it is equally clear that an excessive focus on output is undesirable. So in managing performance we need both results and behavior.
1.1.4 Agricultural Development Corporation

Agricultural Development Corporation (ADC) is a government parastatal which was established in 1965 through the Act of parliament, Cap346, to facilitate the land transfer programme from the European settlers to locals following the country’s independence. (ADC farm advisory& management services booklet). With the successful completion of the land transfer programme, revision of the objectives of the Corporation was done resulting in the Act of Parliament Cap 444 of 1986. As per this act, the functions of the Corporation were redefined to include promotion of agricultural development and reconstruction in Kenya by initiating, assisting and expansion of agricultural undertakings and enterprises.

The role of ADC in the Agricultural sector includes provision of quality seed to the Kenyan farmer through multiplication of basic certified seed. In so doing, it contributes towards poverty reduction efforts as well as national food security. Some of the other major roles of ADC include; custodian of national livestock studs, transfer of technology from research institutions to the Kenyan farmer, training of farmers and students. ADC has farms, service units and ranches spread in various parts of the country majority of which are located in Kitale Region and the rest in Nakuru and Coast Region. There are 19 units in total. The Head office is located in Nairobi.

1.2 Statement of the Problem

The fundamental principle of performance contracting is the devolved management style where emphasis is management by outcome rather than management by processes. Governments all over the world view performance contracting as a useful vehicle for articulating clearer definitions of objectives. It organizes and defines tasks so management can perform them systematically, purposefully and with reasonable probability of achievement. The concept of performance contracting was first introduced in the management of state corporations in 1989. A parastatal Reform Strategy paper, which was approved by cabinet in 1991, was the first official
recognition of the concept of performance Contracting. Performance contracts originated from the perception that the performance of the public sector has been consistently falling below the expectations of the public (GoK, 2001). Performance contracting was therefore introduced as part of broader public sector reforms aimed at improving efficiency and effectiveness in the management of public service.

ADC being a government institution has been involved in performance contracting since its introduction in 2005. The overall objective of performance contracting as aforementioned is to improve the performance of institutions, whether government or private. Employees certainly have a great role to play in contributing to the overall performance of an organization. It is an assumption therefore that there is a strong linkage between performance contracting and employee performance. This study endeavors to find out perceived relationship between performance contracting and employee performance at ADC.

There are several studies that have been carried out with regard to performance contracting as well as employee performance. Korir (2006) did a study on the impact of performance contracting in state Corporations. The results of the study were limited to impact of Performance Contracting on operational efficiencies and firm profitability. Sheikh (2008) undertook a study on the impact of performance contracting on operational performance in the banking industry. The study observed that it is important that all employees are involved in the setting and implementation of performance targets so that the impact of Performance Contracts within the organization can be realized resulting to achievement of desired goals and objectives within the Organization.
Keretts (2008) similarly carried out a study on factors considered important in the implementation of performance Contracts- a survey of Kenyan parastatals. Kiboi (2006) undertook a study on Management Perception of performance contracting in state corporations. One of the major findings was that there is a very high level of awareness of performance contracting in organizations and that the organization’s capacity to achieve its objectives has greatly improved. *International Public Management Review* journal vol.10, issue no.2, 2009 indicate that for the period during which PC process has been in operation, there is clear evidence of radical improvement particularly in profit generation for commercial enterprises and significant improvement in delivery of services in cases of other public institutions.

From the above studies, it is clear that there is no study that has been carried out on perception of relationship between PC and employee performance. This study endeavors to find out if there is any correlation between the performance contracting and the performance of individual employees at ADC as perceived by employees. The study is particularly necessary in view of the contribution of ADC to Agricultural sector of our economy. Thus the research endeavors to answer the question; does Performance Contracting motivate employee performance?

### 1.3 Objective of the Study

To establish the relationship between performance contracting and employee performance as perceived by ADC employees.

### 1.4 Importance of the Study

The study, in establishing the employee perception on relationship between performance contracting and employee performance shall provide information that shall be useful in
improving the performance of the Corporation. From the findings, ADC shall identify the areas perceived by employees to require review in order to make performance contracting an effective tool for improving performance.

The study shall provide information that can be used by the Government in reviewing existing policies with the overall objective of improving the Agricultural sector.

The study shall provide information that may be used by scholars as basis for further research and adds to the existing body of knowledge.
CHAPTER TWO: LITERATURE REVIEW

2.1 History of Performance Contracting

Performance Contracts originated in France in the late 1960s. The PC received a massive support when it was introduced in New Zealand as part of that country’s pioneering public sector reforms. They gained further momentum and legitimacy when they were introduced in the US Government as part of the Government Performance and Results Act (GPRA) of 1993. In UK they were introduced as part of the creation of Next Step agencies. Today, they are widely used in British Government agencies. In Kenya, Performance Contracting is a hybrid system that has borrowed from international best practices and balanced Score Card. The PC and Evaluation system best practices were drawn from: South Korea, India, China, USA, United Kingdom, Malaysia and Morocco. (GoK, 2010).

In the last fifteen years, implementation of Performance contracts has gained momentum in developing countries and to date over 30 countries in Asia, Africa and Latin America are currently implementing Performance Contracting. Performance Contracting is one of the many performance management tools. It originated in France in the late 1960s and today almost all Organization for Economic Cooperation and Development (OECD) countries use some variant of the tool in managing their public sectors (GOK, 2010). Some of the objectives of introducing performance contracts in Kenya was to enable measurement and evaluation of performance as well as to clarify the obligation required of the government and its employees in order to achieve agreed targets. OECD (1999) defines Performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. The performance Contract defines expectations or results to be attained and the necessary competencies required to attain results. It covers; objectives and standards of performance, performance measures and indicators, competency assessment and core
values/operational requirements. It is a performance management system that aims at introducing a culture in the public sector organizations that focus on results rather than inputs and procedures. Performance agreement or contract defines expectations – what the individual has to achieve in the form of objectives, how performance will be measured and competencies needed to deliver the required results.

According to Armstrong (2003), objectives describe something that has to be accomplished. They define what organizations, functions, departments and individuals are expected to achieve over a period of time. Integration of objectives is important in order to achieve a shared understanding of performance requirements throughout the organization. The integration process is not just about cascading objectives downwards. There should also be an upward flow which provide for participation in goal setting and the opportunity for individual to contribute to the formulation of their own objectives and objectives of their teams and functions.

A performance standard can be defined as a statement of the conditions that exist when a job is being performed effectively. Performance Standards are used when it is not possible to set time-based targets. Performance measures are agreed when setting objectives. It is necessary to define not only what is to be achieved but how those concerned will know that it has been achieved. It is Performance measures that provide evidence of whether or not the intended result has been achieved. This will be the basis for generating feedback information. The process of continuing assessment should be carried out by reference to agreed objectives and performance standards and to work, development and improvement plans, (Armstrong, 2003). Governments all over the world view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods. It organizes tasks
so management can perform them systematically, purposefully and with reasonable probability of achievement.

2.2 Performance Contracting

The concept of performance contracting was introduced in management of state corporations in Kenya in 1989. The parastatal reform strategy paper which was approved by cabinet in 1991 was the first official recognition of the concept of Performance contract. It was part of the policies that were recommended to streamline and improve the performance of state corporations (GoK, 2001). Based on the strategy paper, PC was introduced on a pilot basis to two agencies: Kenya Railways Corporation and the National Cereals and produce Board. In August 2003 the Government appointed a committee to spearhead the introduction and implementation of PC namely the PC steering committee. Performance contracting was reintroduced into the Kenyan Public Service in 2004 as part of Civil Service Reform. Performance contracts are based on the premise that what gets measured gets done; if you cannot see and measure success, you cannot reward it, if you cannot recognize failure, you cannot correct it and if you cannot demonstrate results, you can win public support, (Musa, 2004). Performance contracting is a key component of the performance based practices adopted by the Government of Kenya. Trivedi (2010) points out that while the use of PCs in Public sector is not a new phenomenon; the Kenyan experience stands out in several respects. Among other things, performance contracting in Kenya has enjoyed political support like no other country. Secondly, they are vetted and evaluated by a non-government body consisting of ex-permanent secretaries, academicians, ex-CEO of state enterprises and other private sector experts. Today, PC policy in Kenya covers the entire public sector. It has been extended to all 38 government ministries, 130 state Corporations, 6 public universities and 175 local authorities. It is currently being implemented in 462 public institutions (GOK, 2010).
A survey was carried out among the civil servants on successes and challenges of implementing performance contracting in Kenya Kobia, M. & Mohammed; N. (2006). Data was collected from 280 senior Public Service course participants. The summary of survey findings indicated that there was radical improvement in some aspects of management of public service which included improved profit generation for commercial state corporations. The findings also indicated that the PC has increased performance as it emphasizes better management of human resources.

### 2.2.1 Performance Contracting Process

As articulated by Trivedi (2010) Performance Contract documents list the obligations of all Public agencies. This includes specific criteria and targets to evaluate success. In addition, PCs prioritize the success indicators to clearly convey government’s priorities to its managers. The key aspect of the PC is that it focuses on holding the top echelons accountable. It is based on the assumption that accountability for results trickles down (not up). PCs for state Corporations are signed between the Permanent Secretary (PS) of the administrative Ministry in-Charge of supervising the State Corporation and the Board of Directors of the State Corporation. The documents are then posted to the internet for all to see and hold the agencies accountable. At the end of the year, the performance of all government agencies is assessed against the commitment made by them in their respective PCs. Part of the PC requirement is for public agency to design its service delivery Charter and then holds the agency accountable for implementing its charter. In addition, each Public agency is required to have a strategic plan and to acquire International Standard Organization Certification. All these requirements are meant to improve Public Sector performance.

Once the agreement has been signed between the PS and the Directors of the State Corporation, it is cascaded down the cadres of staff. In ADC, the Contract is then signed between the CEO
and the Divisional Heads who in turn sign with the functional Heads. The functional Heads communicates and assigns targets for the year to their respective employees. It is at this point that each employee develops a work plan to guide the implementation of the targets agreed upon.

2.3 Employee Performance
Campbell et al (1993), argue that three of the factors; core task proficiency, demonstrated effort and maintenance of personal discipline are major performance components of every job. Performance is essentially what an employee does or does not do, Mathis & Jackson (2003). Employee performance common to most jobs include the following – quality of output, timeliness of output, presence of work and cooperativeness. Job criteria are the most important factors people consider in their jobs because they define what the organization pays an employee to do. The performance of individual on job criteria should be measured and compared against standards and then the results communicated to the employee. The common idea is that manager and managed should have a shared view of what is expected of the employee, involvement and performance of a direct kind are typically advocated as a means by which the shared view may be arrived at. Supporting performance is seen as the responsibility of the line managers who also has a role to play in reviewing performance.

Campbell Mc Clay et al, (1993) correctly state that consequences and results are often not fully under the control of the individual but organizations use results anyway. In many cases, they try to make intelligent judgment about the extent to which specific individuals are responsible for observed outcomes (Schmidt 1993). From a conceptual point of view organizations might reasonably choose to define performance in terms of behavior and in so doing help distinguish the relationship between behavior and results.
As is evident from behavioral models, results provide the context – they make clear what behavior should be directed towards. But it is equally clear that an excessive focus on output is undesirable. So in managing performance we need both results and behavior.

According to Gomez et al (2010), quality of work, quantity of work performed and interpersonal effectiveness constitute effective job performance. He argues that what is measured should be tied to what the business is trying to achieve. Many organizations identify performance dimensions based on their strategic objectives. This approach ensures that everyone is working together toward common goals.

2.4 Factors affecting Employee Performance

There are many factors that influence employee performance. Rankin (2003) cited a three year study by the Work and Employment Research Centre at the University of Bath. The study investigated employers undergoing major reorganizations and change and interviewed 700 managers and employees. The study wanted to identify the factors encouraging discretionary behavior – the demonstration of sustained commitment and a willingness to go the extra mile for their manager or employer. The study found that the management of performance in particular, discretionary behavior depends on having an integrated approach to the employment of people. This includes ensuring that organization has sufficient workers with the right ability (skills, experience and knowledge) and that individuals are motivated through the recognition of their efforts through efficient performance management and reward. Armstrong and Baron (1998) had two propositions regarding employee performance: People either as individuals or teams, put the greatest effort into performing well if they know and understand what is expected of them and have had an involvement in specifying those expectations. Employee’s ability to meet performance expectations is based on: individual level of capability, the degree of support
provided by management and the process, system and resources made available to them by the organization.

Jackson et al (2009) suggest that effective selection and training help employees feel confident in their ability to perform. Feedback about performance also can improve employees’ confidence in their ability to perform.

Organizational culture has been observed as a factor that affects employee performance. The culture of an organization refers to the basic assumptions and beliefs shared by her members. These beliefs operate unconsciously and define in a basic taken for granted fashion an organization’s view of itself and its environment, (Gomez et al 2010). The key elements are observed behavioral regulations, norms, dominant values, philosophy, and the rules of the game for getting along in the organization, the feeling or climate conveyed in an organization. The performance of employees tends to be shaped by the prevailing organizational culture. A research conducted by Lester and Kickal on psychological contracts as cited by (Williams, 2002), indicate that employees expect their employers to provide feedback on individual performance through performance appraisal system and to provide career development opportunities. The above research confirms that communication about the performance of individual employee is considered important by employees. Employees need to know whether they are doing well and moving in the right direction hence monitoring and continuous communication on performance is necessary and not just feedback at the end of the performance period.

Management style prevailing in a given organization plays an important role in influencing employee performance. Ulrich (1998) observes that the best organizations constantly push their
professionals beyond the comfort of their book knowledge, simulation models and controlled laboratories. They relentlessly drive associates to deal with the more complex intellectual realms of live customers, real operating systems and highly differentiated external environment and cultural differences mediocre organizations do not. Ulrich (1998) on management style argues that if you want an innovative organization you need to hire, work with and promote people who make you uncomfortable. You need to understand your own preferences so that you can complement your weakness and exploit your strengths. He observes that the biggest barrier to recognizing the contribution of people who are unlike you is your own ego. Other factors that affect employee performance include individual differences such as intelligence and personality traits. Company core competences equally affect the performance of individual employee. Psychological research and theory indicate that innovation is much more likely to take place where individuals feel secure enough to take the risks involved and where organizational reward systems encourage experimentation and exploration.

2.5 Measurement of Employee Performance

There are clear benefits from managing individual and team performance to achieve organizational objectives, (Price (2007). In the early part of the 19th century, Robert Owen used colored wooden cubes hung above workstations to indicate the performance of individual employees of his new Lanark cotton links in Scotland. Various merit ratings were represented by different colored cube, which were changed to indicate improvement or decline in employee performance, Heilbroner (1953). Modern performance assessment developed from sophisticated rating systems designed by work psychologists for military use during the two world wars. By 1950’s such methods had been adopted by most large US business organizations, spreading worldwide thereafter.
Gomez (2010) notes that assessing employee performance is one of the thorniest tasks a manager faces. At employer level, the appraiser must try to untangle individual contributions from those of the work group while avoiding judgments based on a personality bias (being a strict or lenient rater) likes and dislikes and political agendas. In short, accurate measures of performance are not easy to achieve. The level of the job is a significant factor influencing not just the nature of the method used to express performance requirements but also the incidence of use.

Williams (2002) elaborates some of the output measures of performance which include: accountabilities, key result areas, targets and goals. Accountabilities define the key result areas of the job which together contribute to achieving its overall purpose, (Armstrong 1994). Key result areas are important areas of activity in which achievement determines or indicates success, (Ainsworth and Smith 1993). Targets, also known as objectives and goals explain what should be achieved at the end of an activity that is, desired result. A goal is what an employee is trying to accomplish on the job. It is the object or aim of an action. Performance as behavior includes only those actions or behaviors that are relevant to the organization’s goals and that can be measured in terms of each individual proficiency (level of contribution).

A system can only be effective if it encourages productive communication between Manager and employee and builds a measure of trust and respect between them. Objectives represent the most common focus of performance reviews because they relate individual effort to tangible results, are readily measurable and can be the means of relating corporate goals to individual activities (Williams, 2002). Increasingly employees are extending their systems to assess not only objectives but also qualitative aspects of the job such as concern for customers also known as competencies in larger organization. The outcome of formal performance management
systems tends to follow the principle that what you measure is what you get. In other words the aspects of each person’s performance that are discussed and assessed tend to be given more importance than those that are not.

There are several instruments that organizations use to appraise the performance of employees which include: absolute judgment, trait appraisal, behavioral appraisal, outcome appraisal and management by objectives (Gomez et al 2010). Absolute judgment is an appraisal format that asks supervisors to make judgment about an employee’s performance based solely on performance standards. Trait appraisal measures worker characteristics that tend to be consistent and enduring typically, decisiveness reliability, energy and loyalty. Trait rating has been criticized as ambiguous and that it leaves room for bias. Behavioral appraisal instrument is an appraisal tool that asks managers to assess a worker’s behavior such as ‘comes to meeting on time, works well with coworkers. On the other hand, Outcome appraisal is an appraisal tool that asks managers to asses the results achieved by workers.

Armstrong (2003), suggested that measures can be classified under: finance – income/economic value added, output – units produced/processed through quality level of service, impact – attainment of a standard, changes in behavior, completion of work/project, innovation, level of take up of a service. Impact – Attainment of a standard changes in behavior completion of work/project, innovation, level of take up of a service. Reaction – Judgment by others, colleagues, internal and external customers. Time – Speed of response/turnaround, achievements, compared to timetables, amount of backlog, delivery times. Gomez however notes that it is often difficult to quantify performance dimensions such as creativity. How exactly can it be
measured? These are some of the issues that managers face when trying to evaluate an employee’s performance.

2.6 Measures of Perception
Perception of employees can be measured using different scales. Measurement is the assignment of a number to an object which reflects the degree of possession of a characteristic by that object (Panneerselvam, 2006). Perceptions can be measured using ranking, order, category, sorting and ratings. In ranking methods, a respondent is asked to rank a set of stimuli based on certain attribute characteristic. The ranking methods are also used in identifying key attributes of stimuli. Rating method of data collection is the easiest and widely used method (Panneerselvam, 2006). In this method, the object which is to be rated is placed along a continuum or in any one of an ordered set of categories (Panneerselvam, 2006). Scales used to measure perception vary from nominal, ordinal, interval and ratio scale. Ordinal scale possesses the property of order. Using this scale, one can rank objects based on certain characteristic or attribute of the objects. Interval scale has the property of order and distance and one can judge the difference between two objects. The most common scale used in measuring perception is the likert scale which was proposed by Rensis Likert in 1932. In this scale, the individual is asked not only if they agree or disagree to the statement but also to indicate the extent to which they agree by choosing one of the following five categories; strongly agree, agree, neutral, disagree or strongly disagree. This produces numerical score and a value is given to each category.

Guttmann’s scalogram analysis is a technique that was designed by sociologist Louise Guttmann in 1950. It aims at determining the underlying order within a series of questions by means of obtaining dichotomous responses ‘yes’ or ‘no’ to each question. Scalogram analysis is a very useful technique for examining small shifts or change in perceptions and while such scales do
not have equal appearing intervals, they are generally reliable (Williams, 1997). This study applied both methods including ordinal scaling.
CHAPTER THREE: METHODOLOGY

3.1 Research Design
The research design that was adopted by the study is descriptive studies. Descriptive study is undertaken when the characteristics or phenomena to be tapped in a situation is known to exist and one wants to be able to describe them better by offering a profile of the factors (Sekaran 2003). In this case, employee perception of the relationship between performance contracting and employee performance are the phenomena the study is describing.

3.2 Population and Sample of Study
The target population of the survey was employees in Agricultural Development Corporation. There are about 360 employees at different job levels hence sampling was necessary.

3.3 Sample Size and Sample Design.
The survey employed stratified random sampling to obtain the sample of respondents, thus, employees were stratified by job level as management, supervisory and clerical as per the table below.
Table 3.1: Sample size

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample (20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>60</td>
<td>12</td>
</tr>
<tr>
<td>Supervisory</td>
<td>77</td>
<td>16</td>
</tr>
<tr>
<td>Clerical</td>
<td>223</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>360</td>
<td>73</td>
</tr>
</tbody>
</table>

This ensured that generalization of findings was representative of employees in all levels of the organization. The study targeted 20% of employees in each category hence a sample of 73 respondents.

3.4 Data Collection Method
The survey collected data mainly through primary sources as well as secondary. This involved the use of structured questionnaire as the main instrument of data collection. The secondary data was obtained from the Corporation. The questionnaire was divided into two parts; the first section obtained general information about the respondent. In this section, the data was collected using Guttmann’s scalogram analysis which obtains responses by use of ‘yes’ or ‘no’ as well as ordinal scaling where the respondent selects the response provided as applicable to him/her. Part B and C covered the perception of employees on performance contracting and employee performance respectively. The data was collected using Likert scale where respondents selected the extent to which they agreed to statements on various variables on a scale ranging from one to five. The questionnaires were administered through personal delivery while for the respondents outside Nairobi; the questionnaires were mailed to them.
3.5 Data Analysis and Presentation
The data in part A which covered the background information of the respondent was collected and analyzed using frequency tables and percentages with relevant interpretation. Data in section B and C which covered perception of employees on performance contracting and employee performance respectively was analyzed using tables, mean scores and standard deviation with appropriate interpretation and discussions. The research findings give the general perception of respondents about the relationship between performance contracting and employee performance as elicited by the last question.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND INTERPRETATION

4.1 Introduction
The objective of the study was to establish the relationship between Performance Contracting and employee performance as perceived at ADC. The sample of respondents was 73 out of whom 61(83.5%) filled the questionnaires and returned for analysis. In this section, the survey findings are presented in form of frequency tables, percentages, mean, standard deviation and the interpretation of the results discussed.

4.2 Demographic Statistics
This section covers data relating to the respondents which include; gender, length of service, level of education, job level and department to which they belong.

4.2.1 Gender of Respondents
The respondents were asked to state their gender. Table 4.1 below shows the distribution of respondents by gender.

<table>
<thead>
<tr>
<th>Table 4.1: Gender of the respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>SN</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
From the analysis in table 4.1 above, the results indicate that 57.4% and 42.6% of the respondents were male and female respectively. This shows that majority of the respondents were male but the difference is not significant.

4.2.2 Length of Service with Organization
The respondents were asked how long they had worked at ADC. Below is table 4.2 indicating the distribution of respondents by length of service.

<table>
<thead>
<tr>
<th>SN</th>
<th>How long have you worked in this organization?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than 5 years</td>
<td>20</td>
<td>32.8</td>
</tr>
<tr>
<td>2</td>
<td>5-10 years</td>
<td>14</td>
<td>23.0</td>
</tr>
<tr>
<td>3</td>
<td>11-14 years</td>
<td>6</td>
<td>9.8</td>
</tr>
<tr>
<td>4</td>
<td>15-19 years</td>
<td>5</td>
<td>8.2</td>
</tr>
<tr>
<td>5</td>
<td>20 years and above</td>
<td>16</td>
<td>26.2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>61</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to the results in table 4.2 above, majority (67.2%) of the respondents have worked in the organization for over 5 years whereas 32.8% of the employees have served the organization for less than 5 years. The above results indicate that majority of the respondents have been in the organization long enough to understand the concept of Performance contracting since the PC was introduced in the Organization in 2004.

4.2.3 Level of Education
The respondents were asked to state the level of education attained. Table 4.3 below indicates the distribution of respondents by level of education.
The study revealed that 44.3% of the respondents have College certificates, 26.2% have Secondary Certificate while 24.6% attained University Education. The results indicate that majority of the employees in this organization are educated and therefore can understand the questions and concepts relating to PC.

### 4.2.4 Job Level

The respondents were asked to indicate their job level. Table 4.4 below. Indicates the distribution of respondents by job level.

#### Table 4.3: Level of Education

<table>
<thead>
<tr>
<th>SN</th>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Secondary</td>
<td>16</td>
<td>26.2</td>
</tr>
<tr>
<td>2</td>
<td>College</td>
<td>27</td>
<td>44.3</td>
</tr>
<tr>
<td>3</td>
<td>University</td>
<td>15</td>
<td>24.6</td>
</tr>
<tr>
<td>4</td>
<td>Others</td>
<td>3</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>61</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### Table 4.4: Job Level

<table>
<thead>
<tr>
<th>SN</th>
<th>Job Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Management</td>
<td>18</td>
<td>29.5</td>
</tr>
<tr>
<td>2</td>
<td>Supervisory</td>
<td>20</td>
<td>32.8</td>
</tr>
</tbody>
</table>
The survey reveals that 29.5\% of the respondents are in the management positions, 32.8\% are in the supervisory position while 37.7\% are in the clerical cadre hence all job levels were represented. All respondents in the job levels of Management and supervisory filled the questionnaires and returned. It is apparent that the questionnaires that were not returned were those administered to the clerical level. The results show that the lower level cadre may not be well acquainted with the concept of Performance contracting hence the abstentions.

4.2.5 Department
The respondents were asked to indicate the departments they belonged. Below is table 4.5 showing the distribution of respondents by department.

Table 4.5: Department

<table>
<thead>
<tr>
<th>SN</th>
<th>Department</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Technical</td>
<td>7</td>
<td>11.5</td>
</tr>
<tr>
<td>2</td>
<td>Finance/Accounts</td>
<td>19</td>
<td>31.1</td>
</tr>
<tr>
<td>3</td>
<td>Administration</td>
<td>32</td>
<td>52.5</td>
</tr>
<tr>
<td>4</td>
<td>Legal</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>61</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

From table 4.5 above, majority of respondents were in Administration department (52.5\%) followed by Finance/Accounts (31.1\%) and Technical (11.5\%) departments respectively. The results indicate good distribution of respondents across the departments hence results can be relied upon for organization wide use.
4.3 EMPLOYEES PERCEPTION ON PERFORMANCE CONTRACTING

In this section, opinion of respondents was sought on some indicators of performance contracting. The indicators of performance contracting cover the process of PC which begins with negotiation of targets to measurement of performance and any reward for good performance. The respondents were provided with statements and requested to indicate their level of agreement in a likert scale where 1. Strongly Disagree, 2. Disagree 3. Neither neither Agree nor Disagree, 4. Agree, 5. Strongly Agree. The data collected was analyzed by use of mean and Standard Deviation where a mean of <1.5 is strongly disagree, 1.5-2.5 is disagree, 2.5-3.5 is moderate and 3.5-4.5 is agree and >4.5 is strongly agree.

4.3.2 Perception on Performance Contracting

Table 4.6 below indicates the mean and standard deviation (SD) of various indicators of Performance contracting as analysed from data collected.
## Table 4.6: Employees Perception on Performance Contracting

<table>
<thead>
<tr>
<th>SN</th>
<th>Indicators of performance contracting</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The role of each employee was made clear to him/her.</td>
<td>4.25</td>
<td>0.005</td>
</tr>
<tr>
<td>2</td>
<td>Work was allocated to employees based on their key competencies.</td>
<td>4.21</td>
<td>0.003</td>
</tr>
<tr>
<td>3</td>
<td>Employees knew the core values and operational requirements.</td>
<td>4.16</td>
<td>0.0005</td>
</tr>
<tr>
<td>4</td>
<td>Managers and employees discussed and agreed on the Performance targets at the start of the period.</td>
<td>4.36</td>
<td>0.011</td>
</tr>
<tr>
<td>5</td>
<td>The objectives and standards to be achieved are known to individual employees.</td>
<td>4.10</td>
<td>0.002</td>
</tr>
<tr>
<td>6</td>
<td>Employees were clear about how performance would be measured.</td>
<td>3.74</td>
<td>0.021</td>
</tr>
<tr>
<td>7</td>
<td>I feel involved in setting my work targets.</td>
<td>4.33</td>
<td>0.009</td>
</tr>
<tr>
<td>8</td>
<td>I feel goals are clear and specific.</td>
<td>4.20</td>
<td>0.002</td>
</tr>
<tr>
<td>9</td>
<td>My work contributed to achievement of departmental and organizational goals.</td>
<td>4.64</td>
<td>0.025</td>
</tr>
<tr>
<td>10</td>
<td>Employees freely discussed with supervisors on how to develop themselves.</td>
<td>3.95</td>
<td>0.010</td>
</tr>
<tr>
<td>11</td>
<td>Work plans are developed and followed to achieve the agreed targets in a given period.</td>
<td>4.25</td>
<td>0.005</td>
</tr>
<tr>
<td>12</td>
<td>There was excellent communication between managers and employees.</td>
<td>4.36</td>
<td>0.011</td>
</tr>
<tr>
<td>13</td>
<td>The company allocated resources for the agreed performance targets.</td>
<td>3.90</td>
<td>0.013</td>
</tr>
<tr>
<td></td>
<td>Managers regularly monitored the performance of employees.</td>
<td>4.38</td>
<td>0.012</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>15</td>
<td>At the end of every period a review of performance of individual employees was carried out.</td>
<td>4.23</td>
<td>0.004</td>
</tr>
<tr>
<td>16</td>
<td>Employees are usually given feedback about their Performance.</td>
<td>3.70</td>
<td>0.023</td>
</tr>
<tr>
<td>17</td>
<td>In case of staff performance problems there were measures to be taken including counseling.</td>
<td>3.80</td>
<td>0.018</td>
</tr>
<tr>
<td>18</td>
<td>Good performance was rewarded in our organization.</td>
<td>3.97</td>
<td>0.009</td>
</tr>
<tr>
<td>19</td>
<td>Improvement plans were discussed between the employee/supervisor during the performance review.</td>
<td>4.20</td>
<td>0.002</td>
</tr>
<tr>
<td>20</td>
<td>Generally, I feel performance contracting has improved employee performance.</td>
<td>4.36</td>
<td>0.011</td>
</tr>
<tr>
<td></td>
<td><strong>Overall</strong></td>
<td><strong>4.15</strong></td>
<td><strong>0.009</strong></td>
</tr>
</tbody>
</table>

From the analysis in table 4.6 above, respondents strongly agreed that their work contributed to departmental and organizational goals with the highest score of 4.64. Respondents agreed on other indicators of PC including; performance monitoring with mean of 4.38, that there was excellent communication with mean of 4.36. The results indicate that respondents agreed that PC improves employee performance with mean of 4.36. Respondents agreed that performance targets were discussed with a mean of 4.36.

The respondents agreed on most other aspects of PC which included clarity on role of employees with a mean of 4.25, that work plans to achieve targets were in place with mean of 4.25, review of performance done with mean of 4.23, work allocation based on key competencies had a mean of 4.21. The results further indicated that respondents agreed that goals were made clear with mean of 4.2, improvement plans discussed with mean of 4.2 and knowledge of core
values with a mean of 4.16. Knowledge on objectives to be achieved rated 4.10, reward on performance scored 3.97. There was agreement among respondents that resources were allocated toward agreed targets with mean of 3.9 that measures were taken in case of performance problems with mean of 3.8 and that performance was measured with a mean of 3.74. The lowest level of agreement had a mean of 3.7 where respondents indicated they were given feedback about their performance.

Overall, the respondents agreed with the fact that Performance contracting was in place and being used in the organization with overall mean of 4.15. They were in strong agreement that their work contributed to the achievement of departmental and organizational goals with the highest score of 4.64. There was comparatively high agreement that managers and employees agreed on performance targets, there was excellent communication between managers and employees and that generally respondents felt Performance contracting improved performance each with a mean score of 4.36. However, there was relatively low agreement on giving of feedback about performance with lowest score of 3.7; similarly there was comparatively low agreement about clarity on measurement of performance with mean score of 3.74.

4.4 PERCEPTION ON THE RELATIONSHIP BETWEEN PC AND EMPLOYEE PERFORMANCE.

The main objective of the study was to establish the relationship between PC and employee performance. Towards this end, perception on various performance indicators was measured in relation to the PC. Below is table 4.7 indicating the summary of the findings by use of mean and standard deviation (SD).
### Table 4.7: Perception on relationship between PC and Employee Performance.

<table>
<thead>
<tr>
<th>SN</th>
<th>Indicators of Employee Performance</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>With the introduction of Performance contracting, personal discipline had improved among employees.</td>
<td>4.26</td>
<td>0.008</td>
</tr>
<tr>
<td>2</td>
<td>Employees had demonstrated greater effort put to work.</td>
<td>4.33</td>
<td>0.016</td>
</tr>
<tr>
<td>3</td>
<td>There was more cooperation among employees than before.</td>
<td>4.07</td>
<td>0.012</td>
</tr>
<tr>
<td>4</td>
<td>Employees felt motivated to work since the goals were clear.</td>
<td>4.02</td>
<td>0.017</td>
</tr>
<tr>
<td>5</td>
<td>There was positive attitude towards work among both employees and managers.</td>
<td>4.16</td>
<td>0.002</td>
</tr>
<tr>
<td>6</td>
<td>With performance contracting, quality of work had improved.</td>
<td>4.23</td>
<td>0.05</td>
</tr>
<tr>
<td>7</td>
<td>There was now more work to be done than before.</td>
<td>3.90</td>
<td>0.03</td>
</tr>
<tr>
<td>8</td>
<td>Work output was delivered within time.</td>
<td>4.16</td>
<td>0.002</td>
</tr>
<tr>
<td>9</td>
<td>Management was keen on monitoring to ensure Standards were attained and maintained.</td>
<td>4.36</td>
<td>0.02</td>
</tr>
<tr>
<td>10</td>
<td>Employees took greater responsibility for achievement of work targets.</td>
<td>4.30</td>
<td>0.013</td>
</tr>
<tr>
<td></td>
<td><strong>Overall</strong></td>
<td><strong>4.18</strong></td>
<td><strong>0.017</strong></td>
</tr>
</tbody>
</table>

From table 4.7 above, respondents agreed that management monitored performance with a mean score of 4.36, there was demonstrated greater effort to work with mean of 4.33 and that employees took responsibility for achievement of work targets with score of 4.3 The results similarly indicated agreement among respondents on improved personal discipline with a mean of 4.26, and that there was improvement in quality of work with score of 4.23. The findings further indicate that there was positive attitude toward work with mean of 4.16, work output was...
delivered within time with mean score of 4.16 and there was more employee cooperation with mean of 4.07. The results further show that employees felt motivated with mean score of 4.02. and there was more work to be done than before.

From the above analysis, overall, respondents agreed that there was positive relationship between Performance contracting and employee performance with a mean of 4.18. There was relatively high agreement that management was keen on monitoring to ensure standards were attained with a score of 4.36, and that respondents indicated greater effort put to work with mean of 4.33. However, comparatively there was less agreement that there was more work than before with lowest mean score of 3.9, agreement was also low that respondents felt motivated to work with mean score of 4.02, similarly, there was relatively low agreement that there was more cooperation among employees than before with mean of 4.07.

In the last open ended question, respondents were asked if they generally felt that Performance contracting had improved their performance. In response to this, majority (80%) of the respondents responded in the affirmative, 3% responded on the negative, 3% were not sure while the rest abstained. The following is a summary of the responses agreeing that the PC had improved employee performance: Quality of work had improved, job performance had improved, there was positive attitude to work, timeliness and accountability had improved. Respondents indicated that they worked hard since they expected reward, setting of targets, monitoring and measurement of performance motivated employees. There was enhanced teamwork and cooperation among employees, due to involvement in setting performance targets, there was improved productivity and job satisfaction. The PC enabled planning of one’s work. Respondents indicated they were aware of work expectations and that pre-negotiation of targets enabled achievement of what was agreed.
Results indicated further that due to joint effort, costs and time had been saved; respondents were more focused due to need to achieve targets and that PC had improved performance at senior level but there was need to cascade to lower cadres. Operations had improved in the farms and there was more discipline at work. There is demonstrated drive and initiative at work and that PC had given employees greater autonomy and that through the PC performance gaps were addressed. The managers were motivated to focus on results and monitoring and evaluation resulted in identification of performance gaps which were addressed for improved results. The findings show that 6% of respondents indicated there was need for employees to be trained on PC.

The above explanations from respondents indicate that generally, it was agreed that Performance Contracting improved performance in the organization under review.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
In this section, the summary of the survey findings and conclusions are presented. In addition, recommendations from the survey as well as recommendations for further study are also made in this section.

5.2 Summary of Findings
The results of the findings were based on the data collected from the questionnaires administered. Most of the questionnaires dispatched were filled and returned. The questionnaires returned constituted 83.5% of what was administered hence results of findings can be said to be representative of the sample.

Demographic statistics indicated that the male respondents were marginally more than the female respondents. The results further indicate that the majority of the respondents had worked in the organization for more than 5 years. In terms of level of education, majority of respondents had attained secondary education. The respondents were well distributed according to job levels; management, supervisory and clerical. They were also distributed according to the four departments (Technical, finance, Administration and legal) with the majority falling under Administration.

Overall, the respondents agreed with the fact that Performance contracting was in place and was being used in the organization. They were in strong agreement that their work contributed to the achievement of departmental and organizational goals and this indicator scored highest. There was comparative high agreement that managers and employees agreed on performance targets,
there was excellent communication between managers and employees and that generally respondents felt Performance contracting improved performance. However, there was relatively low agreement on giving of feedback about performance and about clarity on measurement of performance.

Generally, respondents agreed that there was positive relationship between Performance contracting and employee performance. Most of the responses elicited by the last open ended question as to whether Performance contracting had improved job performance also supported strongly that indeed PC had improved employee performance.

5.3 Conclusions
The objective of this study was to find out the perceived relationship between performance contracting and employee performance. The study findings indicate there was positive relationship between Performance contracting and employee performance. It can be concluded that Performance contracting as a tool for performance improvement is effective as indicated by the survey findings.

It is apparent that employees can participate meaningfully if they understood the underlying values for which Performance contracting stand hence organization wide training is critical. When employees are involved in the entire process of Performance Contracting and not just in some aspects, better results can be expected due to process ownership.

Performance contracting is motivating to employees, if good performance is recognized and rewarded accordingly. When this is not done, employees do not see the linkage between effort and reward hence defeats the objectives of performance Contracting. It was noted that not all respondents perceived the PC as having improved employee performance. The study findings are an indication that apart from Performance Contracting, other factors affect employee performance.
5.4 Recommendations
The study recommends that ADC trains her employees on Performance Contracting for it to be understood and used effectively as performance improvement instrument. This recommendation is made based on the results which indicated that employees had not been adequately trained on the PC. It is recommended that the Government monitors closely how the PC process is implemented by various Government institutions to ensure that is implemented according to the guidelines. There is particularly need to ensure that employees are involved in PC process from the beginning through to the end to ensure they understand and own the process as well as performance results.

The study also recommends that the organization under survey researches on what other factors influence employee performance with a view to improving staff performance. It is also recommended that the PC as tool for performance improvement be cascaded down to all cadres of employees so that the objectives and values for which it stands can be embraced throughout the organization.

5.5 Recommendations for further Study
This study focused on the relationship between performance contracting and employee performance as perceived by ADC employees. The study findings were therefore limited to ADC, it is recommended that the same study be carried out in other organizations both government and private agencies to find out if the same results will be obtained. This study was not able to cover other government agencies due to limitations of time and resources hence the above recommendation.

The study also makes recommendation for further studies on perceived relationship between Performance contracting and other human resource variables such as staff motivation. If the PC improves performance of employees, does it also improve staff motivation?
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