

**CHALLENGES OF IMPLEMENTING PERFORMANCE CONTRACTING
AS A TOOL FOR STRATEGY IMPLEMENTATION IN BETTING
CONTROL AND LICENSING BOARD**

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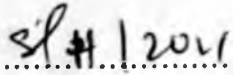
DECLARATION

This is to declare that this is my original work that has not been presented to any other University or Institution of higher learning for examination.

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DEDICATION

To my family, my dear wife Catherine, my two lovely daughters Cindy and Wendy as well as my niece Marylyn for their steadfast support, encouragement and understanding that greatly spurred my performance during the entire period I undertook this project.

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I would like to thank my supervisor Florence Muindi for her patience and proper guidance that made me reach this far. I wish also to acknowledge the Director Betting Control and licensing Board for having made it possible with the requisite resources to pursue and complete this course. Special recognition to Murugi Wanjohi for her support through the entire project period.

ABSTRACT

Performance contracting is one the turnaround strategy implementation tools that have been adopted by the government to revitalize service delivery in the public service. The key objectives of introducing performance contracting strategy in the public service were to improve service delivery to the public. The objective of the study was to establish the challenges of implementing performance contracting as a tool for strategy implementation in Betting Control and Licensing Board. The design of the study was a case study. Primary data was collected through interview guide, where managers who had signed and were charged with the responsibility of implementing performance contracting in the Board were interviewed. The method of data analysis was content analysis. The data was then presented in a continuous prose as a qualitative report.

The study established that the challenges the Board faced in the implementation of performance contracting were lack of commitment by the top leadership, lack of a defined organizational structure, negative organizational culture propagated by mistrust and inability to adapt new and emerging technology in gaming, poor communication, inadequate resources in funding and personnel, lack of proper and adequate training on performance contracting, poor monitoring and evaluation, and non involvement of the officers charged with the implementation of the performance contracting in setting of the contract targets. The study also found out that the performance of the Board was rated as good which is a score for performance below agreed targets.

The study concluded that the Board is faced with challenges in the implementation of performance contracting as a tool for strategy implementation, the performance of the

Board has been below agreed targets; hence the inability to meet both external and internal customer expectations. The study recommends that for successful implementation of performance contracting in the Board it was important for the challenges established to be addressed through practicing transformative leadership, develop a supportive organization structure based on the strategies the Board intends to achieve. The study also recommends further training of the officers involved in strategy implementation on performance contracting and change management. The Board should also embrace new and emerging technology in the gaming industry and formulation of any strategy should be a collective responsibility of all those to be involved in its execution. The Board should develop a communication strategy that would entail prompt feedback.

The study recommends further research on the strategic planning process in the Board since the performance contracting targets are drawn from the strategic plan. Additional research should also be carried out on the effect of performance contracting on performance. Further research should also be carried out on the perception of performance contracting by middle and junior staff since this study was concerned only with the top management in the Board. These officers are part of the implementation and their views and position on the performance contracting should be sought. The findings from would be useful to the Board in implementation of future performance contracts and also in scholarly work in the area of performance contracting as well as policy formulation regarding performance contracting not only in the Board but also in other organizations facing challenges in implementation of performance contracting.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Performance contracting is one the turnaround strategy implementation tools that have been adopted by the governments in many parts of the world to revitalize service delivery in the public service. Just like any other strategy, the performance contacting strategy must be carefully formulated and keenly implemented. It is very important for organizations to have a strategy; however it does not matter how good the strategy is unless it is implemented. Once strategies have been developed they need to be implemented, they are of no value unless they are translated into action (Aosa 1992). According to Jeffrey Pfeffer, (2005 pg 64) "It is more important to manage your business right than to be in the right business" Success in his view, comes from successfully implementing one's strategy, not just in having one. The ideal, of course, is to have both a great strategy and outstanding implementation (David 2005).

To ensure success, the strategy must be translated into guidelines for the daily activities of the firm's action. According to R Charan & Colvin (1999) 70% of CEOs who fail do so not because of a bad strategy, but because of bad execution. Most organizations have strategies but very few of them operationalize them or they do not implement them properly. Only a good strategy which is well implemented contributes to the success of an organization. A strategy is only good as its implementation (Robbins and Coulty, 2004). Even if you have a strategy it does not matter how good it is unless it is well implemented. Strategy formulation must be clearly linked to implementation. The best

thought-out plans in the world aren't worth the paper they're written on if you can't pull them off. (Larsen 2002)

1.1.1 The Concept of Strategy

In its original sense, strategy is a military term used to describe the art of the general, in reference to the general's plan for arraying and maneuvering his forces with the goal of defeating an enemy army. (David 2005). Strategy also refers to top management plan to develop and sustain competitive advantage so that the organization's mission can be fulfilled (Parnell 2004).

By strategy, managers mean their large-scale, future-oriented plans for interacting with competitive environment to achieve company objectives. This is a company's game plan and reflects a company's awareness of how, when, and where it should compete; against whom it should compete, and for what purpose it should compete. (Pearce II et al Robinson Jr, 2009) Strategy is the game plan for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance targets (Thompson and Strickland 2003).

Strategy can be said to consist of competitive approaches to produce successful performance and may also be described as a top management plan for running the business, strengthening organization's competitive position, satisfying customers, both internal and external and achieving performance targets. Strategy also guides organizations to superior performance through establishing competitive advantage, and acts as a vehicle for communication and co-ordination within the organization. Strategy is the direction and scope of an organization over the long term, which achieve advantage in

a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes & Whittington 2005).

1.1.2 Strategy Implementation

Strategy implementation refers to operationalizing strategy or putting the strategy into action, it involves creating fits between the way things are done and what it takes to execute them effectively, ensures proficiency and efficiency and produce excellent results in timely manner. Effective strategy implementation requires managers to consider a number of issues, including how the organization should be structured and how its prevailing approach to leadership can help or hinder the process (Parnell 2004).

No company can deliver on its commitment or adapt well to change unless all leaders practice the discipline of execution at all levels. Execution has to be part of a company's strategy and its goals; it is the missing link between aspirations and results. It is the major job of a business leader. (Larry Bossidy and Ram Charan 2002) To ensure success, the strategy must be translated into carefully implemented action. The strategy and the firm must become one; that is, the strategy must be reflected in, the way the firm organizes its activities, the key organization leaders and the culture of the organization. (Pearce II et al Robinson Jr, 2009).

Strategy implementation therefore requires carefully matching each of the following institutional factors to Strategy, Structure, Culture, Leadership and policies. These are the institutions under which the strategy must be built. According to Larry Bossidy and Ram Charan (2002) the difference between a company and its competitor is the ability to execute or implement strategy.

1.1.3 Strategy Implementation challenges

A strategy may be good, but if its implementation is poor, the strategic objective for which it was intended may not be achieved. According to Cohen (2006) if a strategy is bad or wrong, the only thing good tactical implementation will do is make a bad strategy result in something worse. The bad strategy may succeed, but it would be better if it failed. Less than 10% of strategies effectively formulated are effectively executed (R Charan & Colvin Fortune Magazine, 1999) this is a clear signal that in as much as organizations may have strategies most of them are never implemented, hence an indication that there may exist some challenges in strategy implementation.

Execution is the great unaddressed issue in the business world today; its absence is the single biggest obstacle to success and the cause of most of the disappointments that are mistakenly attributed to other causes. (Larry Bossidy and Ram Charan 2002). Burns (1996) also echoes these sentiments by outlining leadership, structure, culture and resistance to change as the challenges that constrain strategy implementation.

1.1.4 Performance Contracting

Performance contracting is one of the public sector reforms that have become a common phenomenon around the globe, especially in developing countries. These have become the way of responding to the needs of the taxpayers. Starting in France in the 1970's, In Asia, the Performance Contract concept has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka. In Africa, performance Contracts have been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire. In Latin America, they have been used at different

times in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Others include Malaysia, United Kingdom, U.S.A, Canada, Denmark and Finland among others. Public Enterprises in Africa are suffering financially and many are seeking financial assistance. Their problems stem from unclear and conflicting objectives, and a lack of autonomy and accountability. The results of performance contracting have been mixed. In some countries there has been a general and sustained improvement in Public Enterprise improvement, while in other countries some Public enterprises have not responded or have been prevented by government policies from responding. (Kobia and Nura 2006).

A Performance Contract is a freely negotiated performance agreement between the Government, acting as the owner of a Government Agency, and the management of the Agency. It clearly specifies the intentions, obligations and responsibilities of the two contracting parties. (Kenya sensitization training Manual, 2004) The World Bank defines performance contract as a written or negotiated agreement between government or its representative agency and the management of public enterprises and other autonomous units directly delivering public services, or between government and private managers of 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 Contract is a range of management instruments used to define responsibility and expectations between parties to achieve mutually agree results. (OECD 1999). 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.

1.1.5 Betting Control and Licensing Board

Betting Control and Licensing Board is a Department in The Office of the Vice President and Ministry of Home Affairs. The Board was established in 1966 and operates under an Act of parliament i.e. The Betting Lotteries and Gaming Act cap 131 of the laws of Kenya. The Board is charged with the responsibility of controlling and regulating the Gaming Industry in Kenya; through licensing of Betting and Gaming premises and the activities carried therein. The Board also authorizes public lotteries, prize competitions and eradicates illegal gambling. (Cap 131, 1966). The Board has a work force of 200 officers who are deployed in its eight stations.

The stations are Nairobi headquarters, Nairobi field, Mombasa, Malindi, Kisumu, Eldoret, Nakuru and Thika. The Board has been under performance contracting since 2005, and its performance contract spells out its vision, mission, objectives, strategic objectives and targets set to achieve them. The vision of the Board is to be a world class gaming regulatory agency in Africa, while its mission is to ensure that gaming is conducted honestly and competitively with minimum costs but maximum contribution to society, and that it is free from crime. (Strategic plan 2008-2012).

The key objectives set in the performance contract are; to establish and maintain an efficient gaming regulatory system, Ensure that gaming and betting are monitored. Improve the effectiveness of inspectorate and maintain public confidence, Enhance service delivery and improve revenue collection and also to Suspend officers suspected of corruption. The Board has set targets that are geared towards achieving each of these objectives, however the implementation of the performance contract has been a challenge to the Board and its objectives have not been realized.

1.2 Research Problem

According to Mehdi (2006) in strategic management process, after formulating a strategy, implementing it is the most important stage since it is the connecting loop between formulating and control; in fact what integrates strategies is their successful implementation. Although formulating a consistent strategy is a difficult task for any management team, making that strategy work implementing it throughout the organization is even more difficult. Strategy is nothing but hot air if equal or greater attention is not given to the harder and less glamorous work of implementation; which describes the concrete measures that translate strategic intent into actions that produce results. (David 2005).

Having a strategy is not synonymous to success unless that strategy is well executed or implemented. Once strategies have been developed they need to be implemented, they are of no value unless they are translated into action (Aosa 1992). Strategy implementation is fundamental to strategy and has to shape it. No worthwhile strategy can be planned without taking into account the organization's ability to execute or implement it (Larry Bossidy and Ram Charan 2002). Many organizations develop good strategies but fail to put them into practice. Effective strategy implementation requires managers to consider a number of issues, including how the organization should be structured and how its prevailing approach to leadership can help or hinder the process (Parnell 2004).

The key objectives of introducing performance contracting strategy in the public service were to improve service delivery to the public by ensuring that top-level managers are accountable for results, reversing the decline in efficiency and ensuring that resources are focused on attainment of key national policy priorities of the government, facilitate the

attainment of desired results, strengthen and clarify the obligation required of the government and its employees in order to achieve agreed targets. The Betting Control and Licensing Board is currently implementing the seventh cycle of performance contracting, however despite this duration of time and the targets having been set, vetted and agreed upon by the contracting parties, there are still many complaints by both internal and external customers, regarding service delivery (External Customer Satisfaction Survey, 2009). The Board recently has also been on the spotlight by the media, who have accused it of complacency in discharging its mandate and obligations to the public, hence leaving Kenyans vulnerable when participating in gaming activities.

A number related of studies have been carried out on challenges of implementation performance contract these include, Mwikamba (2010) who researched on challenges facing implementation of performance contracting in the ministry of finance where she cited lack of skills and resources as some of the key factors affecting performance contracting implementation. Mungai (2010) examined the factors that influence performance contracting in Nakuru Municipal Council and cited resources as a key factor in the success of performance contracting. Kieleko (2009) studied the implementation of performance contracting in National Social Security Fund and established that organizational culture, politics and corporate image as the major factors affecting performance contracting implementation. Mwangangi(2009) did a survey of factors influencing success of performance contract implementation by public corporations in Kenya and cited focused leadership, feedback and communication as crucial for the success of the performance contracting strategy. Murgor (2008) who researched on factors influencing implementation of performance contracting in financial and commercial state corporations. Other related studies include Kiruthi(2008) examined the

factors influencing implementation of performance contracting, a survey of the five most improved ministries. Othieno (2006) explored the process and experience of implementing performance contracting in Kenya Power and Lighting Company. Nura and Kobia studied the Kenyan experience with performance contracting.

These studies focused on specific organizations and the outcomes of these studies may not be replicated in Betting Control and Licensing Board. The Board is unique in that it regulates the gaming industry which is too dynamic, due to the fast passed technological changes in the industry, hence the operating environment of gaming is ever changing; and what may have been a remedy for one situation two or three years ago may not be applicable today or in the future. This therefore necessitates the study in Betting Control and Licensing Board and the researcher sought to establish the challenges of implementing performance contracting as a tool for strategy implementation in Betting Control and licensing Board.

1.3 Objectives of the Study

The objective of the study was to establish the challenges of implementing performance contracting as a tool for strategy implementation in Betting Control and Licensing Board.

1.4 Value of the Study

The study findings will be important to the Board in implementation of not only future performance contracts, but also other strategies, this will ensure that the objectives of the performance contracting are met hence improving and enhancing service delivery.

The study findings will also have a positive implication to the Office of the Vice President and Ministry of home affairs in designing and setting performance contracting

targets for the Board. Other ministries as well as public sector institutions under performance contracting will also benefit from the study for they may be faced with similar challenges, like the Board.

The findings of the study will also assist scholars and researchers by its contribution of literature and body of knowledge while undertaking further research on strategy implementation and in particular performance contracting. The study findings are also expected to be useful to policy makers in the formulation and implementation of performance contracting particularly in the public service.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will deal with literature review; it will focus on the concept of strategy, strategy implementation and the challenges of implementing performance contracting.

2.2 The Concept of Strategy

In its original sense, strategy is a military term used to describe the art of the general, in reference to the general's plan for arraying and maneuvering his forces with the goal of defeating an enemy army. (David 2005). Strategic decision-making involves thinking about the long-term course one will take through a broad competitive landscape. Strategy provides the direction for operations. Operational planning and decision-making, in turn, guide tactical decisions made in the heat of battle. Strategy is, simply, the art and science of options. It is a matter of understanding current options, creating new options, and choosing among them. Strategy also refers to top management plan to develop and sustain competitive advantage so that the organization's mission can be fulfilled. (Parnell 2004).

By strategy, managers mean their large-scale, future-oriented plans for interacting with competitive environment to achieve company objectives; it is a company's game plan and reflects a company's awareness of how, when, and where it should compete; against whom it should compete, and for what purpose it should compete. (Pearce II et al Robinson Jr, 2009) Strategy is the game plan for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business

performance targets (Thompson and Strickland 2003). According to Chandler (1962) Strategy is the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out the goals. Strategy can be said to consist of competitive approaches to produce successful performance and may also be described as a top management plan for running the business, strengthening organization's competitive position, satisfying customers, both internal and external and achieving performance targets.

Strategy also guides organizations to superior performance through establishing competitive advantage, and acts as a vehicle for communication and co-ordination within the organization. Strategy is the direction and scope of an organization over the long term, which achieve advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes & Whittington 2005).

Henry Mintzberg, (1994) points out that people use strategy in several different ways, the most common being these five. Strategy is a plan, a means of getting from here to there. Strategy is a pattern in actions over time; for example, a company that regularly markets very expensive products is using a high end strategy. Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets. Strategy is perspective, that is, vision and direction; and strategy as a ploy which translates to a specific maneuver intended to outwit a competitor or an ideal to outsmart and shed off competitor threat. Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and

conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called realized or emergent strategy. According to Michael Porter (1996) strategy is about being different: it means deliberately choosing a different set of activities to deliver a unique mix of value.

Porter indicates that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. Strategy is fundamentally about difference; hence it denies equality, striving for sameness and belief in the one answer. It recognizes the huge diversity of the world and the resulting infinite possibilities, and chooses paths that others cannot follow (Patel 2005)

2.3 Strategy Implementation

Strategy implementation refers to operationalizing strategy or putting the strategy into action, it involves creating fits between the way things are done and what it takes to execute them effectively, ensures proficiency and efficiency and produce excellent results in timely manner. Effective strategy implementation requires managers to consider a number of issues, including how the organization should be structured and how its prevailing approach to leadership can help or hinder the process (Parnell 2004).

No company can deliver on its commitment or adapt well to change unless all leaders practice the discipline of execution at all levels. Execution has to be part of a company's strategy and its goals; it is the missing link between aspirations and results. It is the major job of a business leader. (Larry Bossidy and Ram Charan 2002). The first concern in the

implementation of business strategy is to translate the strategy into action throughout the organization. Short term objectives are derived from long-term objectives, which are then translated into current actions and targets. To be effective in strategy implementation, they must be integrated and coordinated. They also must be consistent, measurable, and prioritized. (Pearce II et al Robinson Jr, 2009). According to Larry Bossidy and Ram Charan (2002) the difference between a company and its competitor is the ability to execute or implement strategy.

Some organizations are able to formulate a very good strategy however they are not able to implement the strategy, the organization that is able to come up with a good strategy coupled with smart implementation definitely achieves its objectives. Strategy implementation is inward looking and calls for the use of managerial and organizational tools to direct resources towards accomplishing strategic results, by converting strategic plan into action and results. (Sababu 2007). To ensure success, the strategy must be translated into carefully implemented action. The strategy and the firm must become one; that is, the strategy must be reflected in, the way the firm organizes its activities, the key organization leaders and the culture of the organization. (Pearce II et al Robinson Jr, 2009) Successful strategy implementation is accomplished by turning strategic plans into action plans that are executed at the unit level. The action plans must address key strategic goals through practical steps, measure progress over time, assure that people have the resources they need to execute the strategy and keep everything on track. (David 2005)

2.4 Performance Contracting

According to Lane (1987) a contract is 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. 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 branch of management control systems which provide information that is intended for managers in performing their jobs and to assist organizations in developing and maintaining viable patterns of behavior (CAPAM, 2005).

As part of performance management, performance contracting is a central element of new public management, which is a global movement reflecting liberation management and market-driven management. (Akaranga 2008). Kobia and Nura(2006) view argue that performance contracting is part of the Public sector reforms that have become a common phenomenon around the globe, especially in developing countries. These have become the way of responding to the needs of the taxpayers.

2.5 Performance Contracting Implementation Challenges

The introduction of performance contracting was meant to revitalize and spur performance and service delivery in the public service, the daunting task however lies with its execution to ensure that the intended objectives are met. As a tool for strategy

execution, performance contracting faces a number of challenges that hinder its implementation.

A strategy may be good, but if its implementation is poor, the strategic objective for which it was intended may not be achieved. According to Cohen (2006) if a strategy is bad or wrong, the only thing good tactical implementation will do is make a bad strategy result in something worse. The bad strategy may succeed, but it would be better if it failed. Less than 10% of strategies effectively formulated are effectively executed (R Charan & Colvin (Fortune Magazine, 1999) this is a clear signal that in as much as organizations may have strategies most of them are never implemented, hence an indication that there may exist some challenges in strategy implementation.

Execution is the great unaddressed issue in the business world today; its absence is the single biggest obstacle to success and the cause of most of the disappointments that are mistakenly attributed to other causes (Larry Bossidy and Ram Charan 2002) .Any successful strategy must be aligned around a coherent and reinforcing set of supporting practices and structures. The key factors that affect strategy implementation include leadership, culture, organizational structure, support systems, human skills, resources and incentives. (David 2005) Burns (1996) also echoes these sediments by outlining leadership, structure, culture and resistance to change as the challenges that constrain strategy implementation. The implementation of performance contracting is also heavily affected by leadership, structure, culture, communication, resistance to change and formulation of the targets.

Leadership is the process and practice by key executives of guiding and shepherding people in an organization towards vision over time and developing that organization's

future leadership and culture. (Pearce II et al Robinson Jr, 2009) The leadership style of the top executive and the top management teams is closely linked to a firm's ability to implement a given strategy. Each leader must adopt an effective leadership style that will ensure successful implementation of the chosen strategy (Parnell 2004). Leaders and workers are all part of the environment; and strategy whether it has to do with helping them to perform at their optimal level in implementation, or in devising the optimal strategy in a particular situation, must be tailored to fit the personnel involved, they shape strategy; strategy does not shape them. (Cohen 2006). Leadership according to Mullins (2005) is the intellectual ability to visualize and work for what is best for the company and its employees. It can be interpreted simply as getting other follow or getting people do things willingly. The leader must therefore create a team spirit in the organization and its effectiveness has to be seen in action. Implementation of performance contracting will therefore succeed only if the leadership is right and doing the right things.

Organization structure can be regarded as a framework for getting things done. (Armstrong 2001). According to Parnell (2004) Organizational structure is the formal means by which work is coordinated in an organization. Given these definitions it therefore means that for strategy to be implemented the structure has to be matched with the strategy done. David (2005) affirms that the structure must be aligned with the strategy by ensuring that the structure is designed around tasks and activities most critical to success of a firm's strategy. Chandler (1962) urges that chief executives will choose a structure that enables them to pursue the strategy they have chosen for the firm and he believes that 'structure follows strategy; hence the right structure has to be put in place to

facilitate successful strategy implementation. If the right structure is not developed the strategy implementation will definitely fail.

The importance of the link between structure and strategy has further been amplified by Aosa (2002) where he argues that an inconsistency between structure and strategy will lead to disorder, friction and malpractice. As a tool for strategy implementation performance contracting cannot succeed in the absence of a supporting structure to ensure that the right people are assigned the right tasks and perform them right.

Organizational culture refers to a company's values, traditions and operating style, this is the way people view their work place and how things are done there. Culture may be strong or weak; Strong cultures are difficult to change without great effort, time and substantial disruption; thus companies with strong cultures are wise to adopt strategies consistent with their cultures; and doing otherwise creates implementation problem (David 2005). Parnell (2004) describes organizational culture as the shared values and patterns of belief and behavior that are accepted and practiced by the members of a particular organization.

Organizational culture can facilitate or hinder the firm's strategic actions, indeed firms with strategically appropriate cultures tend to outperform other corporations whose cultures do not fit well with their strategies. He further argues that a firm caught in a changing environment may craft a new strategy that makes sense financially, product, and marketing points of view, but the strategy may not be implemented because it may require significant changes in assumptions, values, and ways of working. It is therefore critical to ensure that that any strategic decisions rendered by top management be

consistent with the characteristics of the culture of the organization. Since culture enables a firm to adapt to environmental changes and to coordinate and integrate its internal operations.

Overcoming the organizational hurdles to strategy execution is an important is important , accompany therefore needs to invoke the most fundamental base of action; the attitude and behavior of its people deep in the organization, by creating a culture of trust and commitment that motivates people to execute the agreed strategy not to the letter , but the spirit. Kim and Mauborgne (2005). They further indicate that people's minds and hearts must align with the new strategy so that at the level of individual, people embrace it of their own accord and willingly go beyond compulsory execution to voluntary cooperation in carrying it out. Culture is important is important because it limits or enables strategy implementation. It provides consistency, order and structure, and sets internal ways of life and patterns for internal relationships. It determines conditions for internal effectiveness and drives effective performance and has everything to do with strategy implementation, and is foundation of organizational identity. The wrong culture can hold strategy hostage, hence the most important thing that a leader can do is to create and manage culture. (Edgar Schein 2004)

Forman and Argenti (2005) rightly note that, "although an entire discipline is devoted to the study of organizational strategy, including strategy implementation; little attention has been given to the links between communication and strategy. To implement any strategy, you must communicate it to those who are going to execute it. This means that you must communicate your strategy in a manner that it can easily be understood. If those who are supposed to do the implementation cannot understand the strategy then

they cannot execute it properly. Communicating your intentions clearly and simply is therefore important since it has a major impact on strategy successful execution. (Cohen 2006). Collis (2005) further argues that top higher management should state in unambiguous terms; that strategy implementation is a key goal for the company, I expect you to work together to make it succeed. Communication about change does get a lot more challenging as a company grows. Calls for change are often greeted with a nice head fake. People nod at presentations and pleasantly agree that change is necessary; then they go back to doing everything they always did, hence the need to stay away from empty slogans and stick to a solid, persuasive business case on why there is need for a new strategy. (Jack and Suzy 2007).

A strategy produces more than a change in a company's competitive stance; it also upsets the status quo inside the organization, producing change resisters. "The reformer has enemies in all those who profit by the old order" (Machiavelli cited by David 2005). David further indicated that some people clearly enjoy advantages that they think will be threatened by change following the implementation of the new strategy. According to Jack and Suzy (2007) Change is an absolutely critical part of business. You need to change, preferably before you have to. They further affirm that people hate it when their bosses announce a transformation initiative. They love familiarity and patterns. They cling to them. Consequently it becomes difficulty to execute a new strategy since it's is likely to affect the status quo.

We are only able to implement what has been formulated; and it is clear that a poor or vague strategy formulation can limit implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad formulated strategy or a poor

strategic planning effort (Hrebiniak, 2006). Alexander (1985) believes that the need to start with a formulated strategy that involves a good idea or concept is mentioned most often in helping promote successful implementation. According to Kim & Mauborgne (1991) the procedural justice of the strategy formulation process ultimately affects the commitment, trust, and social harmony as well as the outcome satisfaction of managers in subsidiaries in the implementation process.

As Allio (2005) notes, good implementation naturally starts with good strategic inputs. This therefore means that if the strategy is not well formulated implementation will be a daunting task, similarly the setting of the performance targets must be properly done and inclusive, otherwise it will be extremely difficult to implement the set targets.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the methodology to be used in the study. It describes the research design, research instruments, data collection procedures and data analysis techniques.

3.2. Research Design

The design of the study was a case study design, and was carried out in Betting Control and Licensing Board. Case study is an empirical inquiry that investigates contemporary phenomenon within their real life context to determine the process, results and explanation for such results (Yin 1989). The design seeks to describe a unit in detail, in context and holistically (Kombo and Tromp 2006). Consequently the study design was chosen so as to give a thorough and in-depth investigation and understanding of the challenges facing implementation of performance contracting strategy in the Board.

3.3 Data Collection

The data collection was done from both primary and secondary sources. Primary data will be collected by way of interviews guide. The interview guide was divided into two sections. Section one was on the respondent's bio-data, while section two dealt with challenges faced in the implementation of the strategy.

The interview was done on one on one basis with the officers who had signed performance contracting and were charged with the responsibility of implementation of the targets in the Board. The officers were the Director and heads of stations and sections. In total 8 officers were interviewed. The secondary data was collected from existing

records such as the strategic plan, previous signed performance contracts and quarterly performance reports.

3.4. Data Analysis

The data from this study was qualitative and the collected data was checked for accuracy and completeness. The method of data analysis was content analysis. This method of data analysis has been chosen since it looks directly at communication via texts or transcripts.

This therefore enables the researcher to get at the central aspect of interaction and is also an unobtrusive means of analyzing the interviewees' responses. The process involved classification and recording of data from the interviewees on what they attribute to the implementation of the performance contracting. Inferences were therefore made from the data collected to deduce the challenges of implementing performance contracting in the Board based on the meanings and implications emanated from the respondents as well as documented data on implementation of performance contracting in the Board.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS.

4.1 Introduction

This chapter presents data analysis, results and discussion of the study findings. The objective of the study was to establish the challenges of implementing performance contracting as a tool for strategy implementation in Betting Control and Licensing Board. The method of data collection was through an interview guide and eight managers who have signed and are charged with the implementation of the performance contract were interviewed. The data collection instrument was divided into two sections with section one seeking to establish the bio-data of the respondents while section sought to establish the challenges of implementing performance contracting in the Board. The data analysis was done using the content method of data analysis.

4.2 Bio Data

The study established that 90% of the managers who were charged with the implementation of the performance contracting were male. Only one female officer had signed performance contract and was involved in its implementation. All the officers who had been charged with the implementation of performance contracting were over 40 years old. 50% of the officers who had signed the contract were in the grade of Senior Gaming Inspector. 38% were in the grade of Principal Gaming Inspector, while 12% were the grade of Assistant Director and above. The study reveals that most of the officers who had signed and where charged with implementing performance contracting were university graduates and had also worked in Betting Control and Licensing Board for

over 15 years. This clearly indicates that most of the respondents were experienced and their level of education was adequate to enable them understand and implement the performance contract.

4.3 Performance Contracting in Betting Control and Licensing Board

The study revealed that the Board had a performance contract and had been under performance contracting for the last seven years having signed the first contract in the 2005/2006 financial year. The performance contracting process involved setting of targets drawn from the Boards strategic plan; these targets are then negotiated, with and vetted by Ad hoc team of professionals appointed by the Office of the Prime Minister, performance contracting and reform secretariat. The contracting parties then sign the performance contract and embark on the implementation process.

The implementation process is monitored quarterly and a final evaluation is done at the end of the financial year. The evaluation process is followed by rating based on mean score performance. The rating scale ranges from 1-1.49 for excellent performance, 1.50-2.49 very good performance, 2.50-3.49 for good performance, 3.50-3.59 for fair performance and poor performance is for a mean score between 3.60- 5.00. The overall performance of the Board within the last six years of performance contracting has been rated good on a mean score between 2.50 and 3.49 which is a performance below the agreed targets. This clearly indicates that the Board has not been meeting most of the targets set in the performance contract.

4.4 Challenges of Implementing Performance Contracting

The study in the interview guide had sought to establish if there were challenges hampering implementation of performance contracting as a tool for strategy implementation with respect to leadership, organizational structure, organizational culture, communication, formulation of the performance contracting targets, resistance to change, resources, training and monitoring; and evaluation.

4.4.1 Leadership

All the respondents indicated that, leadership was critical to the success of implementation of performance contracting. It was necessary to have good leadership to steer the implementation of performance contracting through building working teams and crafting a clear vision and strategies on how to achieve the set targets. It was established that the top management paid little attention to performance contracting and had also the leadership was not proactive and did not enthuse the staff to perform. There was also no commitment to performance contracting according to the respondents. Lack of commitment to performance contract in the Board means it was not easy to achieve the set targets in the contract and the leadership style can be described as *laissez faire* since there was little or no concern about performance and people entrusted with responsibility made their own decisions as they wish.

Given that leadership style of the top executive and the top management teams is closely linked to a firm's ability to perform or implement a given strategy; the leadership style practiced in the Board does not encourage performance and attainment of set targets. It can further be deduced from the study that leadership in the Board does not have the requisite skills to implement new strategy that requires transformative approach, like

performance contracting that requires employees in the organization to be prepared for the desired changes in working styles, attitudes and work ethics.

4.4.2 Organizational Structure

The study established that the Betting Control Licensing Board did not have a clear organizational structure spelling out distinct duties and responsibilities; The Board was headed by a chairman who was non executive and the day to day operations of the Board were undertaken by the Director who had signed a contract with the permanent secretary but not with the Board. Given that an Organizational structure is the formal means by which work is coordinated in an organization; the fact that there was no contract between the Board and the Director meant that there was no proper work coordination by the Board and it had no one to hold responsible for non performance. The structure therefore poses a problem in the implementation of the contract.

It was further pointed out that the structure had 10 senior positions in the grade of chief gaming inspector which were vacant. The performance contract was meant to be signed and implemented by officers in this grade and above, hence given that 50 % of the officers who had been entrusted with the responsibility of implementing the contract were senior gaming inspector who are a rank below that of chief gaming inspector; it was an indication that they were performing duties which were not commensurate with their positions.

4.4.3 Organizational Culture

The study found out from most of the respondent that the Betting Control and Licensing Board had a negative culture, propagated by mistrust. With a culture of mistrust people

are de-motivated and they cannot execute the agreed strategy and targets. The Board was also slow in embracing changes in the gaming environment like technology; the gaming industry is technology driven and operators have embraced new and emerging technologies in the industry especially games, modes and gaming devices, however the Board does not allow some gaming operations especially through mobile, interactive and internet gaming, making it difficult for the operators to compete in the dynamic field of gaming. Consequently implementation of performance contracting becomes a challenge since culture enables a firm to adapt to environmental changes and to coordinate and integrate its internal operations; and it require significant changes in assumptions, values, and ways of working in order to meet customer expectations.

4.4.4. Communication

The respondents singled out communication as a very important in implementation of performance contracting and they were all very categorical that communication in the Board was very poor and it slowed the process of implementing performance contracting in the Board. Inquiries and correspondence were not responded, to and acted on time. They further said that the targets were also not clearly communicated to them. The study reveals that there is no structured communication process in the Board hence the problem being faced by the officers, since for the targets to be implemented they must be communicated clearly to those who are going to execute them, and it's a fact that If those who are supposed to do the implementation cannot understand the targets then they cannot execute them properly.

4.4.5 Resources

According to the respondents the key resource challenges were inadequate funding and personnel. The budget allocation was not sufficient to enable achievement of the targets. they further pointed out that there was no link between the budgeting process and the setting of the targets. The study reveals that by not linking the setting of the targets to the budget it will not be able to get adequate allocation since the budget will not be guided by the activities meant to achieve the targets and this result to non performance and non attainment of targets. The study further established that the Board did not have enough personnel to adequately implement the set targets in the performance contract. It was further established that the Board had 25 vacant positions. Without adequate personnel it is not possible to achieve set objective and this may lead to over working of the existing workforce that may further result to burn-out and de-motivation.

4.4.6 Training

Most the respondents indicated that they had not been trained to enable them understand and implement the contract properly. Indeed only 30% of them said that they were fully conversant with the concept of performance contracting. 70 % of the respondents pointed out that they had not been adequately trained on the concept since they had attended a day or two day training on performance contracting which according to them was not sufficient for proper and successful implementation of the contract. From the study it can be deduced that in the absence of the requisite skills and knowledge the Board officers would not even have the courage to undertake a task; and even if they did the objectives would not be realized, because if those who are supposed to do the implementation cannot understand the strategy then they cannot execute it properly.

It also appears that the Board does to not take training on performance contracting serious given that after seven years under contract a greater majority of the officers tasked with it implementation have still not been trained.

4.4.7 Formulation of the Targets

The study found out that most of the respondents were not involved in the setting of the performance contracting targets. The targets were set and passed on to them to implement. It can deduced from the study that by not involving the officers in the setting of the targets they were implementing results to lack of ownership and collective responsibility leading to poor or no implementation. The failure to involve the officer in the setting of the target further indicates that some of the targets assigned to them may not be achievable since their input had not been sought. This also indicates that the targets are not negotiated.

4.4.8 Monitoring and Evaluation

It was further revealed that there was no proper monitoring and evaluation of the implementation of the performance contracting. The officers were only required to submit a quarterly report but there was no follow up on performance. Lack of monitoring and evaluation meant that mistakes, omissions or cases of non performance may not be detected early enough to allow for corrective and intervention measures resulting to non achievement of set targets.

4.4.9 Resistance to Change

The study found that the concept was widely accepted, however 40% of the respondent reported that there was some resistance to the concept. Though a minimal number the

same cannot be ignored since implementation of performance contracting was a collective responsibility and any resistance would affect the overall performance of the Board. The resistance can be said to have been occasioned by fear of failure and the fact performance contracting is results based and some of the officers was re love familiarity and patterns and want to cling to them. Consequently it becomes difficulty to execute a new strategy since it's is likely to affect the status quo.

Other revelations from the study were that there was no policy in the Board on rewards or sanctions for good performance or non performance. By failing to reward performance or to punish for non performance there was no motivation to perform hence the Board was not in a position to achieve the targets and set objectives. It was further reported that there was no significant link between the formulation of the targets and the strategic plan. This means that the performance contract if not fully drawn from the strategic plan may not be an effective tool for strategy implementation, since the contract is meant to operationalize the strategic plan goals and objectives. 60% of the respondents said that ad hoc assignments had also affected implementation of the performance contract. The study can deduce that there is no proper planning in prioritizing what must be done first in terms of urgent and important.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, conclusion and recommendations from the study. The objective of the study was to establish the challenges of implementing performance contracting as a tool for strategy implementation in Betting Control and Licensing Board.

5.2 Summary of Findings

The study found out that there were challenges affecting implementation of performance contracting in the Board. It was established that the top management paid little attention to performance contracting and had also the leadership was not proactive and did not enthuse the staff to perform. The Board also lacked transformative leadership required in implementing new strategies. The Betting Control Licensing Board did not have a clear organizational structure spelling out distinct duties and responsibilities and that key senior positions in the structure were vacant.

The study further found out that the Betting Control and Licensing Board had a negative culture propagated by mistrust and was also slow in adapting to technological changes in the gaming industry especially new and emerging forms of games, modes and gaming devices. It was further established that the Betting Control and Licensing Board was not adequately funded and did not have enough staff. The study found out that there was no sense of ownership of the targets since those who were implementing the targets had not been involved their formulation. The Board did not have skilled staff on performance

contracting, and monitoring and evaluation of performance contracting implementation was not being carried out properly.

Other findings from the study were that there was resistance to the concept of performance contracting by some of the officers and that there was no link between the target setting and budgeting process. The Betting Control and Licensing Board did not have a reward and a sanction policy, and there was minimal link between the performance contracting and the strategic plan. The Board was also not achieving some of the set targets given that the performance was rated good a mean score of between 2.50 and 3.49 which is a score for performance below agreed targets.

5.3 Conclusion

The study established that the Board is faced with challenges in the implementation of performance contracting as a tool for strategy implementation. The performance of the Board has been below agreed targets; hence the inability to meet both external and internal customer expectations. These challenges are attributed to lack of transformative leadership, an organizational structure that was not supportive of the strategy, culture of mistrust and averseness to technological changes in the gaming industry. There was also no communication strategy and policy in the Board; and the Board is not only underfunded but also understaffed there is also lack of skilled staff due to adequate training in performance contracting and no sense of ownership of the contract for non involvement in target setting.

5.4 Recommendations

The study recommends that for successful implementation of performance contracting in the Board it was important for the challenges established to be addressed through practicing transformative leadership that is requisite for steering and implementing new strategies like performance contracting. There Board should also develop a supportive organization structure based on the strategies the Board intends to achieve. The study also recommends further training of the officers involved in strategy implementation on performance contracting and change management. The Board should also embrace new and emerging technology in the gaming industry to enable it meet the dynamic needs of the operators in the industry. Formulation of any strategy should be a collective responsibility of all those to be involved in its execution. The Board should develop a communication strategy that would entail prompt feedback.

5.5 Limitations of the Study

The study was limited to the officers who are charged with the implementation of performance contracting in Betting Control and Licensing Board whereby only 8 of them were interviewed; however other officers and employees of the Board could as well be having useful information regarding performance contracting since they also play a role in its implementation. The research also relied solely on information given by the interviewees and it was not easy to obtain documents from the Board. There were also no current documents on performance contracting in the Board for the purposes of secondary data.

5.6 Areas for Further Research

The study recommends further research on the strategic planning process in the Board since the performance contracting targets are drawn from the strategic plan and the implementation of the performance contracting may be affected by the way the strategic plan is developed. Further research should also be carried out on the perception of performance contracting by middle and junior staff since this study was concerned only with the top management in the Board. These officers are part of the implementation process and their views and position on the performance contracting should be sought.

5.7 Implication on Policy, Theory and Practice

The findings from would be useful to the Board in implementation of future performance contracts since it will put in place strategies to address and avoid the already known challenges. The findings are also a major contribution to the research body of knowledge especially in the area of performance contracting since they will provide vital information to scholars and researchers. The study findings will further benefit policy formulation regarding performance contracting not only in the Board but also in other organizations facing challenges in implementation of performance contracting.

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Appendix I: Introduction Letter

Dear Respondent

I am a student at the school of Business of the University of Nairobi pursuing a Master Degree in Business Administration. In partial fulfillment of the requirements for this Degree I am required to carry out a research project and my topic of research is **CHALLENGES OF IMPLEMENTING PERFORMANCE CONTRACTING AS A TOOL FOR STRATEGY IMPLEMENTATION IN BETTING CONTROL AND LICENSING BOARD**. The purpose of this letter is therefore to request for your objective and honest participation. The information your responses will be used for this study only and will be treated confidentiality. Your support and cooperation will be highly appreciated.

Student: LITI WAMBUA

Signature.....

Supervisor: FLORENCE MUINDI

Signature.....

Appendix II: Interview Guide

Section I Respondents Bio-Data

- a) Name (Optional).....
- b) Gender : Male [] Female []
- c) Age: 20-29 [] 30-39 [] 40-49 [] 50-59 []
- d) What is your level of education
Primary [] Secondary [] University []
- e) How long have you worked with the Betting control and Licensing Board?
1-5 years [] 5-10 years [] 10-15 years [] 15-20years [] over 20 years []
- f) Designation/position.....

Section II: Challenge of Implementing Performance Contracting

1. Have you signed a performance contract?
2. Are you conversant with the concept of performance contracting?
3. When was performance contracting first implemented in the Board?
4. Do you think there has been significant improvement in service delivery due to performance contracting?
5. Do you consider leadership important in the implementation of the performance contracting?
6. Does the leadership in the Board show Committed to performance contracting?
7. How would you describe the leadership style in the Board and how does it affect the implementation of the performance contracting?
8. What type of organizational structure does the Board have?

9. What are the challenges related to the organizational structure that affect the implementation of performance contracting?
10. Are there any vacant positions in the Board's staff establishment?
11. Are there any organization culture challenges that hinder the implementation of performance contracting?
12. How does the Board adapt to new changes in the gaming environment?
13. How would you describe communication process in the Board and does it pose a challenge to implementation of the performance contracting?
14. What challenges are there related to resources that affect implementation of the performance contracting?
15. Are you involved in the setting of performance contracting targets?
16. If your response for 8 above is no, do you consider your non involvement in the formulation of the performance contracting targets a challenge to your participation in its implementation?
17. Are there any challenges associated to skills that hamper successfully implement of performance contracting?
18. Are there any performance contracting implementation challenges as a result of resistance to change?
19. What are the challenges related to monitoring and evaluation of the implementation of the performance contracting?
20. Are there challenges of reward and sanction policies attached to the implementation of the performance contracting?
21. Are the targets in the performance contract linked to the budgeting process?

22. What is the linkage between the performance contracting and the strategic plan of the Board?

23. What other factors do you consider as challenges to implementation of the performance contracting?