

**MANAGEMENT PERCEPTION OF PERFORMANCE  
CONTRACTING AT KENYA RURAL ROADS AUTHORITY**

**BY**

**KOSKEI TRACY CHEBET**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF  
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)  
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**NOVEMBER, 2012**

## DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

Signature..... Date.....

KOSKEI TRACY CHEBET

D63/73076/2009

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

Signature..... Date.....

DR. Vincent Machuki

Lecturer,

Department of Business Administration

School of Business

University of Nairobi

## **ACKNOWLEDGEMENTS**

This project has been possible through the support, encouragement and assistance of a number of people and institutions. My deepest gratitude goes to my supervisor, Dr. Vincent Machuki, for guiding me through the start to the completion of the project. I appreciate his patience with me and his wisdom.

I would also like to thank all the respondents at Kenya Rural Roads Authority who took time to respond to my questions thus making this study successful. I would also like to thank the staff at the University of Nairobi's MBA office for all their assistance. Finally I would I would like to thank God for making all things possible.

## **DEDICATION**

I would like to dedicate this work to James and Evelyn for raising me well and setting the bar high. Your love, support and encouragement has seen me through this journey. My siblings Brian, Sharon, Kiptoo and Kiprop, may God bless you.

## **ABSTRACT**

The study focuses on the management perception of performance contracting at Kenya Rural Roads Authority. It sought to establish the management perception and what influences these perceptions. The design of the study was cross sectional descriptive survey meaning it focused at one particular point in time. The findings were obtained using a semi-structured questionnaire that was administered using a 'drop and pick' method. The number of managers who were under performance contracting at the time of this study was 11, 4 departmental heads and 7 sectional heads. All the managers were surveyed with a 100% response rate. Demographic profiles established that the majority of managers were under 45 years old, indicating a new breed of younger managers in the public sector. The study established that the managers perceive performance contracting as a useful tool in the management of the public sector and had positively impacted on the cost, operations and timely completion of road projects. The study also established that management perception is influenced by regular communication and the leadership of the organization. The study also indicated that implementation of performance contracting was being affected by budgetary constraints and political interference. While performance contracting has generally been embraced, there is need to increase the positive perception of some aspects of performance contracting such ranking of parastatals. There is also need to cascade performance contracts to all staff in the public sector. This study was limited by the fact that it only focused on Kenya Rural Roads Authority and therefore its findings may not be applicable to the entire public service.

# TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>iii</b>
<b>DEDICATION.....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Performance Contracting .....	3
1.1.2 Management Perception.....	4
1.1.3 The Public Sector in Kenya .....	5
1.1.4 Kenya Rural Roads Authority.....	7
1.2 Research Problem .....	8
1.3 Research Objectives.....	10
1.4 Value of the study .....	10
<b>CHAPTER TWO: LITERATURE REVIEW .....</b>	<b>12</b>
2.1 Introduction.....	12
2.2 Strategic Management .....	12
2.3 Performance Based Management .....	13
2.4 Performance Contracting .....	14
2.5 Strategic Planning and Performance Contracting.....	16
2.6 Management Perception of performance contracts.....	17

<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>22</b>
3.1 Introduction.....	22
3.2 Research Design.....	22
3.3 Population of Study.....	22
3.4 Data Collection .....	23
3.5 Data Analysis .....	23
<b>CHAPTERFOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION .....</b>	<b>24</b>
4.1. Introduction.....	24
4.2 Demographic Profiles .....	24
4.3 Performance Contracting at Kenya Rural Roads Authority .....	27
4.4 Usefulness of performance contracting .....	27
4.5 Management Perception of the process of performance contracting.....	30
4.6 Factors influencing management perception of performance contracting.....	32
4.7 Factors that affect implementation of performance contracting.....	35
4.8 Dicussion.....	36
<b>CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>41</b>
5.1 Introduction.....	41
5.2 Summary of Findings.....	41
5.3 Conclusion .....	42
5.4 Recommendations for Policy and Practice .....	43
5.5 Limitations of the Study.....	44
5.6 Suggestion for Further research .....	44

<b>REFERENCES.....</b>	<b>46</b>
<b>APPENDICES.....</b>	<b>50</b>
Appendix I: Questionnaire .....	50
Appendix II: Organization Structure for Kenya Rural Roads Authority .....	53



## **LIST OF TABLES**

Table 4.1 Gender of the respondents .....	25
Table 4.2. Age of the respondents .....	26
Table 4.3 Usefulness of Performance Contracting .....	28
Table 4.4 management perception of performance contracting process.....	30
Table 4.5 Factors influencing management perception .....	33

## ACRONYMS AND ABBREVIATIONS

<b>GoK</b>	-	Government of Kenya
<b>KeRRA</b>	-	Kenya Rural Roads Authority
<b>OECD</b>	-	Organization of Economic Co-operation and Development
<b>PC</b>	-	Performance Contracting
<b>PCSC</b>	-	Performance Contracting Steering Committee
<b>SOE</b>	-	State Owned Enterprises.

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

Organizations, both private and public, have moved from emphasis on processes to results. One of the innovative strategies adopted by public sector is performance contracting as part of the results based management. This paper critically looks at management perception of performance contracting. According to GoK (2005) a performance contract is a management tool for measuring performance targets. For it to achieve its intended purpose it is important that managers accept it as an important management tool. It is therefore to establish how management how management perceive performance contracts.

Modern firms are faced with the prospect working in a very turbulent environment while ensuring the organization meets its obligations. Scarce resources, numerous regulations and change in customer preferences are just some of the challenges in the external environment. Firms deal with these challenges by setting goals and setting out to achieve these goals in a process known as strategic management. Strategic management is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objective, (Pearce and Robinson, 2009).

Johnson and Scholes (2008) say strategic management is concerned with complexity arising out of non-routine situations within the whole organization. They go on to add that it involves understanding the strategic position of an organization, making strategic choices for the future and managing strategy in action. Organizations prepare for the

future by making strategic plans which spell out organization's direction. DuBrin (2009) describes strategic plans as master plans that shape the destiny of the firm. The plans spell out how the organization adapts to its environment and how it will cope with its future. To manage this process, there should be a smooth transition between actual planning and implementation.

Pressure to focus on results in organizations has forced organizations to think strategically, to put strategic plans into actions, organizations come up with annual work plans or short term objectives. Management are required are required to set targets to which they are held accountable and evaluated against at the end of a stipulated period; usually a year, this is what essentially a performance contract is. Work plans inform the drawing of a performance contract. Performance contracts are commitment by managers of an organization promising to deliver on set out deliverables; it is therefore a tool for ensuring that strategic plans are implemented.

The need for increased economic performance and improved service delivery has necessitated the requirement of strategic plans in all public agencies to ensure shared vision and objectives. The process of performance contracting has become entrenched as a practice in the public sector. Kenya Rural Roads Authority's management has been under performance contracting since the financial year 2009/2010. Kurui (2010) states there is continued acceptance of performance contracting in the public sector in Kenya a fact that came out clear in this study.

### **1.1.1 Performance Contracting**

Performance Contracting is a global trend in that has seen management shift focus from organization's processes to outcomes. In this study, a definition by Obong'o (2009), will suffice, he describes a performance contract as a written agreement between government and a state agency (local authority, state corporation or central government ministry) delivering services to the public, wherein quantifiable targets are explicitly specified for a period of one financial year (July to June) and performance measured against agreed targets. The Performance contract is part of the broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs.

Organizations are always continuously improving themselves by coming up with new strategies. Pearce and Robinson (2009) state that formality in strategic planning aids a firm in achieving its goals, while Strategic planning sets out the firms vision, performance contracting reinforces its implementation. Managers are tasked with ensuring organizations achieve their objectives and commit this by signing a performance contract which binds to achieve targeted performance. Performance contracting can therefore be seen as an essential tool in managing performance.

According Kiboi (2006) the objective of performance contracting is to control and enhance employee's performance and thus the performance of the whole institution. This is because by setting out goals of the organization it becomes easy to point out which input relate to what output. Performance contracting is therefore meant to increase

accountability, increase responsiveness and transparency, and reduce reliance on exchequer.

According to Mungai (2010) employers view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day to day management to the managers themselves. Langat (2006) asserts that the widely accepted rationale for performance contracting is that public agencies have multiple objectives and multiple principals. These fuzzy objectives lead to poor financial performance and performance contracting is a tool for remedying that, by agreeing to preferred objectives which the owner would like to achieve.

### **1.1.2 Management Perception**

Perception is our understanding of the world around us based on our interactions with the world. Cole (2004) states that perception appears to encapsulate a mental or cognitive activity that receives, processes and interprets rightly or wrongly the host of external stimuli that impinge on everyone's lives. Perception adds meanings to information that we gather through the five senses of touch, smell, hearing, vision and taste therefore enabling us to give more meaning to our environment.

Perceptions are developed over time and may change as new information and experiences are acquired. Perceptions are influenced by personal traits, educational level, previous experiences and people's tolerance to change. Nelson and Quick (2008), state that the

major categories of factors that influence perception are the individual's characteristics, the characteristics of the target (perceived), and the characteristics of the situation.

Perception is important because people simply behave based on their perception of what reality is the world as it is perceived is the world that is behaviorally important (Judge and Robbins, 2011). The management of any organization makes crucial decisions everyday which are meant to drive the organizations objectives especially when an organization is undergoing change. Virtually all management activities rely on perception, it is imperative therefore that the perception of management be understood to avert any future crises in organizations.

### **1.1.3 The Public Sector in Kenya**

The public sector is a part of the state that deals with the production, delivery and allocation of goods and services by and for the government or its citizens, whether national, regional or local/municipal. The public sector plays a critical role in any society and it has become quite clear in the recent past that the performance of the public service mirrors the national economy. To increase performance of the public service, most governments and scholars alike, have seen the need for strategic thinking in public management. Obong'o (2009) says the introduction of performance management/results based management is meant to ensure that the public sector is transformed into being more focused and responsive to the needs of those it serves.

The public sector in Kenya has been as moving away from the “things are done this way here” to adapting to reforms that are meant to concentrate more on output. This is in line with Vision 2030. The ‘Kenya Vision 2030’ is seen as the country’s new development blue print whose vision is to create a globally competitive and prosperous nation with a high quality life by 2030. This reforms focusing on governance and accountability were caused by many factors which include; economic pressure, greater economic interdependence with private and international entities and the citizenry being more aware of their rights for good service delivery.

In the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 policy document, the government accords high priority to economic recovery and improving the performance of public service to deliver results to the people ( GoK, 2003) Gretschman (1990) notes that when the goals of the public sector organizations are ambiguous and multiple ones, then it will become hard to fully specify which inputs relate to what output. The goal of the public sector reforms programme in Kenya is the restoration of a sector well equipped to play its role national development. It concerns rationalizing and re-invigorating the organization’s structure and management of the service together with its staffing and remuneration so as to enhance performance (GoK, 2001).

The need to improve performance of public sectors and increase accountability saw the introduction of performance contracts as part of the wider public sector reforms in 2004. Kobia and Mohammed (2006) say the performance contract is one element of the broader



public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs. For a long time the public service in Kenya was known for its poor performance and culture of indifference. Introduction of public sector reforms have however changed this mindset. These reforms are rooted in new public management; involve being market oriented and outward looking. In being market oriented, all public institutions are now required to have a public relations office that is supposed to help foster good external relations between the public service and all its stakeholders. (Akaranga, 2008).

#### **1.1.4 Kenya Rural Roads Authority**

Kenya rural roads authority is a state corporation whose mandate is to offer guidance in the construction, maintenance and management of the rural road network. It is a parastatal under the Ministry of Roads established in 2009. Like many new parastatals it is largely autonomous. KeRRA is mandated by the Kenya Roads Act, 2007 to develop construct and maintain the rural road network comprising of approximately 130,000KM out the total 160,000 KM of road network in the country (Kenya Infrastructure Directory, 2011). Roads sector improvement is a phenomenon that has become synonymous with the current government. Infrastructure is expected to play a major role in achieving social and economic goals in accordance with the Kenya Vision 2030.

The Public service and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy (Kobia and Mohammed, 2006). This fact forms the basis for putting all parastatals under

performance contracts to improve their performance. KeRRA first signed a performance contract in the financial year 2009/2010. Performance contracts have enjoyed immense political goodwill and the results of the ranking of organizations in the public sector have is usually a key national affair that has been attended by the President of Kenya.

McHugh (1996) states that major cuts in government spending and the ever increasing demands for efficiency, effectiveness and service quality have impacted upon public sector reforms. Over the years, Kenya government has been introduced various strategies to improve the performance of the public service. These strategies include; Structural Adjustment, Privatization, Commercialization, Contracting out, and New Budgeting and Planning Systems. These strategies did not however improve performance. Performance contracting in Kenya was introduced in 2004, as part of the wider public reforms in Kenya. A Performance Contracts Steering Committee (PCSC) was set up to coordinate its implementation and provide technical assistance to performance contracting parties.

## **1.2 Research Problem**

All organizations function as open systems and are prone to the effects of the environment. Lynch (2009) states that the public sector has with time started adapting strategies used in the private sector. This has been emphasized by New Public Management taking root in public administration. Performance contracting is a central principle in new public management that is meant to attune management to a results oriented way of thinking. Larbi (1999) says that management approach in crisis states is the increasing resort to performance contracting as an instrument to reform state-owned

enterprises. Most new innovations in organizations are viewed with distrust and skepticism, while others may not be fully understood. It is therefore of paramount importance to understand how the new innovation is perceived.

Kenya Rural Roads Authority having been gazetted in 2009 has a mandate of 82.2% of all Kenyan Road Network. It plays a major role in the national development and therefore like other key government institutions there is immense pressure for it to perform, KeRRA started signing performance contracts in 2010. All the heads of departments are required to sign a performance contracts and there is a specific office formed to facilitate this. This goes a long way to show how performance contracting has been embedded in the public service organizations.

Various studies have been done regarding performance contracting, (Kiboi, 2006; Korir, 2005; Mungai 2010; Kurui 2010; Magu 2011). These studies reveal that performance contracting is a widely accepted tool of management in the public sector. Mungai, (2010) studied factors influencing performance contracting at Nakuru Municipal Council; Kiboi (2006) studied management perception of performance contracting in state corporations in Kenya while Korir (2005) studied the impact of performance contracting in state corporations in Kenya; a case of East African Portland Cement. Kobia and Mohammed (2006) while presenting their findings recommended that there was need for further study on public servant's perception on the role of performance contracting in improving service delivery.

Kurui (2010) studied management perception of performance contracting at the University of Nairobi. His findings however may not be applicable at Kenya Rural Roads Authority. This is due to difference in management in different context, KeRRA also. has a different core business from the University of Nairobi. Given the critical role that perception plays in shaping behavior, it is important to establish management perception in various government institutions. What is management perception of performance contracting at Kenya Rural Roads Authority?

### **1.3 Research Objectives**

The objectives of the study were to:

- i) Establish the management perception of performance contracting at Kenya Rural Roads Authority.
- ii) Determine the factors that influence management perception of performance contracting at Kenya Rural Roads Authority.

### **1.4 Value of the Study**

This study will add to the existing body of knowledge with regard to public sector reforms, specifically performance contracting in Kenya and open other areas of study.

This study will not only be a reference point for other Government departments but also organizations in the private sector with regard to strategy implementation.

The study will highlight the management perception of performance contracting and therefore will serve as feedback for the Government of Kenya in implementing

performance contracting, specifically the implementing body, Performance Contracting Steering Committee (PCSC).

This study will unearth strategic issue management in the public sector, such as strategy choice and analysis, and strategy implementation and hence add more knowledge to the discipline of strategic management.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents the literature, theories and empirical studies that were reviewed to provide a basis for the study. The specific areas covered are the concept of strategic management, performance contracting, management perception of performance contracting and performance based management.

### **2.2 Strategic Management**

Strategy in organizations has been defined differently by different scholars, however there is a general agreement that it underpins future oriented plans that enable the organization to survive in its operating environment. Strategic Management is defined as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objective. Massie (1996) points out that strategic management is a process that involves strategic analysis, strategy development and strategy implementation. Looking at strategic management as a continuous process has the implication that organizations should evaluate all its strategies and corrective action taken regularly.

Strategic management is important in every organization as it enhances a firm's ability to prevent problems by planning for the future. According to Pearce and Robinson (2011), Strategic Planning sets grand strategies which are usually long term. Using the strategic management approach, managers at all levels of the firm interact in planning and implementing strategies. It should be seen as a continuous process where implemented

strategies are evaluated and corrective action taken. The planning process involves coming up with long range plans or grand strategies.

To make the grand strategies more realistic, short-term objectives are set; they are measurable objectives achievable in one year. Short-term objectives or work plans assist Strategy Implementation by identifying measurable outcomes of action plans or functional activities which can be used to make feedback, correction and evaluation more relevant and acceptable. Performance contracts are guided by the work plans. Management negotiate performance targets which they are evaluated against at the end of the year. By signing the performance contracts the management agree to adhere to a set standard of performance. This is meant to increase organizational performance and make managers more accountable.

### **2.3 Performance Based Management**

Armstrong and baron (1990) define performance management as a strategic approach to delivering successful results in organizations by improving performance and developing the capabilities of terms and individuals. Performance Management aims at improving management effectiveness and accountability by defining realistic expected results, monitoring progress toward the achievement of expected results, integrating lessons learned into management decisions and reporting on performance.

In an effective performance management system, achieving results and continuous improvement based on performance information is central to the management process.

More and more organizations are moving from focusing on processes to focusing on results achievement. The key elements of performance based management are; performance target setting, performance planning, performance monitoring and evaluation and Performance appraisal.

Jomsoy (2003) says most organization's primary focus on performance management is to fairly rate employees based on their performance and potential and then use this information to implement consistent and equitable compensation. This assessment is done once or twice a year through a performance appraisal. There is need however to ensure that the assessment is deemed fair by the employees and the compensation is commensurate with performance.

## **2.4 Performance Contracting**

Performance contracting is a management tool that focuses on results rather than processes. Performance contracts have their origins in the general perception that the performance of the public service has consistently fallen below public expectations. In line with the new institutionalist perspective in public sector management reforms, as reflected in agency and public choice theories, and in the policy prescriptions based on them, performance contracting between governments and SOEs is increasingly being applied as an instrument for restructuring SOEs and for managing the government-SOE interface, (Larbi,1999).



Two major challenges for improving the performance and productivity of the public service are those of refining organizational mandates and structures and strengthening management. The objectives must be transformed from a passive inward looking bureaucratic style of management to one that is outward looking and results oriented that seeks 'customer satisfaction' and 'value for money'. This transformation will require dynamic, mutually supportive reform to both human resource and finance and budget management.

Performance contracting is by and large a part of new public management that has seen a major shift in managing public institutions. Larbi (1999) advocates for new public management in public sectors, arguing that the dividing line between public and private sectors will diminish or be blurred and the same good management practices will be found in both sectors. This fact is supported by Obong'o (2009) who observes that performance contracting was introduced to not only improve service delivery but also to refocus the mindset of public service away from a culture of inward looking towards a culture of business focused on customer and results.

Performance contracts are meant to improve performance by setting targets. According to GoK (2005), the underlying objective performance contracting is to align strategic plans, annual work plans and budgets of public agencies in order to improve accountability while focusing resources on the attainment of key national policy priorities. By listing the key result areas it becomes easy for management to make decisions on actions to be taken. Jackson (1988) argues that studies of successful organizations in both the public

and private sectors conclude that high performance is among other factors associated with management having clear objectives that are set in terms of measurable indicators. This concept is reiterated in the concept of performance contracting premise of 'what gets measured gets done'.

A typical performance contracting system should have three subsystems: Performance Information System; Performance Evaluation System and Performance Incentive System. These three systems may be grafted onto existing institutions or separate agencies set up specifically to handle the tasks (OECD, 1999). The evaluation system should be seen as fair otherwise there is bound to be a sense of disgruntlement. The system of ranking public enterprises on the basis of their performance has been found to be effective in many countries due to the use of a composite score with key performance indicators. The composite score is a key concept in the Performance Agreement exercise. It measures the ability of the managers of government agencies to meet their commitments.

## **2.5 Strategic Planning and Performance Contracting**

Strategy Implementation should be best be looked at part of the process that firms go through in an effort to achieve their goals. Strategic management took root in the late 1950's when firms invented a systematic approach to deciding where and how the firm will do its future business. Thompson and Strickland (1992) state that strategy implementation consists of seeing what it will take to make the strategy work and reach the targeted performance on schedule. Strategic planning is part of the wider strategic

management process. Massie (1996) says the need for planning becomes more obvious as persons and organizations develop an awareness of the precise nature of their objectives.

Most organizations are involved in formal strategic planning where they define strategy and allocate resources towards its attainment for a period of time. While strategic planning has gained root it has not resulted to organizations achieving their objectives. Early results of the adoption of strategic planning were disappointing as it was poorly understood by the involved managers and perceived as another form-filling exercise (Ansoff and McDonell, 1991). It is this thinking that has informed the need for work action plans. Management in organizations come up with action plans, the action plans form the basis for negotiating for performance targets, with managers striving to achieve targets set in the action plan. A Performance contract is therefore management tool for implementing strategy and linking strategic plans and performance contracts has made it easy to implement performance contracting.

## **2.6 Management Perception of Performance Contracts**

Perception is basically how we view the world based on our experiences. Nelson and Quick (2008) observe that perception adds meanings to information gathered our first five senses of touch, smell, hearing, vision and taste. People perceive things differently; two people may witness the same event at the same time but give different accounts of the same event. In an organization, different employees may view an anticipated change differently, depending on how they perceive it will affect them. Perception is important

as it determines behavior hence the management perception of performance contracts will affect how managers regard the performance contracting process.

Cole (2004) points out three elements influencing perception: factors in the perceiver; factors in the situation and factors in the target/perceived. The perceiver's characteristics such as his attitude play a big role in perception; some people have a negative attitude or low propensity for change, so they are bound to resist change consciously or subconsciously. Their experiences also are important, for instance employees in the public sector previously employed in the public sector are more likely to embrace the idea of performance oriented management practices because of their experience in the private sector which is profit oriented.

There are a number of factors that influence management perception of performance contracting. Some of the factors include; regular communication & new information, the leadership of the organization, organizational culture and past individual experiences. Communication and perceptions are interlinked, Mullins (2002) observes that information is very important in the perceptual process and as people receive new information their perceptions are bound to change. In implementing public sector strategy it is important to identify the perceived value added, and ensure that this is communicated to the people involved in the change. New information may also be gained through training, training employees instills confidence make them perceive that they have the ability to deliver what is expected of them.

Managers are the key decision makers in an organization, the decision making process is as a result of evaluating of information. Balogun and Hailey (2008) say that sometimes employees feel that while an organization is undergoing transformation they are being left behind. Involving people in the planned change helps them identify with the change and stop perceiving the change as being imposed on them. Involving them in the in the whole process ensures that they own the process, this is also true with the performance contracting process. Kurui (2010) says that given that a degree of decision making will be allowed by the performance contract, each employee who signs the contract will have to use his skills and whatever else is at his disposal to perform his work. Therefore they experience meaningfulness in their work.

The characteristics of the situation as mentioned earlier influences perception. In this case, situation is the work setting and one of the characteristics is culture. Culture is how we do things; in an organization it is resonated by statements such as ‘this is how things happen here’. The concept of culture was alluded to as early in the Hawthorne studies which described work group culture. Nelson and Quick (2008) describe culture as a pattern of basic assumptions that are considered valid and are taught to new members as the way to perceive, think and feel in the organization.

Government institutions are not required to post profits like companies in the Private Sectors, their main business is service delivery. This may be the reason for the culture of laxity and inefficiency that has long been associated with the public service. Implementation of results oriented management in the public service should involve

attuning managers to strong cultures. Huczynski and Wehrich (2001) argue that strong cultures facilitate performance because they are characterized by goal alignment, they create a high level of motivation because of the values. They also add that strong cultures provide control.

Organizational culture is important because it shapes behavior, provides a sense of identity and reinforces value. While it is difficult to directly change behavior, altering organization's culture may manipulate actions. Goal setting is one way of doing this, the goal setting theory of motivation has implications on management methods which focus on the achievement of agreed or negotiated performance targets. This theory proposes setting challenging and specific goals; involving management in goal setting and feedback on performance. Cummings and Worley (2009) argue that goal setting affects performance by influencing what people think, focuses their behavior in the direction of the goals, energizes behavior and prompts persistence over time.

Organizational leadership also influence performance of performance contracting, effective leadership ensures shared purpose and commitment to change. Cole (2004) describes leadership as essentially a process in which one individual, or sometimes a small group of individuals, influences the efforts of others towards achievement of goals in a given set of circumstances. Performance contracts are signed at different levels, the first level is between the government and the board of directors, the permanent secretary representing the parent ministry signs with one independent director on behalf of the board. The board subsequently signs a performance contract with the chief executive to

transfer the responsibility of achieving the targets to the management. Commitment to the performance contract by top leadership is a big factor in ensuring the management perceive the contracts as an effective management tool.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the methodology that was used to carry out the study. It further describes the research design, type and source of data, research instruments that was used to collect data. It also describes the target population and the data analysis method.

### **3.2 Research Design**

The design that was used was cross sectional descriptive survey because it focused at one point in time. All the members of the population were surveyed because the number of managers who sign the performance contract is relatively small. Cooper and Schindler (2010) describe a survey as a measurement process used to collect information during a highly structured interview.

Zikmund (2003) says surveys provide quick, inexpensive, efficient and accurate means of accessing information about the population. The greatest strength of a survey is its versatility; all abstract information can be gathered by questioning others.

### **3.3 Population of Study**

This study target the management at Kenya Rural Roads Authority The number of managers who were under performance contracting at as at 30.04.2012 is 11, 4 departmental heads and 7 sectional heads. This being a small number, all the managers were surveyed. All the managers are based were based at the office headquarters in Nairobi.



### **3.4 Data Collection**

The data was collected using a semi-structured questionnaire. The questionnaire was administered through a 'drop and pick' method. This instrument was used because it is appropriate for eliciting prompt responses, it enables collection of a large amount of data and it also ensures that similar data is collected from a group then interpreted comparatively.

The first section dealt with the background information of respondents; section II with the usefulness of performance contracting; section III dealt with the process of performance contracting while section IV dealt with factors that influence management perception of performance contracting.

### **3.5 Data Analysis**

All the responses from the managers were thoroughly checked and compared with each other to check for patterns and relationships and also to check for errors and consistency.

A 5-Point likert scale was used to measure perception indices. Descriptive statistics, such as frequencies and percentages were used for quantitative data analysis. Tables were used to present the findings. Since some of the data collected was qualitative in nature, the researcher used content analysis.

## **CHAPTERFOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1. Introduction**

This chapter presents data findings from the field work. The data was collected using a semi-structures questionnaire. The objectives of the study were to establish the management perception of performance contracting and determine what factors influence these perceptions. This chapter includes the demographic statistics, performance contracting at KeRRA, usefulness of performance contracting and management perception of performance contracting.

### **4.2 Demographic Profiles**

All the questionnaires distributed were filled and returned representing a 100% response rate. The demographic statistics used here sought to unearth background information of individual managers. The profiles checked were, gender, age, department that the manager worked in and the length of time they had worked in that position.

#### **4.2.1 Gender of the Respondents**

The study sought to find out the gender of the respondents because gender may have an effect on perception.

**Table 4.1 Gender of the respondents**

	<b>Frequency</b>	<b>Percent</b>
Female	4	36.36%
Male	7	63.64%
Total	11	100.0

**Source: Research Data (2012)**

Table 4.1 shows that 36.36% of the respondents interviewed were female with 63.64% of the respondents being male. There were more male managers than female managers. While the difference in the numbers of managers is significant, there was no correlation between the gender and perception.

#### **4.2.2 Department in the organization**

The study sought to find out the position which the respondent held at the Kenya Rural Roads Authority. The study had targeted the heads of departments who sign performance contracts in the organization. All the departments filled the questionnaires and returned them promptly.

#### **4.2.3 Length in the position**

The study sought to find out how long the respondent had worked with KeRRA in their position, this being a relatively new parastatal the respondents had been with the organization since it was started. The average length of time at the time of the study was

3 years which was age the organization. There had not been any staff exits, indicating a level of loyalty from the management.

#### 4.2.4 Age of the respondents

The study sought to establish the ages of the managers at KeRRA, the findings are presented in Table 4.2

**Table 4.2. Age of the respondents**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>
31-35	3	27.27%
36-40years	2	18.18%
41-45years	1	9.10%
46-50	2	18.18%
50-55	3	27.27%
TOTAL	11	100%

**Source: Research Data (2012)**

Table 4.2, the age of the respondents was concentrated on the ages 31-35 and 50-55; there were more managers below the age of 45, showing a younger breed of managers in the public service. Younger managers may perceive new strategies more positively than old managers.

### **4.3 Performance Contracting at Kenya Rural Roads Authority**

KeRRA is one of the four parastatals under the Ministry of Roads. It is mandated by the Kenya Roads Act, 2007 to develop, construct and maintain the rural road network comprising of a total 130,000 KM out of a total 160,000 KM Of roads in Kenya (Infrastructure Directory, 2011). KeRRA first signed performance contracting in the financial year, 2009/2010. Each departmental or sectional head signs the performance contract committing to achieve the targets.

The performance contracts are signed at the beginning of the financial year and are informed by the strategic plan. All the managers are involved in negotiating and setting the targets. The General Manager Planning, is in charge of performance contracting in the organization, handling any internal communication regarding performance contracting. There is a quarterly report filed by the managers outlining on the targets achieved so far. This is appropriate as it regularly checks the progress of performance.

### **4.4 Usefulness of Performance Contracting**

This section sought to establish the perceived impact of performance contracting, the respondents were given different factors and asked to rate using a 5- point Likert scale. Based on this scale a mean score of 0-1.4 denotes strongly agree; 1.5-2.4 denotes agree; 2.5-3.4 denotes neutral; 3.5-4.4 denotes disagree and 4.5-5 denotes strongly disagree.

Table 4.3 presents findings of management perception of the usefulness of performance contracting, a more detailed discussion of the findings is presented later.

**Table 4.3 Usefulness of Performance Contracting**

<b>Factor</b>	<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Mean</b>	<b>Standard deviation</b>
Cost	Strongly agree	3	27.27%	2	0.77
	Agree	5	45.45%		
	Neutral	3	27.27%		
	Total	11	100%		
Motivation	Strongly agree	4	36.36%	2	1
	Agree	4	36.36%		
	Neutral	2	18.18%		
	Disagree	1	9.09%		
	Total	11	100%		
Timely road completion	Strongly agree	5	45.45%	1.8	0.98
	Agree	4	36.36%		
	Neutral	1	9.09%		
	Disagree	1	9.09%		
	Total	11	100%		
Culture	Agree	6	54.54%	2.6	0.81
	Neutral	3	27.27%		
	Disagree	2	18.18%		
	Total	11	100%		
Job satisfaction	Strongly Agree	3	27.27%	2	0.89
	Agree	6	54.54%		
	Neutral	1	9.09%		
	Disagree	1	9.09%		
	Total	11	100%		

**Source: Research Data (2012)**

From the findings presented in Table 4.3, the respondents agreed that performance contracting had helped save on costs in the organization, the mean was 2. This is in line with the aim of the introduction of public sector reforms of cost cutting and increasing efficiency. The respondents were also asked to rate the impact performance contracting had on the level of motivation. They agreed that indeed performance contracting had impacted on the level of motivation in the organization. The

mean of the responses was 2, setting goals gives the managers a clear sense of what is expected of them and puts pressure on them to achieve those goals.

Kenya rural roads authority has a mandate of 82.2 % of the total road network, a great responsibility by any standard. Asked whether performance contracting had impacted on the timely completion, respondents agreed that performance contracting had facilitated timely completion of road projects. The mean response was 1.8. This is in line with aim of introducing the contracts in the public to increase efficiency.

Culture plays a big role in any organization. The respondents answer to how performance contracting had a mean of 2.6 which denoted neutrality. Slightly more than half of the respondents agreed that the working culture had been impacted with the rest being neutral or disagreeing that performance contract had had any impact on culture. This being relatively new parastatals the managers may not a big backdrop against which to compare culture.

Another factor was job satisfaction, the study sought to establish whether the managers experienced a higher level of job satisfaction. The mean was 2, indicating that the managers enjoyed a higher level of job satisfaction. Some scholars have argued that motivators such as achievement, recognition, responsibility and advancement can create job satisfaction. Making managers more accountable and in control can help increase job satisfaction.

## 4.5 Management Perception of the Process of Performance Contracting

This section sought to gauge the perception of the process of performance contracting. The respondents were given different aspects of the process and asked to rate their experiences using a 5- Point Likert scale. The findings are presented in Table 4.4 and a later a detailed discussion of the findings is presented.

**Table 4.4 Management Perception of the Process of Performance Contracting**

Aspect	Response	Frequency	Percentage	Mean	Standard deviation
Involvement in target negotiation	Strongly agree	8	72.72%	1.2	0.47
	Agree	3	27.27%		
	TOTAL	11	100%		
Budget allocation	Agree	3	27.27%	3.1	0.99
	Neutral	4	36.36%		
	Disagree	3	27.27%		
	Strongly disagree	1	9.09%		
	TOTAL	11	100%		
Tedious process	Disagree	2	18.18%	4.8	0.40
	Strongly disagree	9	81.815		
	TOTAL	11	100%		
Overall support by leadership	Strongly agree	8	72.72%	1.3	0.47
	Agree	3	27.27%		
	TOTAL	11	100%		
Fair ranking of public service organizations	Neutral	2	18.18	4.2	0.75
	Disagree	5	45.45		
	Strongly disagree	4	36.36		
	Total	11	100%		
Adequate reward system	Agree	3	27.27%	3.3	0.97
	Neutral	3	27.27%		
	Disagree	4	36.36%		
	Strongly disagree	1	9.09%		
	Total	11	100%		

Source: Research Data (2012)



Table 4.4 presents the findings of the management perception of the process of performance contracting, the findings are discussed in detail.

All the respondents strongly agreed that they were highly involved in the negotiating for targets also agreed the set targets were realistic and clear. The mean score was 1.2 denoting strong agreement. The managers perceive that they are highly involve in target setting. Performance contracts are based on the annual work plans. Since it is the managers who sign the performance contracts it is essential they are involved in the process of setting the targets, this way the managers do not feel like the targets are imposed on them.

Asked whether the process of performance contracting was tedious, the mean score was 4.8 denoting strong disagreement. The respondents did not think the performance contracting process is tedious agreeing with earlier findings that it has been embraced as a management tool in the public sector. The respondents agreed that the leadership of the organization supported performance contracting, the mean score was 1.3. This denotes that the managers strongly perceive that the top leadership of KeRRA supports them with regard to the process of performance contracting. The leadership of the organization should provide the vision of the organization.

Asked whether the ranking of the public service organizations was fair the mean response was 4.2. This denoted that the management did agree not that the ranking was fair, this can be attributed to the fact that parastatals in different sectors encounter different issues. The ranking that is published every year is usually officiated by the president or the

prime minister. Ministries are ranked separately, parastatals separately then the local authorities also get their own category. The respondents did not think there was an adequate reward system for good performance and target achievement. The mean score was 3.3. The performance contracting steering committee should engage all the managers and establish why they perceive the reward system that way.

#### **4.6 Factors influencing Management Perception of Performance Contracting**

This question meant to establish the factors influencing management perception of performance contract. The respondents were given factors and asked to rate them, 1 indicating strong agreement, and 5, strong disagreement. The findings are presented in Table 4.5; a detailed discussion is discussed after that.

**Table 4.5 Factors influencing Management Perception of Performance Contracting**

Factor	Response	Frequency	Percentage	Mean	Standard deviation
Culture	Strongly agree	3	27.27%	1.9	0.70
	Agree	6	54.45%		
	Neutral	2	27.27%		
	TOTAL	11	100%		
Leadership of the organization	Strongly agree	6	54.54%	1.5	0.52
	agree	5	45.45%		
	TOTAL	11	100		
Regular communication	Strongly agree	6	54.54%	1.5	0.69
	Agree	4	36.36%		
	Neutral	1	9.09%		
	TOTAL	11	100%		
Attitude of other managers	Strongly agree	2	18.18%	2.1	0.83
	Agree	7	63.63%		
	Neutral	1	9.09%		
	Disagree	1	9.09%		
	TOTAL	11	100%		
Personal experience	Strongly agree	3	27.27%	1.8	0.6
	Agree	7	63.63%		
	Neutral	1	9.09%		
	TOTAL	11	100%		

**Source: Research Data (2012)**

The respondents agreed that the organizational culture and the organizational leadership influenced their perception of performance contracting. The mean response was 1.9, denoting agreement. There is a paradigm shift in the public sector, where focus is on results achievement. The respondents strongly agreed that the organizational leadership

has influenced their perception of performance contracts. The mean score was 1.5. Since the leaders themselves signed performance contracts it is profiled to the managers. Good organizational leadership may also be shown by leadership providing adequate resources, regular interaction with the management.

Asked how regular communication influenced their perception of performance contracting, the respondents strongly agreed that regular communication and new information had a huge influence. The mean response was 1.5 denoting that they agreed that communication influenced their perception. Regular interaction and feedback is very essential. The communication should be two-way where the managers are allowed to voice their opinions during workshops and appraisals, this way decisions are not viewed as 'orders from above'.

The respondents agreed that personal experiences influence their perception giving it a mean score of 1.8. Past individual experiences play a key role in shaping perceptions. Positive experiences such as free negotiation of targets, is a major factor in facilitating acceptance of performance contracting in the public service. Negative experiences on the other hand will fuel negative perceptions.

The respondents strongly agreed that the attitude of other managers influence their perception of performance contracting. The mean score was 2.1. KeRRA is a large organization and managers are bound to interact in their daily activities in the organization. People's attitudes are highly influenced by people they interact with. There

is therefore to ensure that all managers are on board when it comes to the strategy of performance contracting.

#### **4.7 Factors that affect Implementation of Performance Contracting**

This question was open ended and sought to find out what factors the managers thought affected the implementation of performance contracts at KeRRA. The data obtained was qualitative in nature, content analysis was used to analyse the data. The responses were coded and the ones listed were the most dominant.

Successful implementation of strategies is achieved through systems that plan and control the allocation of resources and their utilization. Like most parastatals KeRRA is financed by the government. Respondents stated that budgetary constraints was a factor hindering implementation of performance contracts. Delays in release of funds means that the set targets will not be achieved at the stipulate period. The management felt the government should avail more resources to facilitate achievement of targets.

Another factor that was mentioned was political interference that is rife within the public sector. Political influence may play in the management of the public sector and may also influence funds allocation. Frequent political interference may bring a low morale in decision making in the organization especially when the managers decisions are never implemented. Some changes are associated with a certain government and a change of the government of the may hinder or downplay the implementation of some strategies.

The respondents also stated that there was need to cascade performance contracting to all the staff in the public sector. At the time of this study only top managers were under performance contracting. This would ensure that all employees are accountable for their performance and not just the management of the organization. This will also ensure that the culture of results achievement streams across the whole organization.

#### **4.8 Discussion**

The way in which decision makers perceive a situation will largely determine the decision making strategies that they employ. Robbins and Judge (2007) define perception as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. Introduction of performance contracting was meant to make managers more accountable for their decisions. For performance contracting to work the managers must perceive it positively. They must view it as being relevant and not just another strategy imposed on them.

The study established that performance contracting has saved on costs and increased efficiency at KeRRA. It had also facilitated timely road completion. These findings agree with findings of Kurui (2010) at the University of Nairobi that performance contracting had increased efficiency and effectiveness of service delivery. The respondents are however neutral on the impact of performance contracting on the culture.

The managers perceived that the level of motivation had increased with the introduction of performance contracting. Nzuve (1999) defines motivation as the willingness to exert

high level of effort to achieve organizational goals conditioned by some individual need. The study agrees with his findings that one of the ways to motivate employees is setting targets and communicating the team's objectives. When goals are set at the beginning of the year, the knowledge that performance appraisals will be done against them usually exerts pressure on the manager to perform. The study established that managers were more satisfied with their jobs agreeing with the earlier findings of Kurui (2010).

The managers did not perceive the process of performance contracting as being tedious. They also pointed out that they are involved in negotiating for targets. Capon (2008) argues that all staff in organizations have some control over the planning of their work, to either a greater or lesser extent. By involving the managers in negotiating the targets, they own the goals and understand more clearly what is expected of them. The goals should set be also be specific, measurable, attainable, realistic and timely. The targets in the performance contract are usually timed for one year after which evaluation is done. Managers interviewed had no problems with the process of performance contracting and pointed out the targets in the contracts were clear.

Findings from the study indicate that there is overall support of the process of performance contracting by the managers. Good leadership cascades to the whole organization and is persuasive at implementing strategy to achieve tangible results. In the public service, the leadership leads by example when it comes to signing the performance. The permanent secretary in each ministry signs a contract with the minister, which in the directors of the parastatals signs a contract with the permanent secretary.

The fact that the top leadership also signs performance contracts sets the pace for the management to follow. These findings are supported by Kiboi (2006) who says a leader's effectiveness is enhanced by the reduction of employee dissatisfaction, effective delegation and empowerment. Since these are not static any one point, she adds, that it follows therefore that leadership, as a process is dynamic.

Kervusdoue (2007) points out that no one would disagree that performance evaluation is necessary in public affairs. Governments and their bureaucrats must be accountable to their citizens about all use of taxes and public funds. After the end of the contracting period, normally one year, the results are announced to the public, this is meant to enhance transparency in the public sector. The performance indicators used during evaluation are; Compliance with the strategic plan, development of a service charter, corruption eradication, disposal of idle assets and Customer satisfaction survey.

Pearce & Robinson (2010) define feedback as the analysis of post implementation results that can be used to enhance decision making in the future. Being a parastatal, Kenya Rural Roads Authority is ranked together with other state owned enterprises, this is seen as being a problem as different sectors encounter different issues. The study indicated that there was need to change the perception towards the ranking of the public sector organizations. The reward system should be modified to be more commensurate with performance.



The study concluded that regular communication and new information about performance contract influence their perception of performance contracting. To get any programme off to good start communication is vital, regular communication and feedback on issues of performance contracting should be held. Communication should be bottom up, top-down, horizontal and within departments. Ways of communicating include using the media, both internal and external, presentations, training workshops ranging from management workshops and team meetings where issues are discussed and solutions aired.

The managers agreed that individual experience also influenced their perception, prior experiences can help in selecting an appropriate solution if the learning experience applies to the current problem (Organ and Bateman, 1991). Other factors that influence their perception is organization culture. There is paradigm shift in the public sector where the focus is on setting clear goals and achieving them. Entrenching a strong culture that emphasizes on results achievement is a key issue in the implementing performance contracting.

There was a general agreement that implementation of performance contracts was being hindered by lack of adequate resources agreeing with the findings of Mungai (2010) that some of the challenges of performance contracting is inadequate finance. Lynch (2009) says budget allocations for a period of time can be crucial factor in strategy implementation, the difficulty is such that budgets are subject to political pressures. This is especially true in the public sector when it comes to financing targets on 'non core operations' such as automation. Money and resources must be availed in order to

translate the strategic plans into programmes of action. There is also need to put all staff under performance contracting so that all employees are held accountable for their performance.

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of key data, conclusions from the findings highlighted and recommendations made. The conclusions and recommendations were drawn with the aim of achieving the research objectives of establishing management perception at Kenya Rural Roads Authority and determining what influences these perceptions.

### **5.2 Summary of Findings**

The goal of public sector reforms in Kenya was to shift the focus from operations to results in the public service organizations. The study established that indeed performance contracting had impacted on cost saving and helped streamlined operations. Performance contracting has also increased the level of job satisfaction thus agreeing with the findings of Kurui (2010). It was indicated that the managers perceive performance contracting as a useful management tool.

There is need to provide adequate information with regard to performance contracting. Regular communication was rated as strongly influencing the perception of managers at Kenya Rural Roads Authority. Feedback from managers such with regard to ranking of public service organizations and reward of achievement should be taken into account in future and change management perception. In order to successfully implement performance contracts adequate financial resources should be provided. There is also need to entrench performance contracting in the entire staff in the public sector.

### **5.3 Conclusion**

This study had sought to establish management perception of performance contraction at Kenya Rural Roads Authority. The study concluded that performance contracting is regarded as being useful in the public sector and had indeed achieved its objectives of increasing accountability and efficiency in the public service. The study concluded that there immense support of performance contracting by the leadership which has reinforced the positive perception of management towards the contract.

The study also concluded that regular communication is important in changing the management perception of performance contracting. Although performance contracting has been well embraced in the public sector, there is need to address some of its aspects. These aspects may create a negative attitude towards the process of performance contracting. The study established that ranking of public service organizations and budgetary allocations needed to be addressed.

The performance contracting steering committee has come up with sectoral standards, where organizations in different sectors are rated differently, this should address the perception of unfair ranking. The study concluded that there should be matching of budgets with the set targets. The study agrees with other previous studies that managers have a positive perception towards performance contracts.

## **5.4 Recommendations for Policy and Practice**

Kenya rural roads authority is a very key parastatals whose mandate in developing infrastructure, plays a major role in the national economy growth. There is increased pressure to perform especially with the focus on results rather than operations. The managers agree that performance contract is an effective management tool. There is need however to fully entrench the concept of performance contracts by ensuring that contracts are signed by a specific period in the calendar year. These findings indicate that performance contracts have widely been accepted as a management tool in the public service, there is need however to streamline its usage like ensuring that performance contracts are signed by a specific date in the calendar year.

Communication and regular meetings will go a long way in ensuring the performance contracts serve their purpose of increasing efficiency in public service organizations. Communication can help change any negative perception towards performance contracts. Regular feedback on performance contracting should be able to gauge whether it is whether it is an effective management tool and whether the managers still find it relevant.

The reward system in the public sector should be in tandem with the results, this will not only motivate the managers to achieve targets but will also reinforce the concept of performance contracting. If rewards are to improve performance, there should be a clear connection between specific performance and the rewards.

## **5.5 Limitations of the study**

The study focused on the management perception at Kenya Rural Roads Authority which is a parastatal in the Ministry of Roads. The study did not consider other parastatals. The results may not be applicable to other parastatals or the entire public service. The findings may not reflect the management perception of the performance contract in the entire public service. Perceptions also change with time and future studies will gauge how management perception has changed.

The study did not gauge extensively the effect of performance contracting on performance, a study that may involve gathering information from all stakeholder groups, the customers, employees, suppliers and the broader community. This study used a cross-sectional design, focusing at only one point in time and therefore its findings may over time.

## **5.6 Suggestion for Further Research**

There is bound to be different perceptions in different parastatals. It is therefore important to carry out research with regards to perceptions in the wider ministry of Roads and the entire public sector. Since the study was only focused at one point in time, a more intensive longitudinal study should be done to establish how management perception has changed over time.

While the respondents of this study perceive the performance contracts as being instrumental in streamlining operations in the public sector. Further research should be

conducted to establish whether there is a correlation of performance contracting on performance of public service organizations.

## REFERENCES

- Ansoff, I and McDonell, E. (1991). *Implanting Strategic Management*. 2<sup>nd</sup> Edition  
Prentice Hall.
- Akaranga, E. M. (2008). *The Process and Effects of Performance Contracting in Kenyan  
Public Sector*. MBA Project; United States International University (USIU),  
Nairobi.
- Armstrong, M. and Baron, A. (2005). *Managing Performance: Performance  
Management in Action*. London: CIPD.
- Balogun, J. and Hailey, H. (2008). *Exploring Strategic Change*, 3<sup>rd</sup> Edition, Prentice Hall.
- Cole, Gerald.A. (2004). *Management Theory and Practice*. London Thomson.
- Cooper, D. and Shindler, P. (2010). *Business Research Methods*. 11<sup>th</sup> Edition, McGraw  
Hill, International Edition.
- Cummings, G.T. and Worley, G.C. (2009). *Organization Development & Change*. 9<sup>th</sup>  
Edition, Cengage Learning.
- DuBrin, J.A. (2011). *Essentials of Management*. 9<sup>th</sup> Edition, Cengage Learning
- Government of Kenya, (2003). *Economic Recovery Strategy for Wealth and Employment  
Creation*. Nairobi: Government Printer.
- Government of Kenya, (2001). *A Strategy for Performance Improvement*. Nairobi:  
Government Printer.
- Government of Kenya, (2005). *Ministry Human Resources Development Strategy*.  
Government Printers: Nairobi.
- Huczynski, A. and Buchanan, D. (2001). *Organizational Behaviour: An Introductory  
Text*. Europe, Prentice Hall.



- Jackson, P. (1988). The Management of Performance in the Public Sector, *Public Money and Management*, 8 (4), 11-16.
- Jomsy, A. (2003). *Measuring Business Excellence*. London: Hodder and Stoughton.
- Katz, D and Kahn, R.L. (1966). *Organizational Sociology; Social Psychology*. Wiley: New York.
- Kervasdoue, J. (2007). Rating and Evaluating Health Systems: Reinforcing the Partisan Spirit or Investigating the Public Good? Paper prepared for the IPNM workshop, 'Ranking and Rating Public Services', Worcester College, Oxford, 7-9 August 2007.
- Kiboi, A.W. (2006). Management Perception of Performance Contracting in State Corporations. *Unpublished MBA Research project*, School of Business: University of Nairobi.
- Kobia, M. and Nura, M. (2006). *The Kenyan Experience with Performance Contracting*. Nairobi: Kenya Institute of Administration.
- Koontz, H. and Wehrich, H. (2010). *Essentials of Management: An International Perspective*. 5<sup>th</sup> Edition, Tata McGraw Hill.
- Korir, P. (2005). Impact of Performance Contracting in State Corporations; A Case of East African Portland Cement. *Unpublished MBA Research Project*, School of Business: University of Nairobi.
- Kotler, P. (2000). *Marketing Management*. The millennium Edition, Prentice Hall International.

- Kurui, W.K. (2010). Management Perception of Performance Contracting at the University of Nairobi. *Unpublished MBA Research Project*, School of Business: University of Nairobi.
- Langat, S.K. (2006). Factors Necessary for the design of Good Performance Contracts for State Corporations in Kenya. *Unpublished MBA Research Project*, School of Business: University of Nairobi.
- Larbi, G.A. (1999). The New Public Management Approach and Crisis States. United Nations Research Institute for Social Development, *Discussion Paper No. 112*, September, 1999.
- Lynch, R. (2009). *Strategic Management*. 5<sup>th</sup> Edition, England, Pearson Education.
- Massie, J.L. (1996). *Essentials of Management*. 4<sup>th</sup> Edition , Prentice Hall of India.
- Magu, J.K. (2011). Management of Strategic Change in the implementation of performance contracting in the Ministry of Agriculture within Nairobi. *Unpublished MBA Research Project*, School of Business: University of Nairobi.
- McHugh, M. (1996). Managing Strategic change in Public Sector Organizations: A Swedish example. *Strategic Change*, Vol.5;Issue 5.
- Mintzberg,H. and Westley,F. (1992). Cycles of Organizational Change: *Strategic Management Journal*, Vol. 13, Issue 52, Pages 39-59.
- Mullins, J.L. (2002). *Management and Organizational Behavior*. 6<sup>th</sup> Edition, Prentice Hall.
- Mungai, M. (2010). Factors Influencing Performance Contracting at the Nakuru Municipal Council. *Unpublished MBA Research Project*, School of Business, University of Nairobi.

- Nelson, D.L. and Quick, J.C. (2006). *Organizational Behaviour: Foundations, Realities & Challenges*. 5<sup>th</sup> Edition. Mason, Ohio: Thomson South Western.
- Obong'o, S.O. (2009). Implementation of Performance Contracting in Kenya. *International public Management Review*. Vol.10. Issue 2.
- OECD (1997). *In search of Results: Public Management Practices*. Paris, France.
- Organ, W.D and Bateman, S.T. (1991). *Organizational Behavior*. 4<sup>th</sup> Edition, Richard Irwin Inc.
- Pearce, J.A and Robinson, B.R. (2009). *Formulation, Implementation and Control of Competitive strategy*. 11<sup>th</sup> Edition, McGraw Hill.
- Republic of Kenya. (2005). *Information Booklet on Performance contracts in the public service*. Nairobi: government Printer.
- Shirley, M. & Lixin Colin Xu. (1997). "Empirical Effects of Performance Contracts: Evidence from China." World Bank, Development Research Group, Washington, D.C.
- Zikmund, W.G. (2003). *Business Research Methods*. 7<sup>th</sup> Edition, Oklahoma State University.

## APPENDICES

### APPENDIX I: Questionnaire

#### SECTION I : BACKGROUND INFORMATION

Please tick as appropriate

1. Gender                      M [  ]                      F [  ]
2. AGE 26-30 [  ] 31-35 [  ] 36-40 [  ] 41-45 [  ] 46-50 [  ]  
51-55 [  ] 56-60 [  ] 61-65 [  ]
3. HOW LONG HAVE YOU WORKED IN YOUR POSITION.....

#### SECTION II: USEFULNESS OF PERFORMANCE CONTRACTING

4. Please indicate how Performance Contracting has impacted on the following factors at KeRRA. (please tick appropriately)

**Strongly agree=1; Agree=2; Neutral=3; Disagree=4; strongly Disagree=5**

FACTORS	1	2	3	4	5
It has saved on costs in the organization					
It has increased the level of motivation					
It has facilitated timely Road Projects completion					
It has improved interpersonal communication at KeRRA					
It has instilled a positive working culture					
It has streamlined operations					
It has increased the level of job satisfaction					

**SECTION III: MANAGEMENT PERCEPTION OF THE PROCESS OF PERFORMANCE CONTRACTING**

5. Please indicate your experiences with the following aspects of the process of performance contracting (Please tick appropriately)

**Strongly agree=1; Agree=2; Neutral=3; Disagree=4; strongly Disagree=5**

FACTORS	1	2	3	4	5
You are actively involved in negotiating for targets					
The targets are realistic					
The targets are clear					
Budgets are allocated to support achievement of the targets.					
It is a tedious process					
There is overall support of performance Contracting by leadership					
The ranking of public service organizations is fair					
There is an adequate reward system for performance and achievement of target					

**SECTION IV: FACTORS INFLUENCING MANAGEMENT PERCEPTION**

6. Please rate how the following factors influence your perception on Performance

Contracting ( please tick appropriately)

**Strongly agree=1; Agree=2; Neutral=3; Disagree=4; strongly Disagree=5**

<b>FACTORS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The organizational culture					
The management and leadership at the organization					
Regular communication and new information about performance contracting					
The attitude of other managers towards performance contracts					
Your personal experience					

7. In your opinion what factors affect implementation of Performance Contracting at

KeRRA?.....

.....

.....

.....

.....

**APPENDIX II: Organization Structure for Kenya Rural Roads Authority**

