THE PROCESS AND EXPERIENCE OF IMPLEMENTING PERFORMANCE CONTRACTS: A CASE STUDY OF KENYA POWER & LIGHTING CO. LTD.

By

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DECLARATION

This Management Research Project is my original work and has not been submitted for another degree qualification of this or any other University or Institution of learning

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This Management Research Project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

I dedicate this Research Project to God Almighty for His grace, mercy and blessings that have seen me through this program

To my parents Fanuel and Margaret Othieno, who showed me and lived practically the virtues of humility, sacrifice and hard work My loving wife Merab, for her love, support and encouragement throughout the program

To my daughters Michelle and Shirlyne whose boundless love continuously encouraged me through hard times My son Jesse who kept challenging me to always excel and be the very best My sister and brothers who have always been there for me

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ABSTRACT

Global trends in globalisation, liberalization and deregulation have led to sustained pressure from the citizenry demanding better services by public sector enterprises thereby forcing governments to initiate public sector reforms especially in developing countries. Most economies have responded to these threats by privatizing public enterprises. But where privatization as an alternative public sector reform strategy is not feasible or palatable, some developing country governments have sought to improve performance by negotiating performance contracts with the managers of public enterprises. Whereas performance contracting has been successful within the private and public sectors in most developed countries, experiences within the public sector in developing countries have been marked with mixed results. This has been due to country and industry specific environments.

Kenya Power and Lighting Company Ltd is public utility company operating in a monopolized power distribution industry in a developing country. It was among the public enterprises subjected to performance contracts by government in October 2004.

The study sought to determine the processes, procedures and techniques adopted by the company in implementing performance contracting concept in public sector and the challenges encountered. It also sought to establish the employees' experiences and perceptions of the process.

The study was a descriptive research that targeted all the 1508 management staff who undertook performance contracts within the first cycle of its implementation. A stratified random sampling method was used. A sample size of 250 employees was selected. Two different sets of questionnaires were used. One set was administered to corporate level executives and the other to management staff depending on whether they were involved in conceptualising the concept or just experienced it during implementation. A response rate of 84% was achieved. The data collected was analysed using descriptive statistics.

The study findings indicate that majority of respondents were male, of the level of middle management, had graduate degree education, had worked with the organization for between 5 to 10 years and on permanent terms of service

Major research findings show that the process was moderately successful with the government, customers and other stakeholders moderately involved though customer and employees surveys were not done regularly Although the organization structure supported the process, existing performance culture and behaviour inhibited it while the reporting structure were not reformed adequately. Performance incentives were also not motivating since employees were not aware of them at the time of signing the contracts while the mitigating circumstances were also moderately factored into final performance assessments

Performance evaluation system moderately attempted to balance between financial and non-financial measures as the company attempted to adopt a conceptual performance framework incorporating both private sector best practices' and the government's generic signaling type of performance contracts The process also only moderately achieved the establishment of a performance accountability atmosphere.

The major challenges to the process included resistance to change by employees and managers, internalization of the new concept of performance contracting, development of a conceptual performance framework, lack of buy-in and lack of autonomy and empowerment Of critical importance was the subjection of the Company to the State Corporations Act and Public Procurement Procedures, which affected the company's corporate autonomy and its ability to procure and provide resources to employees in order to meet their performance contract targets The main limitation to the process was that the Company had just undergone one cycle of implementation of the concept

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LIST OF ABBREVIATIONS

KPLC	- Kenya Power and Lighting Company
KENGEN	- Kenya Electricity Generation Company
GOK	_ Government of Kenya
NPR	- National Performance Review for reinventing Government
OECD	- Organisation for Economic Co-operation and Development
UN	- United Nations
PBMSIG	- Performance Based Management Special Interest Group

CHAPTER ONE

INTRODUCTION

The chapter has four parts The first part provides a brief background of the study starting with the global perspective on performance contracting It also looks at public sector reforms in developing countries and the need for performance contracts in the public sector The second part states the problem of the study The third part provides the objectives of the study The last part highlights the importance of the study.

1.1 General Background

Globalisation of markets and operations, liberalisation and deregulation, together with changes within the political and social arena have forced organisations to evolve strategic options which give them competitive advantage against their competitors in the ever - changing turbulent environment These global trends have had profound and cyclic impact on company management styles and responses (Daniels and Redebaugh 1995, Winslow 1996, Lynch 2000)

Organisations globally now seek to actively differentiate themselves from their competitors in terms of quality of service, flexibility, customization, innovation and rapid response (Ghalayani and Noble 1996, Cope 2001) They have transcended from their cost phase and entered a value phase Value rather than costs is now the primary driver Some customers today not only expect high levels of service but also expect firms to operate in specific ways and hence influence the way organizations function (Marr 2004) Indeed Lev and Daum (2005) even note the growing intangible assets base of corporations representing a larger economic transformation, from industrial economy to today's knowledge economy where companies operate in global markets where differentiation has become a key success factor

Many organizations have recently faced turbulent and rapid changing external conditions that have translated into a complex, multifaceted, fluid and interlinked stream of initiatives affecting work and organizational design, resource allocation, systems and procedures in a continuous attempts to improve performance (Huczynski and Buchanan 2001) With these changes in environment, the public sector has come under intense pressure to improve their operations and processes so as to deliver products and services more efficiently and at affordable prices to the taxpayer/ customer, thereby forcing governments to institute reforms in the public sector (NPR 1997)

OECD (1999) identifies the approaches employed in public sector reform to address weaknesses in centralized and compliance based public management systems as institutional reforms in form of privatization, commercialization, contracting out and decentralization to local government, systematic reforms such as market type mechanisms, decentralization of management authorities, administrative modernization, and new methods of service delivery such as case management and one stop shops

The United Nations in accordance with Resolution 48/180 of General Assembly of United Nations, on Entrepreneurship and Privatization for Economic Growth and Sustainable Development, developed guidelines- The United Nations Guidelines on Performance Contracting in Public Enterprises (UN Guidelines)- to assist in design and improvement of performance contracting systems within the public sector

A wave of reform has swept developed countries, countries in transition from central planning and developing countries alike in response to these changes in public corporate governance In these economies, privatization has evolved as the centerpiece of national economic transformation Despite the rapid spread of privatization programmes throughout the world, privatization is proving more difficult and slower than expected with substantial public sector enterprises remaining un-privatised Public enterprises especially public monopolies in countries which have poor regulatory capacity, large enterprises with poor restructuring capacities or thin capital markets or highly concentrated ownership have not been totally privatized (UN Guidelines).

Shirley (1998), Mann (1995) and Malathy (1997) observe that when privatization as an alternative public enterprise reform strategy is not feasible or palatable, some developing country governments have sought to improve the performance of state enterprises by negotiating performance contracts with their managers usually with the assistance of the World Bank, as an instrument of reform or an interim policy of corporatisation and commercialization to improve performance awaiting privatization

In response to delayed privatization, Shirley (1996) observes that governments especially in developing countries enter into performance improvement contracts with public enterprises in the form of management contracts, regulatory contracts or performance contracts with public managers She defines management contracts as the relationship when the government contracts out management of the firm to private managers, regulatory contracts as the relationship between a regulated monopoly which may include agreements about pricing or performance and implicit expectations about powers of the regulator, and performance contracts as set targets for public enterprise managers to attain In her study on the preferred choice of performance improvement contracts, she observes that, though the first two are more successful in terms of profitability (return on assets), labour productivity or total factor productivity, performance contracts with public managers seems more popular with developing countries' government. Performance contracts with public managers will form the focus of this study

When the Government Performance and Results Act (1993) was first implemented in the US, many felt that government management was somehow 'different', that the same rules that applied to private sector could not apply to public, or at least the same way. National Performance Review (NPR) for Reinventing Government was established by The Office of Personnel Management (OPM) Its initiative was to foster collaborative, systematic benchmarking of best-in-class organizations, both private and public It did a benchmarking study on 'best practices' as practiced in the private sector, the results of which were to be communicated and shared across federal agencies In 1995, a multi-university consortium, government and private sector practitioners also set up

Performance Based Management Special Interest Group (PBMSIG), which conducted similar studies and compiled a handbook on tools and techniques of implementing the GPRA (1993).

Performance based contracting has been identified by both the private and public sectors as an effective way of providing and acquiring quality goods and services within available budgetary resources (Mapelu 2005; NPR 1997). Whereas within the private sector profit orientation and competitiveness have necessitated the introduction of performance contracts, the public sector has taken long to embrace the practice, especially in the developing countries (Shirley 1998, NPR 1997)

Performance contracting has been widely used in the public sector by the developed countries such as New Zealand, USA, the Netherlands and France among others with marked success The experiences in developing countries though, citing case studies in China, India, Morocco, South Africa, Cote D'Ivoire, and Gambia among others, have shown mixed results (Shirley 1998, Shirley and Xu 2001, Mapelu 2005; Trivedi 2004)

In Kenya, performance contracting concept can be traced to early and mid-1990s when a few state corporations namely Kenya Railways, National Cereals and Produce Board, Kenya Airways, Mumias Sugar Company and the defunct Kenya Posts and Telecommunications attempted to develop variants of performance contracts These were, however, not implemented or when implemented, were found unsuccessful A new approach to the performance-contracting concept in line with the objectives of Economic Recovery Strategy for Wealth and Employment Creation (2003-07) was initiated with selected public enterprises on a pilot basis being submitted to performance contracts from October 2001 - **See Appendix 1** The Government of Kenya started sensitizing the public sector corporations on the concept of performance contracting using the Performance Contracting Sensitisation Manual (GOK 2005a) It also developed an Information Booklet on Performance Contracts (GOK 2005b) to guide on the process of performance contracting

1.1.1 Performance Contracts

The classical models of performance measurement and management have been found to be ineffective with the drastic changes in the external environment. Traditional performance measures in the public sector have not been able to drive performance needing the development of measures that takes care of the intricate mix of stakeholders that are served by the public organizations. In the private sector, the principal measure of successful performance is profit, but in public sector organisations, performance is judged against goals of their programs and weather the desired results and outcomes have been achieved. Success is often viewed from distinct perspectives of various stakeholders, such as legislators, regulators, other government bodies, vendors and suppliers, customers and general public. Measures of performance of public organizations should therefore be developed with as much input and consultation from these constituencies as possible, so as to reach consensus on what is expected of the organization by the various stakeholders (NPR 1997). GOK (2005a) argues that the problems inhibiting performance in government agencies are excessive controls and regulations, multiplicity of principals, frequent political interference, brain drain, bloated staff levels, poor management and outright mismanagement. The fuzzy objectives lead to poor financial performance since while the public enterprise may have done very well in achieving many of its objectives, it may be judged with reference to one objective not done well.

Nellis (1989) defines performance contracts as negotiated agreements between governments as owners of a public enterprise, and the enterprise itself in which the intentions, obligations and responsibilities of the two parties are freely negotiated and then clearly set out.

Malathy (1997) argues for the adoption of performance contracts as an alternative public enterprise reform strategy where privatization may be less feasible due to political or technical reasons, particularly those requiring sophisticated legal and regulatory structures or those that cannot be easily privatized for political reasons Mann (1995) advances the view that there are multiple ways of improving efficiency of public enterprises, one of which is the mechanism of performance contracting OECD (1999) though, observes that performance contracting is but one element of broader public sector reform aimed at improving efficiency and effectiveness of public enterprises, while reducing total costs It asserts that performance contracts are a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results

Shirley (1998) notes that performance contracts in the public sector seems a logical solution since similar contracts have been successful in the private sector in shifting them from ex ante control to ex post evaluation, thus giving managers the autonomy and incentives to improve efficiency and thereafter holding the managers accountable for results. Shirley and Xu (2000) observe that performance contracts are now widely used in developing countries where successful contracts have featured sensible targets, stronger incentives, longer terms, and managerial bonds confined only within competitive industries

NPR (1999) presents the view that performance contracts whether in public or private sector, have the major objective of providing a performance management technique that largely draws on performance measurement and monitoring and gives a basis for performance appraisal and rewards. It advocates the importance of performance measurements by observing that since introduction of performance contracts presupposes existence of strategy, performance measurements can be used as tools of implementation of strategy

There are however many challenges encountered in the process of performance contracting in developing countries UN Guidelines notes that failure in performance contracting implementation arise mainly in government's pressure to draft contracts with weak corporate management or heavily indebted enterprises, enterprises without reasonable up-to-dated information system, low degree of specification of goals, lack of legal framework, low management autonomy to pursue market based interests, low internalization of performance contracting throughout the enterprise; multiplicity and often conflicting goals, pursuit of non-commercial goals on instructions of government and attendant unclear indicators, price controls on inputs and outputs of monopolies, short period of contract; non-competitive incentive systems and non- independent evaluation systems among others

Shirley (1998) and Okumu (2004) cite causes of failure as erosion of trust, lack of both intrinsic and extrinsic motivation, information asymmetry, insufficient commitment from both parties to the contract, poor incentives, impositions by governments, no prior negotiations and contract terms willingly agreed to; managers having various stakeholders who include politicians, which then brings about conflicting objectives. Shirley and Xu (1997) in applying an agency model to a sample of 12 contracts with monopoly enterprises in six developing countries (Ghana, India, the Republic of Korea, Mexico, the Philippines, and Senegal), reinforces this view by arguing that performance contracting fails because of information asymmetry, lack of government commitment, and lack of managerial commitment which lead to weak incentives and shirking.

Nellis (1989) cites reasons for failure as enterprises not undergoing rehabilitation before submitting to performance contracting, the process requiring a well-placed supervisory agency to run the process, review implementation, proper fulfillment of the contract, which is proven not to be legally enforceable, non-existence of an integrated performance information system, performance evaluation system and performance incentive system. He concludes in providing an evaluation of inter-country experiences with performance contracting that the mechanism " is of value but its benefits have been a bit oversold"

GOK (2005a) and OECD (1999) however note that culture change to convince everyone involved that performance based contracting can work is a challenge as most employees are still skeptical. They compare the introduction of performance contracts to a major paradigm shift in the manner and style of management of public resources.

Performance contracts largely presuppose the existence of corporate strategy and therefore performance contracts implementation becomes a crucial tool in the implementation of a company's strategy Performance measures adopted are therefore a critical link between strategy and its execution in any performance criteria framework (NPR 1999). Studies by Marr (2004) and Bititci et al (2005) indicate that failure in implementation of new performance measurements in any performance criteria framework is in the content and relevance of the measurements to strategy or the non-recognition of soft issues of culture, employee involvement, communication, management style, and organization structure Study by Bititci et al (2005) also show that there is some interplay between performance measurement, organizational culture and management styles in the introduction of new performance measurements, and that culture of the organization seem to have a big impact on its implementation

Marr (2004), Ghalayani and Noble (1996), Kaplan and Norton (2001), Kennerley and Neely (2003) all narrate the evolution of performance measurements frameworks and systems in organizations from the traditional financial measures towards strategic performance measures Scholey (2005) even intimate that the abstract and complex nature of business strategy makes strategies difficult to describe and communicate thereby posing difficulties in measurements

OECD (1999) lastly observe that the success in implementation and sustainability of the process of performance contracts depends on its integration with other management systems They suggest the need for a legal framework at the legislative level, strategic plans at institutional level, and employment contracts at individual person level. Nellis (1989), Trivendi (2004) and GOK (2005b) all concur on the need to reform the design and implementation process and in particular the three inter-related sub-systems of performance information system, performance evaluation system and the performance incentive system as a way to overcome these challenges.

1.1.2 Public Sector Reform

James et al (2002 as quoted by Njoroge 2003), define public utilities as a group of firms, mostly in the electric power, natural gas, and communications industries that are closely regulated by one or more government agencies The agencies control entry into the business, set prices, establish product quality standards, and influence the total profits that may be earned by the firms Amitava (1998) as quoted by Njoroge (2003) notes the unique feature of the companies providing these utility services is that they are nearly monopolies or oligopolies, the standards for quality are imposed by the regulatory agencies and consumers expect continuous, uninterrupted service from utilities, to obtain a rate increase, utilities have to address all relevant public criticism, and, the consumer controls the consumption and generates an instantaneous demand

Mann (1995) notes that inefficiencies within commercially oriented enterprises (e g electricity, water, telephones) have clear national, financial and fiscal implications as their activities impact directly on overall public and private sector expenditures and resources The UN Guidelines intimate that the power sector globally has undergone tremendous reforms with electric power utilities commonly "unbundled" into one or more generating companies, a transmission company and a number of local distribution companies In Kenya, liberalization of the power sub-sector has included deregulation, fundamental restructuring of the power sector and diversification of power generation into more than one company (KPLC Annual Financial Report 2000-1)

Kenya Power & Lighting Company was incorporated in 1922 when it was then known as East African Power & Lighting Company. The Company changed its name to the Kenya Power and Lighting Company Limited (KPLC) through a special resolution by the shareholders in 1983 It is managed by a board of directors appointed by the government and is quoted in the Nairobi Stock Exchange Kenya Power Company (KPC) incorporated in 1954, Tana River Development Company (TRDC) incorporated in 1964, the Tana and Athi Rivers Development Authority established in 1974, and the Kerio Valley Development Authority established in 1979 all catering for generation concerns, were managed by KPLC under various agreements with electricity being supplied in bulk, at cost, to KPLC which was the sole distributor of electricity throughout Kenya (Njoroge 2003)

KPLC maintained a monopoly status in generation, transmission and distribution of electricity energy until 1998 when the Government of Kenya (GOK) developed a broad energy sector reform strategy under its policy framework paper (1996-1998) Under the Energy Sector Restructuring Programme, KPLC was split into two corporate entities namely KPLC and KENGEN KPLC's power generation functions were taken over by KENGEN leaving only the transmission and distribution functions Electricity Regulatory Board was established as a regulator whose functions included among others, ensuring quality of supplies and approving of electricity tariffs charged by KPLC (KPLC Annual Financial Reports 1998-99, 1999-2000; Njoroge 2003).

1.1.3 Public Sector Reforms in the Power Industry in Kenya

The Government of Kenya recognised the need to enhance efficient service delivery through its Policy Paper on Economic Recovery Strategy for Wealth and Employment Creation (2003– 2007), which envisaged efficient service delivery by state corporations as a basic necessity to growth and development This policy argues that in order to improve performance, corporate governance and management of state enterprises, performance contracts will be introduced in state enterprises. The policy objectives were to improve service delivery to the public by ensuring that top-level managers are accountable for results, improve efficiency and ensure resources are focused on attainment of key national policy priorities, institutionalize performance-oriented culture in the Public Service, measure and evaluate performance, link reward and sanctions to measurable performance, reduce or eliminate reliance on exchequer funding for government agencies which should generate revenues or make profit; and enhance performance of loss making government agencies (GOK 2005b)

The Government of Kenya selected members of a Performance Contracts Steering Committee from various ministries that would represent the multiple principals encountered by the many public enterprises. To guide and facilitate the process of performance contracting, it developed guidelines on development and design of performance contracts; prepared model performance contracts for both state corporations and civil service, and regulations which were issued as Legal Notice No.93, Special Gazette Supplement No 53 of 10th August 2004 'The State Corporations (Performance Contracting) Regulation 2004' (Daily Nation, 22nd March 2005, GOK 2005b)

The Government of Kenya in trying to instill fiscal and operational discipline and bring about prudent corporate governance placed the Kenya Power and Lighting Company under the State Corporations Act (Cap 446) in 2003 thereby increasing the level of line ministry control over it's operations which resulted in low corporate autonomy. In 2004, the operational inputs of the company were subjected to stricter procurement controls and procedures when subjected to The Exchequer and Audit (Public Procurement Regulations, 2002) (KPLC Annual Financial Report 2002-3)

The Company has undergone various strategic change initiatives from 1995 to date namely BPR, Restructuring, Retrenchment Programme, Zonalisation of Service Centres, and Job Evaluation, all with mixed results with the latest being the introduction of performance contracts in October 2004. Performance contracts were signed between the government and the company board of directors. The board thereafter signed one with the Managing Director. The contracts were cascaded downwards to other managers to cover the entire management cadre of staff. Union represented staffs were given delegation of duties, though, were not supposed to be sign for, hence diminishing accountability to performance (KPLC Annual Financial Reports, 1999-2000, 2001-2002; 2003-04)

1.2 Statement of the Problem

Studies by Shirley and Xu (2000) indicate that the implementation of performance contracting has been successful in some developing countries The Government of Kenya, recognizing the need to improve the performance of public enterprises, introduced performance contracting in the public sector. According to GOK (2005a), legal framework was set, an inter-ministerial steering committee to oversee the process of performance contracting appointed, guidelines on performance contracting in state corporations set, and KPLC being a commercially oriented state corporation was among sixteen (16) state corporations to undertake performance contracting It has cascaded the performance-contracting concept from the board level to cover all management cadre

KPLC is therefore faced with the challenge of introducing a new concept of performance measurement occasioned by the implementation of performance contracting It operates as a commercial monopoly in a tariff regulated power industry It is subjected to the State Corporations Act (Cap 446) and the Public Procurement controls and procedures It has various stakeholders who include multiple principals with different objectives, intentions and expectations and is also earmarked for privatisation All these legislations and administrative policies and procedures tend to limit the autonomy of KPLC This limitation has a bearing on the way performance contracts are administered

Studies on implementation of new performance measurements, although not in performance contracting context, have also been done in the developed countries where soft issues of employee involvement, management styles and organization culture were found pertinent (Batitci et al 2003)

Local studies have also been done on performance management where Gichira (2001) conducted a survey on employee performance management systems in the privately owned security services industry in Kenya, which however did not address performance contracting Odadi (2002) did a study on the process and experience of implementing a new performance measurement tool but restricted it only to the Balanced Score Card The study also did not implement the balanced score card in the context of performance contracting There are other frameworks and methodologies that can be used to measure performance apart from the Balanced Score Card The above studies therefore focused on only specific performance management techniques as practiced by local companies but did not delve into the concept of performance contracting in the public sector

OECD (1999) note that the optimal contractual form of a performance contract is country and cultural specific, depending on factors such as trust, type of transaction, objectives, legal and administrative limitations, risk management and institutional history UN Guidelines acknowledge that each country with its own legal, institutional and cultural environment needs to customize its performance contracting approach based on its own needs and circumstances Miyumo (2003) rightly observes that the Kenyan environment is markedly different in terms of culture, work practices, attitudes to work, approach to quality, state of infrastructure, technology, business and political environment Performance contracting in Kenya's public sector will therefore be shaped to a large extent by these differences in the environmental factors, as indeed should be for other developing countries

Given that there are differences in the environment upon which performance contracting is practiced particularly between private and public sectors in developing countries, it is important to study the process through which KPLC introduced and implemented performance contracting Of particular importance is whether the company followed a generic approach to performance contracting that is used in the private sector or it adopted the public sector specific procedures and techniques It is also necessary to find out if the company took cognizance of the need to customise performance-contracting models used in developed countries in order to align them with specific environmental conditions obtaining in Kenya as a developing country There is therefore lack of information on the factors that affect the process of performance contracting in the public organizations in a developing country like Kenya, which need to be addressed This is the gap that the proposed study is intended to fill. More specifically this study will attempt to answer the following questions

a) What processes, procedures and techniques did Kenya Power and Lighting Company adopt in the implementation of performance contracts and what were the main challenges?

b) What were the employees' experiences on, and perceptions of the process of implementation of performance contracts within Kenya Power and Lighting Company?

1.3 Objectives of Study

The objectives of the study are

a) To determine the processes, procedures and techniques adopted by Kenya Power and Lighting Company in the implementation of performance contracts and challenges encountered

b) To establish the employees' experiences on and perceptions of the process of implementation of performance contracts by Kenya Power and Lighting Company Ltd

1.4 Importance of the Study

Study findings will be useful to

i) Public sector organizations in their management of the performance contracting implementation process.

ii) Governments in developing 'best practice' approaches in the implementation of performance contracts that will ultimately drive performance in the public sector

iii) Future researchers and scholars who may use it as source of reference

CHAPTER TWO
LITERATURE REVIEW

The chapter has five parts The first part defines and discusses performance management The second part presents the evolution of performance measurement systems, mentions the popular frameworks, methodologies and models together with their general limitations The third part defines performance contracts, looks at its concept, need and rationale with emphasis on public sector enterprises. Part four examines the different types of performance improvement contracts and the generic types of performance contracts popularly in use The final part present the fundamental preconditions for performance contracts and the dimensions of a successful integrated performance measurement systems

2.1 Performance Management

Today's environment demands institutions that are extremely flexible and adaptable It demands institutions that deliver high quality goods and services and demands them to be responsive to customer needs, offering services that lead by persuasion and incentives rather than command, institutions that give their stakeholders a sense of meaning and control, even ownership (Daily Nation 22nd March, 2005) All high performance organisations whether public or private are, and must be, interested in developing and deploying effective performance management systems, since it is only through such systems that they can remain high performing and competitive organizations (NPR 1997)

Performance management is a management process designed to link the organisation's objectives with those of individuals in such a way as to ensure that both individual and corporate objectives are as far as possible, met Armstrong (1999) defines performance management as a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors

2.2 Performance Measurements Systems

It is widely accepted that business performance is a multi-faceted concept and hence it is not surprising the variety of ways different disciplines tackle it. Business performance is measured from different perspectives due to the understanding of performance by the different disciplines. Measuring business performance is therefore beset by the challenge of defining the selected measures that can drive performance (NPR 1999). Ittner and Larcker (2003) note the complexity of business performance and advises that businesses that do not scrupulously uncover the fundamental drivers of their units of performance face several potential problems often ending up measuring too many things, trying to fill every perceived gap in the measurement system. The result is a wild profusion of peripheral, trivial or irrelevant measures.

Measurement systems are evolving from performance measurement to performance management integrated systems that links strategy, resources, and processes in coherent and understandable frameworks. Studies by Marr (2004), Ghalayani and Noble (1996), Kaplan and Norton (2001) and Kennerley and Neely (2003) indicate that performance measurement systems have evolved from the traditional uni-dimensional, financial focused systems to strategic integrated systems that are flexible to the drastic changes in environment. Ghalayani and Noble (1996) notes the evolution of integrated performance measurements systems and that these changes take into consideration the fast changing business environment by incorporating strategic issues in the performance measurements. They provide performance from a multi-and interrelated perspectives, are linked to the organization's value and strategy, are based on the critical success factors or performance drivers; are valid, reliable, easy to use and motivating to users; enables comparisons to be made and progress to be monitored both in measurement and evaluation, are linked to the rewards system and encourages the appropriate behaviour, and highlights improvement opportunities and suggests some improvement strategies.

Performance measurement systems succeed only when the organizations strategy and performance measures are in alignment. On realization that different models fall short in some dimensions, NPR (1999) attempted to provide a conceptual framework for organizing performance measurement systems, which could include use of a balanced set of measures, matrix systems, target settings, benchmarking, and National Quality Award criteria Batitci et al (2005) further notes that it is generally agreed that businesses perform better if they are managed through formalized, balanced and integrated performance measures. Kanji (2002) also observes that measuring performance by reference to a generic and universal model has the additional benefits of allowing comparisons to be made within different segments of the organization, among different organizations and also across different industries/sectors and countries.

Significant research and development into the field of performance measurement has seen practitioners, consultants and academics develop various models, frameworks and methodologies Frameworks and methodologies- such as the balanced score card, the business excellence model, key performance indicators, performance measurement questionnaire, performance prism and competitive benchmarking have generated vast interest and activity Each framework purports to be unique yet each offers a different perspective on performance (Kaplan and Norton 2001, Neely 1999, Ghalayani and Noble 1996; Kanji 2002) These models however, have limitations since most are conceptual models and as such can hardly be considered as measurement models, most do not identify clearly which are the variables, how they can be measured and how they relate to each other, most try to focus on top-down approach in formulation and implementation of strategies, most don't mention competition or technological development making the models somehow static, and due to the varied dimensions in business performance most fail in not being able to identify and measure these variables (Neely 1999, Kennerley and Neely 2003, Ghalayani and Noble 1996)

Accountability for performance is a critical factor in any successful performance measurement criteria PBMSIG (2001) cite the inconsistent application of policies, procedures, resources, and/or consequences within the organization as undermining the accountability environment by weakening the perceived organizational commitment and credibility They cite the key requirements for successful establishment of an accountability environment as leadership, reciprocation, equity, trust, transparency, clarity; balance; ownership, consequences, consistency, and follow up They note that the main barriers include hidden agendas, favoritism, lack of leadership, lack of resources, lack of follow-through, lack of clarity; and data misuse

2.3 Performance Contracting Concept and its Rationale

The dominant economic view of performance-based contracts essentially draws from the theory of agency costs that arise due to separation of ownership and control of large corporations. In a typical agency framework the assumption is that there is a mismatch between the interest of the owners and that of management who run the day-to-day operations of the organization A performance contract addresses economic, social or other tasks that an agency has to discharge for economic performance or for other desired results (OECD 1999)

A widely quoted view of performance contracts is that they are negotiated agreements between governments as owners of a public enterprise, and the enterprise itself in which the intentions, obligations and responsibilities of the two parties are freely negotiated and then clearly set out It is a contract between the owner of an enterprise on one side and the management of the enterprise on the other, setting out certain targets/results to be achieved in a given time frame It also enumerates the mutual obligations of the two parties in achieving the targets set in the contract (Mburugu 2005; Mann 1995, GOK 2005a, Daily Nation 22nd March, 2005, Nellis 1989) According to OECD (1999), performance contract basically comprises two major components namely determination of mutually agreed performance targets and the review and evaluation of periodic and terminal performance

OECD (1999) argues further that performance contracting is but one element of broader public sector reform aimed at improving efficiency and effectiveness of public enterprises, while reducing total costs. It looks at performance contracts as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results NPR (1999) relates performance contracts, otherwise known as performance agreements in USA, to performance based management which focuses on outcomes that support short and long term objectives by providing a systematic process of defining the job, the behaviours, and the measurement criteria critical to the process It is simply a performance based contract which the principal defines its objectives and lets the agency decide how best to meet them

Shirley and Xu (1997) argues that performance contracting assumes that government's objectives can be maximized, and performance improved, by setting targets that take into account the constraints placed on managers. For this to occur though, they argue the principals must be willing to explicitly state their objectives, assign to them priorities and weights, translate them into performance improvement targets, provide incentives to meet those targets (or monitor the agents without incurring significant costs), and credibly signal their commitment to the contract GOK (2005a) concludes that the fundamental principle of performance contracting is devolved management style with emphasis on outcomes rather than processes OECD (1999) observes that a performance contract is another management tool that ensures correlation between planning and implementation, coordination between various government agencies; an enabling public policy environment for other down stream reforms; and a fair and accurate impression about public enterprise performance

The concept of a performance contract and its rationale varies from country to country The widely accepted rationale for performance contracts in public enterprises is that they have multiple objectives and multiple principals Performance contracts it is argued would provide the public enterprises with a management technique to manage these and therefore remedy the situation (GOK 2005b). The growing popularity towards performance contracting can be traced to the strong persuasive influence from bilateral agencies that advocate the use of this concept as important element of public enterprise sector reforms (OCED 1999) (OECD 1999) further observe that public enterprises may pursue certain social and non-commercial goals affecting its financial which the performance contracts clarify early with the principal; public enterprises making losses may have tools which may indicate effort put and success achieved by the management in improving its operations; a mechanism to smooth the public enterprise-government interface and increase the autonomy of the enterprise, advocated as an alternative to privatization of public enterprises which are financially viable

In essence therefore, performance contracts seek to privatize the public sector style of management without necessarily transferring the ownership of the assets to private ownership (Daily Nation, 22nd March 2005)

2.4 Types of Performance Contracts

Mann (1995) and GOK (2005a) trace the evolution of performance contracting to France in the 1970's when the French Prime Minister commissioned a committee headed by Simon Nora to investigate relations between public enterprises and the ministers. The concept was thereafter introduced in Franco-phone Africa in the 1980's in the National Railway in Senegal. Latin American and Asian countries followed later in the same decade. Performance contracts are known by different names in different countries such as performance agreement, contratos de rendimientos, contract du plan, contrats de program, framework agreement; memorandum of understanding; purchase agreement, results framework, and letter of responsibility (GOK 2005a, Trivedi 2005)

OECD (1999) describes the wide variety of quasi-contractual arrangements used to improve performance namely

i) Framework agreements- cover overarching strategies and priorities for a department or agency which provides the CEO with autonomy in managing

ii) Budget contracts and resource agreements- focus on the budget levels between the central budget office of finance ministry and CEO of a department or agency

iii) Organisational performance agreements- between a minister and CEO or between a CEO and senior managers, breaking down overall strategic goals into programme elements, setting specific, often detailed operational, process and output oriented targets in exchange for increased autonomy

iv) Chief executive performance agreements- between minister and CEO (often to complement organizational performance agreements), or between senior management and staff at various levels

v) Funder-provider agreements- focuses on clarifying responsibilities by separating the role of the funder and provider of the services

vi) Intergovernmental performance contracts and partnership agreements- often linked to devolution of programmes or funding from national to sub-national government, providing state and local governments with funding in exchange for providing specified levels and quality of service

vii) Customer service agreements- statements of service standards provided by a programme or service to its clients specifying the quality and level of service expected

OECD (1999) however advises that there is no agreed template or checklist for determining whether performance contracting is the right performance management tool for a particular management problem They conclude that each type of contract emphasizes different objectives and priorities They recommend that each contracting arrangement depends on variety of factors including the nature of the transaction; the objectives of pursuing a contractual or quasi-contractual approach, features of the legal and administrative systems, risk management factors, and the broader governance arrangements within which the contract would function.

Mann (1995), Trivedi (2005) and GOK (2005a) observe that there are generically two types of performance contracts namely;

i) **French System** where performance contracts do not allocate weights to targets It has no distinction between targets in terms of emphasis (by weighing them differently) and as such performance evaluation is affected by a high degree of subjectivity. It can only point out whether a particular target was met or not which creates great difficulty for making an overall judgment regarding agency performance. It is practiced in France, Senegal, China, Ivory Coast, Benin and the UK

ii) **Signalling System** which is based on the premise that public enterprise management should be appropriately guided to aim at improving real productivity and its efforts acknowledged and rewarded by an incentive system. It allocates weights. It adopts a system of " five point" scale and " criteria weight" which ultimately result in calculation of " composite score" or an index of performance of the enterprise. It is practiced in Pakistan, Korea, Philipines, India and Gambia

2.5 Fundamental Preconditions for Performance Contracts

OECD (1999) notes that performance-contracting regime is not a substitute for overall performance management as it is merely but one element of a performance framework for generating desired behaviours in the context of devolved management structures, which is part of an overall resource allocation system. A comparative analysis of international experiences by the United Nations, supports this view by adding that the differences in design and implementation of performance contracting and associated government policies in force in particular countries are the major factors of the success or failure of performance contracts. It concludes that each country has its own unique legal, institutional and cultural environment hence need to customize its approach to its own needs and circumstances

PBMSIG (1999) argues for a structured approach as is used in the US, which focuses on strategic performance objectives, provides a mechanism for accurate reporting, bring all stakeholders into planning and evaluation of performance; provide a mechanism for linking performance to budget expenditures, provide a framework for accountability, and share responsibility for performance improvement. They suggest a six-step process that includes establishing a successful program which include the definition of an original vision, mission and strategic objectives; establishment of an integrated performance measurement system, establishment of accountability for performance, establishment of a process/system for collecting performance data, one for analyzing, receiving and reporting performance data, and one for using performance to drive performance improvement

GOK (2005a), OECD (1999), Trivedi (2004) and Mann (1995) advances the view that a standard performance contract should consist of three sub-systems namely,

i) Performance Information System -which relates to need for reasonable information balance between Government and the Government Agency in the process of negotiating performance targets
ii) Performance Evaluation System -which comprises of performance measurement criteria and evaluation systems
iii) Performance sanctions/ incentive system relates to a system that links rewards/sanctions with measurable performance

According to OECD (1999) fundamental preconditions for successful implementation of a performance contract can be divided into two categories, those of -

a) Criteria

i) Performance criteria included in the contracts must be clearly defined and easily understood
ii) Performance criteria should be fair to the manager, as it should encompass only areas within the control of public enterprise management
iii) Criteria for evaluating public enterprise performance must be fair to the country

b) Institutional preconditions

i) Performance targets should be negotiated and not imposed arbitrarily from top government
ii) Public enterprise managers must be left free to manage the enterprise within agreed parameters once the performance targets have been set

iii) Performance should be judged at end of year systematically against the targets negotiated at the beginning of the year

iv) To carry out performance evaluation, there is need to have balance in availability of information between the evaluator and evaluatee

v) To establish trust evaluation need to be done by expert third party independent evaluators who can demand information and make binding recommendations

vi) Performance should be linked to a system of incentives for good performance and sanctions for poor performance

There is however no step-by-step approach or process cited in literature to be followed by public sector companies in developing countries PBMSIG (2001), NPR (1999) and OECD (1999) however cite the following dimensions as major components of an integrated performance measurement system whose inclusion would result in success in the implementation of any performance systems These include **leadership** in championing the cause; existence of a concise **strategic plan** with clear organization objectives, a **conceptual framework** to enable the organization to focus its measures, **Commitment** by everyone since the degree of commitment will determine the degree of success, **involvement** of all stakeholders, customers and employees both by the level and timing of employee involvement individually tailored depending on size and structure of the organization, creation of a **sense of urgency** to move to a new and enhanced performance measurement and management regime, **communication**, ongoing **feedback process** to make adjustments and keep it operating efficiently; adequate **resources** in terms of money equipment and people, **customer identification**, **learning and growth** to keep the organization in pace with emerging technologies and trends, **environmental scanning** of both the external and internal environments ; enhanced **organisational capacity** centered on people and processes in ensuring that inefficient and ineffective processes do not get in the way of the drive to success; and institutionalized **accountability** for performance and measures with focus on results

CHAPTER THREE
RESEARCH METHODOLOGY

This chapter outlines the research methodology used in the study It includes the research design, population of interest, sample design and size, data collection methods, research instruments used, and data analysis procedures and presentation

3.1 Research Design

This is a descriptive research aimed at determining how a public enterprise undertook performance contracting and the resultant employees' experiences on and perceptions of the process According to Cooper and Shindler (2003), such a study is concerned with finding out the who, what, when, where and how of the relevant phenomenon Miyumo (2004), Njoroge (2003) and Odadi (2000) have used descriptive studies in related studies, successfully

3.2 Population of Study

The target population of interest in this study comprised of 1,508 Kenya Power and Lighting Company management employees that had undertaken performance contracting within the first cycle of its implementation

3.3 Sample Design and Sample Size

Since the population covers different levels within the organization, which is further segregated into departments/ divisions and regions, stratified random sampling was adopted so as to be more representative This sampling design, which is most efficient, is a good choice when differentiated information is needed regarding various strata within the population known to differ in their parameters (Sekaran 1992) A sample of 250 respondents was chosen This number conforms to the widely held rule of thumb that, to be representative, a sample should have thirty (30) or more test units. According to Sekaran (1992), sample sizes larger than 30 and less than 500 are appropriate for most business research. This ad hoc method of determining sample size was used rather than the statistical method due to non-availability of variables of the population of study. The computation of the sample is shown in Table 3.1 below

Table 3.1: Computation of the Sample

		Population (N= 1508)		Sample Units (n= 250)	
	Region	Number of management staff	Percentage (%) of total management staff	Percentage (%) of sample units	Number of employees in target sample
1	Nairobi	494	32.76	32.76	82
2	Coast	144	9.55	9.55	24
3	Mt Kenya	158	10.48	10.48	26
4	West Kenya	292	19.36	19.36	48
5	Central Office	420	27.85	27.85	70
	TOTAL	**1508**	**100**	**100**	**250**

Source: K P L C Human Resource& Administration Monthly Report for August 2005

3.4 Data Collection

Primary and secondary data was collected for this study. Primary data was gathered from respondents through the delivered structured questionnaires comprising of closed and open questions. In order to get respondents to respond to questions depending on their involvement in the process implementation or their experience and/or perceptions on the process, two sets of questionnaires were used. Questionnaire A was administered to corporate level executives who were actually involved in the process of implementing the performance contracts which included among other, interactions with external players' and stakeholders. They included the Managing Director, Chief Manager Human Resources and Administration, Chief Manager Planning, Research and Performance Monitoring, Chief Manager Energy Transmission, Chief Manager Nairobi Region, Chief Manager Finance, Chief Manager Distribution and Customer Service; Chief Manager IT

& T; Chief Manager Special Projects, Change, Restructuring and Logistics, Company Secretary, Employee Benefits & Staff Relations Manager, Training & Development Manager, Chief Panning Officer, Strategic Planning& Performance Monitoring and Chief Engineer Research and Development (See **Appendix 3**). Since the corporate level executives are all based in the Central Office, they were considered within the Central Office strata of the targeted sample. Questionnaire B was administered to the other cadre of management staff. They included other Divisional Managers, Regional Managers, Functional Heads, Middle and Lower level supervisors who had an experience on the implementation of performance contracts but may not have been involved in conceptualizing the process (See **Appendix 4**). Questionnaire A was delivered to the respondents and picked in person after completion. Questionnaire B was sent to Divisional Managers and Regional Managers through company internal courier system. They randomly selected respondents in the different strata based on functions, levels and number of employees under them so to be as representative as possible. The filled questionnaires were sent back using the same courier system.

Each questionnaire was divided into 3 parts, viz.

a) Part A - designed to obtain the general demographic data of the respondents
b) Part B –consisted of questions on extent of certain dimensions of performance contracting relating to processes, procedures, techniques and employees experience and perceptions. A Likert 1-5 scale was used to measure responses on these dimensions.
c) Part C –consisted of narrative questions on the challenges encountered and barriers to the introduction and implementation of the performance contracts

3.5 Data Analysis

Descriptive statistics was used to analyze the data. Part A was analysed using frequency tables. Part B and C was analysed using frequencies, mean scores tabulations, standard deviations, cross tabulations and correlation matrices

3.6 Operationalising the Performance Contracting Dimensions

To operationalise the performance contracting dimensions, each of the critical properties were expounded as indicated in the table below (See **Table 3.2**) Relevant questions on all key issues were developed and indicated against each dimension The questionnaires used a Likert 1-5 scale, with 1 being 'to no extent at all', 2 being ' to a small extent', 3 being 'to some extent', 4 being ' to a large extent' and 5 being ' to a very large extent'

Table 3.2 Operationalising the Performance Contracting Dimensions

Dimensions of Performance Contracting	Focused Dimensions	Relevant Issues	Relevant Questions A	Relevan Questio
1. Strategy execution	Vision and mission	- Involvement of external stakeholders -Employees' understanding of vision and mission -Communication of vision and mission -Communication of performance expectations to customers	1, 2, 3	1, 24
	Customer Involvement	- Regular customer surveys on customer needs and expectations - Regular surveys on employee needs and expectations	44	
	Employee involvement	- Employees' understanding of company strategies, objectives, goals and expectations - Open communication and collaboration atmosphere - Union employees and their leadership involvement	14, 15, 27, 29 50	9, 12
	Change management strategies	- Buy-in and commitment by management and employees - Creating sense of urgency - Early involvement of affected employees - Support from unionisable employees not covered - Involvement of external consultants and practitioners - Clear guidelines set for the process - Training and coaching by supervisors	28, 20,22, 33, 25	14, 22, 23, 35,
	Organizational	- Resource allocation	24, 47	19

	capability and capacity	- People and processes efficiency		
2. Organizational Structure and Culture	**Customer focused structure**	- Structure aligned to customer needs - Processes, policies and regulations geared towards performance improvement	42, 30	42
	Reporting Structure	- Employees reporting to one supervisor - Reporting structure promotes performance improvement - Performance culture enhanced by new measures	[illegible]	3,4,45
	Organizational Culture and behavior	- Lack of leadership, hidden agendas and favoritism - Existence of visible and committed leadership -Trust and teamwork promotion - Existence of cross functional support - Training and coaching by supervisors	43, 10, 25	26, 13
3. Principal Stakeholders Expectations	**Multiple goals and expectations**	- Government's expectation of meeting non commercial and un profitable goals - Government excessive controls - Regulatory tariff controls - External political interference and influence - Conflicting goals and measures	5, 6, 7, 8	5, 6, 7,
	Legal and Statutory frameworks	- Legal requirements like State corporations Act	31,32	27,28
	Commitment of Principals	- Autonomy to meet agreed goals and expectations - Provide motivating performance incentives - Prioritizing principals expectations - Visible support by principals/supervisors - Negotiations in a free atmosphere	11, 19,21, 26	[illegible]. 15, 39
4. Performance Information System	**Performance information**	- Data reliability and accuracy -Data validity, availability and feedback - Information symmetry during negotiations of targets - Performance measurements tools - Performance feedback - Availability of information system infrastructure	16, 23, 45, 46	20, 21,

		- Benchmarking and standardization of performance -New emerging technologies and trends for growth - Provision of adequate resources in IT		
5. Performance Incentive System	**Rewards and Sanctions or Penalties**	- Rewards compensate for effort expended -Sanctions and penalties severe enough to drive performance -Rewards and sanctions known at time of signing - Consideration of mitigating factors not in control of manager	**12, 13**	**10, 11, 5**
6. Performance Evaluation System	**Performance measurement criteria**	-Clarity and the understanding of the performance criteria - Use of a conceptual framework - Accountability for performance -Transparency, equity, fairness and within control of managers Frequent performance feedback - Independent and professional evaluators	**17, 18, 35, 36,38, 39, 40, 41, 48, 49**	**36,37,38 46**
	Performance measurements	- Consultations with users - Clear, consistent and balanced measures Measures focus employees towards performance improvement	**1, 34, 37**	**19,30,31 33,34,44**

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

This section presents the analysis and findings from the primary data that was gathered from the respondents. All completed questionnaires were edited for completeness and consistency. Statistical Package on Social Sciences (SPSS) was used in statistical analysis. Questionnaire A had a response rate of 79% (11 out of total 14 respondents) while Questionnaire B had a response rate of 84% (198 out of total 236 respondents). The overall response rate of the study is 84 % (209 was achieved from the total target of 250 respondents) See Table 4.1. This response rate compares well with previous studies such as Kamanu (2004) of 71%, Miyumo (2003) of 52% and Njoroge (2003) of 87%

Table 4.1 Response Rate of the Targeted Sample

Respondents' Type	Targeted Respondents	Actual Respondents	% Response Rate
Corporate Level Executives	14	11	79%
Other Management Staff	236	198	84%
Total	250	209	84%

Source: Research data from filled Questionnaire A & Questionnaire B

Summaries of data findings together with their possible interpretations have been presented by use of percentages, frequencies, mean scores, standard deviations, correlation matrices and cross tabulations

4.1 Demographic Profiles of the Respondents

The demographic profiles of the respondents i.e. job level, level of education, gender, number of years worked in the organization, terms of employment, region of work and division/ department of work were analyzed to determine the general classification of the respondents. The results of the analysis are found on Table 4.2 and Table 4.3 overleaf

Table 4.2 Demographic Profile of Respondents in Corporate Level

Education Level		
	Frequency	**Percent**
Graduate Degree	4	36%
Post Graduate degree/ diploma	7	64%
Total	**11**	**100%**
Number of years worked in the organization		
Less than 5 years	1	9%
5 – 10 years	1	9%
10 – 15 years	1	9%
15 –20 years	1	9%
20 – 25 years	6	55%
More than 25 years	1	9%
Total	**11**	**100%**
Gender		
Male	10	91%
Female	1	9%
Total	**11**	**100%**
Terms of employment		
Permanent	10	91%
Contract	1	9%
Total	**11**	**100%**
Division / department		
Distribution & Customer Service	1	9%
Finance	1	9%
HR & Administration	3	28%
Planning, Research & Performance Monitoring	2	18%
Transport, Supplies & Logistics	1	9%
Energy Transmission	1	9%
Managing Director's	2	18%
Total	**11**	**100%**

Source Research data from filled Questionnaire A (Appendix 3)

Table 4 3 Demographic Profile of Respondents in Other Management Levels

Job level		
	Frequency	Percent
Executive Management	6	3%
Senior Management	61	31%
Middle Management	101	51%
First Level Supervisor	24	12%
Level of Education		
Secondary	21	11%
College	49	25%
Graduate Degree	86	43%
Post Graduate degree/ diploma	42	21%
Number of years worked in the organization		
Less than 5 years	12	6%
5 - 10 years	72	36%
10 - 15 years	40	20%
15 -20 years	26	13%
20 - 25 years	22	11%
More than 25 years	26	13%
Gender		
Male	132	67%
Female	66	33%
Terms of employment		
Permanent	195	98%
Contract	3	2%
Region of work		
Nairobi Region	63	32%
Central Office	47	24%
Mt Kenya Region	21	11%
West Region	43	22%
Coast Region	24	12%
Division / Department		
Distribution & Customer Service	85	43%
Finance	30	15%
HR & Administration	7	4%
IT & Technology	9	5%
Energy Transmission	9	5%
Transport, Supplies, Procurement & Logistics	12	6%
MD's Division	46	23%
Total	**198**	**100%**

Source Research data from filled Questionnaire B (Appendix 4)

4.1.1 Job level

The respondents among the other management staff were to indicate their job level in the organization, 3% were at the level of executive management, 31% were at senior management level, 51% were at middle management while12% were at first level supervisor This shows that majority of the respondents were of the level of middle management

4.1.2 Level of Education

The respondents were to indicate the highest level of education they had attained 11% of the respondents had secondary education, 25% had college education, and 43% had graduate degree education while 21% had postgraduate degree/ diploma education This shows that most of the respondents had graduate degree education and therefore were able to understand broadly issues asked to respond to in the questionnaire.

4.1.3 Number of Years Worked in the Organization

6% of the respondents had worked in the organization for less than 5 years, 36% of the respondents had worked between 5 - 10 years, 20% had worked for 15 -20 years, 13 % had worked between 20 - 25 years while 13% had worked for more than 25 years This indicate that majority of the respondents had worked in the organization for 5 to 10 years This shows that majority have served in the organization long enough to appreciate and comment on the issues they were to respond to

4.1.4 Gender of the Respondents

The respondents were to indicate their gender The findings show that 67% of the respondents were male while 33% were female This shows that most of the staff interviewed were male. The proportion fits well with most organizations and in line with affirmative action millennium goals

4.1.5 Terms of Employment

The findings indicate that 98% of the respondents were permanently employed while only 2% were on employment contract Thus majority of the respondents were on permanent terms of service This shows that most employees had some sense of job stability

4.1.6 Region of Work

The respondent were to indicate their regions of work, 32% of the respondents were from Nairobi Region, 24% were from Central Office, 22% were from West Kenya Region, 12% were from Coast Region while the remaining 11% were from Mt Kenya Region This indicates that most of the respondents were from Nairobi Region and Central Office while the least were from Mt Kenya The response ties well with the strata proportions in the sample per region and can therefore be regarded as representative

4.1.7 Division / Department

The respondents were to indicate their division/departments of work, 43% of the respondents were from Distribution and Customer Service division, 23% were from the MD's division, 15% in Finance, 6% Transport, Supplies and Logistics department, 5% in both IT& T and Energy Transmission divisions while 4% were from Human Resources & Administration This shows that most of the respondents were from Distribution and Customer Service division, which is the core division in the organization

4.2 Dimensions of Performance Contracting

The dimensions of performance contracting implementation process together with employees' experience and perceptions that were considered in this study included strategy execution, organization structure and culture, principal stakeholder expectations, performance information system, performance incentive system and performance evaluation system

Respondents were asked to indicate the extent to which they were either involved in the process implementation or experienced these performance-contracting dimensions. They were presented with a five point Likert scale to rank these dimensions Scale rank 5 was considered ' to very large extent'. 4 ' to large extent', 3 ' to moderate extent', 2 ' to a small extent' and 1 'to no extent at all'

Data was analyzed using mean scores, standard deviations, correlation and cross tabulations The higher scores for the mean indicate higher levels of each construct A mean score greater than 4 (M>4) is considered to imply to a very large extent; a mean score greater than 3 5 but less than 4 is considered to imply to a large extent, those with mean scores greater than 3 0 but less than 3 5 imply to a moderate extent; a mean score greater than 2 but less than 3.0 imply to a small extent, while a mean score of less than 2 is considered to imply to no extent On the other hand, a standard deviation greater than 1.5 implies that there was significant variance in the way the dimension was experienced or practiced This is interpreted to mean that there was lack of agreement/consensus on the responses while standard deviation of less than 1 5 would imply there was consensus and responses did not differ substantially between one respondent and another

4.2.1 Strategy Execution

The variables considered in strategy execution were vision and mission, customer involvement, employee involvement, change management strategies and organizational capability and capacity The findings are represented in Table 4 4 and Table 4 5 overleaf

Table 4.4 Strategy Execution Process

	Mean	Std Deviatio
Knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts	3.80	0.79
Communication of vision and mission to all employees in the Company	3.80	1.03
Establishment of the need and sense of urgency to the process	3.50	1.08
Open communication and collaborative atmosphere	3.40	0.84
Visible and vocal support of the process by senior management	3.40	0.84
Involvement of union leadership and union staff and sensitization on the performance contracting process	3.30	1.25
Involvement of external consultants in training on performance contracting	3.20	1.40
Commitment and buy-in by middle and supervisory level management	3.20	1.14
Enhancement of capacity and capability in people and processes	3.10	1.10
Improvement in trust and team work	3.10	0.74
Training and coaching by supervisors on all aspects of performance contracting	3.00	0.94
Early involvement of staff to prepare them for the new performance contracting	3.00	1.05
Resources allocation and provision of information system data to employees	2.90	0.88
Involvement of external stakeholders in developing performance measures and goals	2.90	0.99
Delegation of duties to unionisable employees	2.80	0.63
Communication of performance expectations to external stakeholders especially customers	2.60	1.07
Regular customer and employee surveys to monitor changes in expectations	2.20	1.23
Average	**3.11**	**1.42**

Table 4.4 above shows that the "need for the process and sense of urgency to the process" ,"communication of vision and mission to all employees" ,and "employees' knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts" were the dimensions well practiced during the strategy execution process (M= 3.8 to 3.5) There were also relatively low variations in these responses (Sd 0.79 to 1.08). However the aspects of strategy execution process that were least practiced were "regular customer and employee surveys to monitor changes in expectations", "communication of performance expectations to external stakeholders especially customers", "delegation of duties to unionisable staff considered as inadequate to drive them to performance" (M= 2.8 to 2.2) with low variations (Sd= 0.63 to 1.23) Overall though, the strategy execution process was moderately executed (M 3.11) with

some concensus among the corporate executives (Sd = 1.42). The level of variations could signify some lack of congruency in the strategy implementation process either due to lack of understanding of the process, buy-in or commitment among the corporate executives leading to moderate level of execution

Table 4.5: Strategy Execution Process as Experienced by Employees

	Mean	Std Deviation
Employees belief that performance contracts were externally imposed	3.88	1.05
Communication of vision and mission to all employees in the Company	3.67	1.02
Visible and vocal support of the process by senior management	3.32	1.21
Open communication and collaborative atmosphere	3.26	1.11
Knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts	3.21	1.15
Support by supervisor and senior management in providing resources	2.88	0.90
Training and coaching by supervisors on all aspects of performance contracting	2.86	1.05
Involvement of union leadership and union staff and sensitisation on the performance contracting process	2.84	1.17
Improvement in trust and team work	2.84	1.00
Support by surbordinates especially unionisable employees	2.83	1.07
Enhancement of capacity and capability in people and processes	2.77	0.93
Delegation of duties to unionisable employees	2.73	1.02
Resources allocation and provision of information system data to employees	2.49	0.89
Early involvement of staff to prepare them for the new performance contracting	2.19	0.99
Average	**3.02**	**1.31**

Table 4.5 shows that the employees perceived that " the performance contracts were externally imposed", " that communication of vision and mission" and "visible and vocal support by senior management" were aspects of strategy execution rated highly (M= 3.32 to 3.88). There was also moderate consensus with low variations (Sd=1.05 to 1.21). However, the least rated dimensions included " early involvement of employees", " resource allocations and provision of IT data" and "the use of delegation of duties to unionisable staff to drive them to performance" (M= 2.19 to 2.73). Consensus on these dimensions was also relatively very high (Sd of 0.99 to 1.02). Overall, employees

perceived the strategy execution process as moderately achieved (M= 3.02) with low variations in their response (1.31)

4.2.2 Organization Structure and Culture

The study looked at the following dimensions under the organization structure and culture, organizational culture and behavior, customer focused structure and reporting structure. The findings are presented in Table 4.6 and Table 4.7 below

Table 4.6 Organization Structure and Culture

	Mean	Std. Deviation
Organizational culture and structure provides for cross- functional support	3.7	0.95
New performance measures adopted enhanced a performance culture and behavior within the organization	3.5	1.18
Existing performance culture within the organization inhibited the achievement of the new performance targets	3.1	0.88
Processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations	2.5	1.27
Average	**3.16**	**0.81**

The organization structure and culture dimensions that the process found more predominant was that " the organizational culture and structure provided for cross-functional support" (M= 3.7) with very low variation among the corporate executives (Sd=0.95). The process as cited by the executives had the new measures enhanced a new performance culture and behaviour (M=3.5, Sd=1.18). The least practiced dimension was found to be that ' the processes, regulations and policies re-evaluation to empower employees meet customer needs and expectations" There were though high variations to this dimension (Sd= 2.5 and 1.27 respectively). Overall the organization culture and structure supported the implementation process (M=3.16) and there was very good consensus on this as the Sd= 0.81 was very low.

Table 4.7: Employees' Experiences of and Perceptions on the Organization Structure and Culture

	Mean	S Dev
Organization reporting structure needed to be reformed to assist employees in performance improvement	3.65	0
Employees reported to a single manager/supervisor who will evaluate him/her	3.60	1
Existing performance culture within the organization may inhibit the achievement of the new performance targets	3.40	0
Organizational culture and structure provides for cross- functional support in meeting the expected targets	3.38	0
Both the supervisor and the employee had adequate information during the negotiations of performance targets goals and measures in the performance contracts	2.72	0
Processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations	2.58	1
Average	**3.22**	**0**

The experiences of employees and their perception on organization structure and culture show that the issues that ranked highly were " that the organization reporting structure needed to be reformed", that "employees reported to a single manager/supervisor who evaluated them" and that "existing performance culture within the organization inhibited the achievement of the new performance targets" (M= 3.65 to 3.40 respectively). Consensus was also relatively high on these dimensions (Sd 0.88 to 1.06). However, employees indicated as their experience on the process that the least practiced dimensions were that "organizational culture and structure provided for cross- functional support in meeting the expected targets", "both the supervisor and the employee had adequate information during the negotiations of performance targets goals" and "company processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations". Variations were also relatively low (Sd= 0.92 to 1.04). Overall though, the employees felt that the organization structure and culture moderately supported the performance contracting process (M= 3.22). The consensus on this was very good since the Sd was 0.85 and very low.

4.2.3 Principal Stakeholders Expectations

The study looked at the following dimensions under principal stakeholders expectations, legal and statutory frameworks, commitment of principals, and multiple goals and expectations The results are shown in Table 4 8 and Table 4 9

Table 4 8 Principal Stakeholders Expectations

	Mean	Std Deviation
The Government exhibited commitment to the process	4 30	0.67
External procedures and controls e g Public Procurement adopted by the Company affected its provision of resources	4 30	0 95
Requirements by Government to put the company under State Corporations Act affected the Company's autonomy to meet its targets	4.00	0 94
External political interference and undue influence inhibits ability to perform	3.50	1.08
Regulatory tariff controls affecting Company's commercial goal	3.50	1 18
Negotiations with the multiple principals were carried out freely	3 40	0 97
Government exerts excessive controls that inhibit meeting performance targets	3.30	1 06
Weights for targets by the Government conformed with company ones	2 80	1.48
Government expects the Company to undertake non- commercial or unprofitable goals	2 80	1.03
Average	**3.53**	**1.13**

Table 4.8 show that the process had ranked highly " high exhibition of commitment by the government", " the procedures and controls e g the public procurement procedures affected its provision of resources" on principal stakeholder expectations' dimensions (M= 4.3 each) with very low variations (Sd 0 67 and 0 95) The least ranked dimensions included " weights for targets by government conformed with ones earlier adopted by the Company" and " government require the company to undertake non-commercial and unprofitable goals" (M=2.8 each) The former had relatively high variations at Sd 1.48 with the latter having low variation at Sd 1 03 Overall though, there was moderate support by the multiple principals in ensuring success of the process (M=3 53) There was also low variation in the responses (Sd= 1 13)

Table 4.9 Employees' Experiences of and Perceptions on Principal Stakeholders Expectations

	Mean	Std Deviation
External procedures and controls e.g Public Procurement adopted by the Company affected its provision of resources	4.58	0.67
Requirements by Government to put the company under State Corporations Act affected the Company's autonomy to meet its targets	4.08	1.11
Government exerts excessive controls that inhibit meeting performance targets	3.90	1.04
External political interference and undue influence inhibits ability to perform	3.40	1.00
Senior management exhibited commitment to the process	3.32	1.01
Regulatory tariff controls affecting Company's commercial goal	3.29	0.97
Middle and supervisory level management exhibited commitment and buy-in	3.23	0.95
Weights for targets by the Company conformed with ones by employees	3.07	0.96
Government expects the Company to undertake non- commercial or unprofitable goals	3.02	1.10
Average	**3.54**	**1.05**

The employees' experiences and perceptions on principal stakeholders expectations indicate that there was just moderate support and commitment to the process by the principal stakeholders, which among them included the Company (M=3.54). There was also minimal disparity to this view (Sd=1.05). In particular, they cited "the Government's requirement that external procedures and controls e.g. public procurement be adopted by the Company affected the provision of resources" and "the requirement that the company be placed under State Corporations Act affected it's autonomy to meet its targets" as the highly probable reasons (M= 4.58 and 4.08 respectively) with relatively low variations (Sd= 0.67 and 1.11 respectively). On the other hand they also cited "weights for targets by government conformed with ones earlier adopted by the Company" and " government require the company to undertake non-commercial and unprofitable goals" as the least ranked dimensions of stakeholders' expectations (M=3.07 and 3.02 respectively). The disparity was also minimal at Sd of 0.96 and 1.10 respectively.

4.2.4 Performance Information System

The study looked at the following dimensions under performance information system, data reliability and accuracy, data validity and feedback and information symmetry during negotiations of targets The findings are presented in Table 4.10 and Table 4.11 below

Table 4.10. Performance Information System

	Mean	Std Deviation
Both the Government and the Company had adequate information during negotiations of performance targets	3.50	0.85
Performance measures were standardized across functions, regions, divisions and departments	3.40	1.17
Performance targets and measures kept pace with emerging technologies and trends	2.80	0.79
Hard to measure targets were addressed adequately by the processes and information systems	2.40	1.17
Average	**3.03**	0.71

Table 4.10 shows that the dimensions on performance information system were on average only moderately addressed, a view that was held with much consensus (M = 3.03 and Sd=0.71) In particular " the government and Company had adequate information during the negotiations" was ranked highly with very minimal disparity (M = 3.03 and Sd=0.85) However, the processes and information systems did not adequately address the "hard to measure targets" although it had higher disparity (M=2.4 and Sd=1.17)

Table 4.11: Employees' Experiences and Perception on Performance Information System

	Mean	Std Deviation
Performance measures were standardized across functions, regions, divisions and departments	2.91	1.14
Changes were done in the information systems to enable employees have data to measure and improve on performance attributes	2.62	1.08
Data was provided frequently to areas not covered by the IT system to enable employees track their performance	2.24	1.02
Average	**2.56**	**0.72**

Employees' experiences and perception of performance system on the other hand indicate that on the average issues affecting the performance information system was addressed only to a small extent (M=2.56) There was also consistency as there was very minimal disparity (Sd 0.72). In particular "performance measures were standardized across functions, regions, divisions and departments" and "data was provided frequently to areas not covered by the IT system to enable employees track their performance" were addressed only to a small extent. The former was though rated highest at mean of M = 2.91 with disparity sparingly minimal (Sd=1.14) while the latter lowest with mean of M- 2.24 and Sd = 1.02

4.2.5 Performance Incentive System

The study considered the following dimensions under the performance incentive system; the rewards for meeting targets and sanctions and penalties for not meeting the targets

Table 4.12: Performance Incentive System

	Mean	Std Deviation
Performance incentives provided by Government would motivate employees to achieve results and compensate them for effort expended	2.30	1.25
The Company had knowledge of rewards for achievement and penalties for failure during negotiations	1.90	0.88
Average	**2.10**	**0.52**

The process of performance contracting indicates that only to a very small extent were dimensions relating to performance incentive system addressed (M=2.10). There was also a high consensus on these dimensions of performance incentives (SD 0.52). In particular, the findings indicate that, to only a small extent were the "performance incentives provided by the government able to motivate employees to achieve results and also compensate them for effort expended" (M 2.30). To no extent at all did "the Company have knowledge of rewards for achievement and penalties for failure during negotiations" (M 1.90). The standard deviations were relatively low for each dimension and all less than 1.5 indicating that there were no significant differences in the responses

Table 4.13: Employees' Perception and Experiences on Performance Incentive

	Mean	Std Deviation
Performance incentives provided by the company would motivate employees to achieve results and compensate them for effort expended	3.12	1.29
Mitigating factors that were out of control of employee were factored into during the final assessment	2.70	1.14
The employees had knowledge of rewards for achievement and penalties for failure during negotiations for performance targets	2.65	1.19
Average	**2.82**	**0.67**

The employees' perception and experience on performance incentive at management level indicate that on average issues on it were addressed only to a small extent (M=2.82). There was also high consensus on these dimensions of performance incentives (SD= 0.67). In particular to a moderate extent, "performance incentives provided by the company would motivate the employees to achieve results". However to a small extent were 'mitigating factors that were out of control of employee were factored into the final assessment" or "the employees had knowledge of rewards for achievement and penalties for failure during negotiations for performance targets". There was no significant differences in the responses since the standard deviation was relatively low than 1.5

4.2.6 Performance Evaluation System

The study looked at the following dimensions under performance evaluation system; performance measurement criteria and performance measurement. The findings are presented in table 4.14 and 4.15 overleaf

Table 4.14. Performance Evaluation System

	Mean	Std Deviation
Performance measures adopted focus employees towards meeting the company objectives and enhance continuous improvement	4.30	0.82
Performance targets negotiated by Government were clear, consistent, non- conflicting and measurable	3.70	0.95
Performance measurement criteria was communicated and understood by all employees	3.50	0.97
Newly introduced performance measures arrived at were considered after consultations with the employees actually performing the tasks	3.40	0.70
Performance measurement criteria adopted was fair to employees and external stakeholders especially government	3.40	1.07
Deliberate effort was made to balance financial measures and other non-financial measures of operations and growth	3.30	1.06
The Company used a conceptual performance measurement framework borrowed from private sector as a measurement tool	3.30	0.67
The Company used the generic performance criteria provided for by the Government	3.20	1.14
Unique area specific circumstances were incorporated in the targets arrived at by employees when negotiated	2.90	1.20
Mitigating factors that were out of control of employee were factored into during the final assessment	2.80	0.79
Equity was maintained across all divisions/ departments in deciding on the targets	2.50	0.97
The Government provided the company with enough autonomy to meet the agreed upon targets	2.40	0.70
Independent and professional evaluators were agreed upon to evaluate the company's performance	1.90	1.29
Average	**3.12**	**1.24**

Overall, the dimensions considered under performance evaluation system were moderately addressed (M=3.12). There was also some consensus on them (SD=1.24). In particular, the highest ranked dimension was that " the performance targets adopted would focus employees towards the company objectives" (M=4.30) followed by " performance targets negotiated by Government were clear, consistent non- conflicting and measurable" (M=3.70). Disparities were minimal at Sd= 0.82 and 0.95 respectively. On the other hand the least ranked dimension, which was considered to no extent was "independent and professional evaluators were agreed upon to evaluate the company's performance during negotiations" (M =1.90). There was also some consensus (Sd= 1.29)

Table 4.15 Employees' Experiences and Perception of Performance Evaluation System

	Mean	Std Deviation
Independence and professionalism by the evaluators of performance	3.53	1.97
Transparency in both setting and evaluation of performance targets	3.32	0.95
Performance targets negotiated by the supervisor were clear, consistent, non-conflicting and measurable	3.07	0.90
Knowledge of the effects of performance contracts on employment contracts	3.06	1.00
New performance measures adopted enhanced a performance culture and behavior within the organization	2.99	1.04
Employees had knowledge of and could ascertain and measure qualitative target	2.97	0.93
Feedback sessions provided by the supervisor adequate to improve employees performance	2.96	0.91
Performance measurement criteria was communicated and understood by all employees	2.86	1.09
Tasks allocated which do not form part of the evaluated targets are considered in appraisals	2.80	1.10
Equity was maintained across all divisions/ departments in deciding on the targets	2.59	1.03
Unique area specific circumstances were incorporated in the targets arrived at by employees when negotiated	2.55	1.13
Hidden agendas, favoritism or lack of leadership were exhibited	1.91	0.98
Average	**2.94**	**1.33**

Employees' perception on and experience of the dimensions of performance evaluation system were that they were only moderately addressed (M=2.94). There was some consensus on these dimensions (Sd=1.33). The dimensions that were highly rated included "independence and professionalism by the evaluators of performance", "transparency in both setting and evaluation of performance targets" and "performance targets negotiated by the supervisor were clear, consistent, non-conflicting and measurable" (M=3.07 to 3.53). The independence of evaluators though had very high disparity (Sd 1.97) among the employees indicating there may have been some unique functional, regional or other factor specific reasons not immediately clear. However, "equity was maintained across all divisions/ departments in deciding on the targets" (M=2.59), "unique area specific circumstances were incorporated in the targets arrived at by employees when negotiated" (M=2.55) were ranked lowest. Also to no extent were "hidden agendas, favoritism or lack of leadership exhibited" (M=1.91) was the least rated. The variations were also moderately low on each dimension

4.2.7 Accountability for Performance

In the study, there was need to determine if the process provided for an accountability for performance atmosphere since it was a critical requirement in any successful performance measurement criteria The dimensions that related to accountability for performance included issues of leadership, reciprocation, equity, trust, transparency, clarity, balance, ownership, consequences, consistency, feedback, hidden agendas and favouritism

Table 4.17 Accountability for Performance

	Mean	Std. Deviation
Performance targets negotiated by Government were clear, consistent non- conflicting and measurable	3.70	0.95
Newly introduced performance measures arrived at were considered after consultations with the employees actually performing the tasks	3.40	0.70
Performance measures were standardized across functions, regions, divisions and departments	3.40	1.17
Open communication was encouraged and a collaborative atmosphere provided	3.40	0.84
Negotiations of the targets, goals and expectations with the multiple principals were carried out freely	3.40	0.97
Deliberate effort was made to balance financial measures and other non-financial measures of operations and growth	3.30	1.06
Company enhanced its capacity and capability in people and processes to meet the new targets	3.10	1.10
Trust and team work improved with the introduction of performance contracts	3.10	0.74
Staff were involved early enough to prepare them for the new performance contracting regime	3.00	1.05
Unique area specific circumstances were incorporated in the targets arrived at by employees when negotiated	2.90	1.20
Adequate resources were allocated and information system data provided to all in order to assist in meeting the targets	2.90	0.88
Equity was maintained across all divisions/ departments in deciding on the targets	2.50	0.97
Processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations	2.50	1.27
Performance incentives provided by Government would motivate employees to achieve results and compensate them for effort expended	2.30	1.25
Average	**3.06**	**1.03**

Overall, the process provided for accountability for performance only moderately (M -3 06) There was some consensus on these dimensions (SD=1 33) In particular, the process exhibited that "to a large extent performance targets negotiated by Government were clear, consistent non- conflicting and measurable" and "newly introduced performance measures arrived at were considered after consultations with the employees actually performing the tasks" were rated higher (M 3 7 and 3 4 respectively) There were very little disparities on these dimensions (Sd 0.95 and 0.70 respectively). On the other hand to a small extent "were processes, regulations and policies re-evaluated to empower the employees meet customer needs and expectations" and "performance incentives provided by Government would motivate employees to achieve results and compensate them for effort expended" (M 2.5 and 2.3 respectively) There was low variations (Sd -1.25 and 1 27)

Table 4.18 Employees Perception on Accountability for Performance

	Mean	Std Deviation
Transparency in both setting and evaluation of performance targets	3.88	1.21
Negotiations of the targets, goals and expectations with the supervisors were carried out in a free atmosphere	3.54	2.68
Open communication was encouraged and a collaborative atmosphere provided	3.26	1.11
Performance targets negotiated by the supervisor were clear, consistent, non-conflicting and measurable	3.07	0.90
Feedback sessions provided by the supervisor adequate to improve employees performance	2.96	0.91
Performance measures were standardized across functions, regions, divisions and departments	2.91	1.14
Trust and team work improved with the introduction of performance contracts	2.84	1.00
Tasks allocated which do not form part of the evaluated targets are considered in appraisals	2.80	1.10
Company enhanced its capacity and capability in people and processes to meet the new targets	2.77	0.93
The company provided the employees with enough autonomy to meet the agreed upon targets	2.75	0.97
Both the supervisor and the employee had adequate information during the negotiations of performance targets goals and measures in the performance contracts	2.72	0.92
The employees had knowledge of rewards for achievement and penalties for failure during negotiations for performance targets	2.65	1.19
Equity was maintained across all divisions/ departments in deciding on the targets	2.59	1.03
Processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations	2.58	1.04
Unique area specific circumstances were incorporated in the targets arrived at by employees when negotiated	2.55	1.13
Adequate resources were allocated and information system data provided to all in order to assist in meeting the targets.	2.49	0.89
Data was provided frequently to areas not covered by the IT system to enable employees track their performance	2.24	1.02
Employees were involved early enough to prepare them for the new performance contracting regime	2.19	0.99
Hidden agendas, favoritism or lack of leadership were exhibited	1.91	0.98
Average	**3.00**	**1.13**

Overall, employees' perceptions on the dimensions considered under accountability for performance were that they were moderately addressed (M=3.00). There was some consensus on these dimensions (SD=1.13). The perception on the process showed that to a large extent there was transparency in both setting and evaluation of performance targets and negotiations of the targets, goals and expectations with the supervisors were carried out in a free atmosphere. However to a small extent was data provided frequently to areas not covered by the IT system to enable employees track their performance and early involvement of employees to prepare them for the new performance-contracting regime. On the other hand they felt that to no extent at all were hidden agendas, favoritism or lack of leadership were exhibited

4.2.8 Factors Posing Challenge in Implementing Performance Contracting

The respondents were to indicate the factors posing challenge in implementing performance contracting The findings are presented in table 4.16 and table 4 17 below

Table 4.19: Factors posing challenge in implementing performance contracting

	Frequency	Percent
Resistance to change by employees and managers	8	80%
Change of performance culture and behavior of employees	9	90%
Alignment of performance targets to meet the expectations of all stakeholders	3	30%
Internalizing the new concept of performance contracting in the Company	8	80%
Developing performance incentives that motivates employees	3	30%
Providing an information system that provides adequate data to measure	5	50%
Developing a conceptual framework for performance measurement	8	80%

The corporate level executives rated change of performance culture and behavior of employees as the highest challenge (90%) followed by resistance to change by employees and managers, internalizing the new concept of performance contracting in the Company and the developing of a conceptual framework for performance measurement (80% each) Provision of information system that provides adequate data to measure performance (50%) was cited as posing moderate challenge while alignment of performance targets to meet the expectations of all stakeholders and developing performance incentives that motivate employees were cited as posing the least challenge (30% each). Other challenges mentioned by the respondents which were cited as important but however not predetermined included irregular performance reviews at lower levels, wait and see attitudes among managers and non-selling of the initiatives to staff to secure buy-in

Table 4.20 Employees Experience and Perception on Factors Posing Challenge in Implementing Performance Contracting

	Frequency	Percent
Resistance to change by employees	96	49%
Resistance to change by managers	68	34%
Change of performance culture and behavior of employees	143	72%
Negotiation of realistic yet stretching targets	94	48%
Training employees on all aspects of performance contracting	81	41%

Employees' experiences and perception on the factors posing challenge in implementing performance contracting indicate that the main challenge was change of performance culture and behavior of employees (72%). Other factors were resistance to change by employees (49%), negotiation of realistic yet stretching targets (48%), training of employees on all aspects of performance contracting (41%), and resistance to change by managers (34%).

Table 4.21 Other Challenges Cited But Not Predetermined

	Frequency	Percent
Lack of adequate resources, materials, computers and tools to match expected performance	38	40.0%
Suspicion of intentions by supervised staff causing confusion	5	4.9%
Lack of an articulate performance reward/penalty system	14	13.7%
Measurement of some tasks/targets cumbersome without good IT systems	5	4.9%
Lack of autonomy and empowerment of employees	9	8.8%
Unclear organization structure	3	2.9%
Ownership by Unionisable employees who did not signing the contracts yet expected to perform	4	3.9%
Targets dependant on other divisions/functions especially procurement	7	6.7%
Other factors eg poor infrastructure, security etc	1	0.9%
Implementation system done hurriedly without much staff involvement	4	3.6%
Lack of leadership, support and commitment by senior managers	12	9.7%

Other challenges experienced by the employees but not included in the predetermined challenges are enumerated in Table 4.21 with lack of adequate resources to match expected performance cited highly as a major challenge.

4.3 Relationship Between Respondents' Demographic Profile and Performance Contracting Dimensions.

In order to determine the relationship between performance contracting dimensions and the respondents' demographic profile a correlation matrix was constructed. Pearson correlation coefficients were used to determine the nature and magnitude of the relationship. The significance level was set at 0.01 (See **Appendix 5**). Cross tabulations were also done on selected performance contracting dimensions against the demographic profile of division/department (See **Appendix 6**), to establish the extent of responses across these divisions/departments. Other similar cross tabulations may be done against various other demographic profiles e.g. region, job level etc to enable the company make in-depth recommendations and formulate dimension specific strategies.

4.3.1 Job Level

The correlation between the job level and political interference and undue influence that inhibited organization's ability to meet performance goals and expectations show that there is a negative relationship between the two factors. This means that employees' job level inhibited the organization from meeting its performance goals and expectations due to external political interference and undue influence. Lower levels were not much affected by these political interferences and influences. Job level was positively correlated with employees having knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts and the employees having knowledge of rewards for achievement and penalties for failure during negotiations for performance targets. This means that their job level explains the likelihood of employee having knowledge by 16% and 18% respectively while the remaining proportion is explained by other factors.

There was also a positive relationship between performance incentives provided by the company to motivate employees to achieve results and compensate them for effort expended Their job level influenced the level of performance incentives provided by the company by 21.7%. On the other hand there was a negative relationship between employees being involved early enough to prepare them for the new performance contracting regime and the job level, this explains 13% of the factors influencing employees time of involvement

The relationship between the company providing the employees with enough autonomy to meet the agreed upon targets and the job level is positive, 10% of this is due to the job level while the remaining 90% could be explained by other factors Likewise to factoring in mitigating factors that were out of control of employee during the final assessment there is a positive relationship This shows that the likelihood of factoring in these factors could be explained by 30% due to the employees' job level

4.3.2 Number of Years Worked in the Organization

The relationship between the number of years one has worked in the organization and the organizational culture and structure providing for cross- functional support in meeting the expected targets is positive This shows that 36% the factors affecting organizational culture and structure in providing for cross- functional support in meeting the expected targets are due to number of years worked in the organization while the remaining proportion is due to other factors. On the other hand there is a negative relationship between external political interference and undue influence inhibiting organizations ability to meet performance goals and expectations and the number of years worked in the organization

The employees having knowledge of rewards for achievement and penalties for failure during negotiations for performance targets and number of years worked in the organization relationship is positive This shows that the factors influencing the likelihood of an employee having knowledge of rewards for achievement and penalties for failure during negotiations for performance targets could be explained 22% by the number of years worked in the organization The relationship between the performance incentives provided by the company to motivate employees to achieve results and compensate them for effort expended and the number of years worked was established to be positive This shows the factors affecting employees' motivation towards achieving the results are 34% due to the number of years worked in the organization. There was a negative relationship between employees believing that external players imposed the requirement for performance contracts and the number of years worked.

4.3.3 Region of Work

There was a positive relationship between employees having knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts and their region of work This was to a small extent, only 2% of this was due to the employees region of work Likewise to performance incentives provided by the company to motivate employees to achieve results and compensate them for effort expended which was at 6%

The relationship between the region of work and trust and teamwork improving with the introduction of performance contracts was positive This could be explained 21% due to the employees region of work Likewise to the relationship with weights provided for by the Company in prioritizing its expectations in the performance contracts conformed with the ones the employee considers important which was at 6%.

The correlation between performance measures being standardized across functions, regions, divisions and departments and region of work was found to be positive This shows that 11% of factors affecting performance measures being standardized across functions, regions, divisions and departments and region of work are due the employees region of work while the remaining 89% are explained by other factors

4.3.4 Division / Department of Work

There was a positive relationship between adequate resources being allocated and information system data provided to all in order to assist in meeting the targets and the division / department of work This shows that 16% of the employees perception and experience on resources allocation was influenced by the employees department or division of work

The relationship between trust and teamwork improving with the introduction of performance contracts and division and department of work was established to negative Likewise to performance measures being standardized across functions, regions, divisions and departments that was also negative

Appropriate training programs were initiated and coaching by supervisors encouraging on all aspects of performance contracting and employee department or division of work relationship was established to be positive 15% factors influencing employee perception on appropriate training programs are influenced by the employees division or department of work, while the remaining proportion is explained by other factors

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

This chapter discusses the findings gathered from the analysis of the data, as well as the conclusions reached The chapter incorporates the various suggestions and comments given by the respondents in the questionnaires Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are also given

5.1 Discussion

The aim of the study was to determine the processes, procedures and techniques adopted by Kenya Power and Lighting Company in the implementation of performance contracts, challenges encountered and the employees' experiences on and perceptions of the process From the data analysis it was established that majority of the respondents were the level of middle management, had graduate degree education, had worked in the organization for between 5 to 10 years and were male on permanent terms of service

5.1.1 Strategy Execution Process

According to NPR (1999), performance contracts largely presuppose the existence of corporate strategy and therefore performance contracts implementation becomes a crucial tool in the implementation of a company's strategy Performance measures are therefore critical links between strategy and its execution in any performance criteria framework Strategy implementations in most organizations usually contribute to failure in execution of well thought out strategies This seems to have significantly affected KPLC since the strategy execution process was moderately executed The findings indicate that critical strategic initiatives like the need for the process and sense of urgency to the process was established Vision and mission was communicated to all employees, and employees had knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts Equally important but to a moderate extent staff were involved early enough to prepare them for the new performance-contracting regime, while union leadership and staff were involved and sensitized on the performance contracting process Middle and supervisory level management exhibited commitment and buy-in of performance contracting while the company enhanced its capacity and capability in people and there was visible and vocal support of the process by senior management and processes to meet the new targets On the other hand, critical issues like conducting regular customer and employee surveys to monitor changes in expectations, communication of performance expectations to external stakeholders especially customers and their involvement in developing of the company's performance measures and goals together with resources allocation and information system data to all employees were least or at worst considered This could explain the moderate level of achievement of this critical dimension of performance contracting.

The employees equally perceived the strategy execution process as moderately achieved concurring with the findings of the process execution by corporate executives While their experiences show that to a large extent the vision and mission were communicated, the employees had the belief that the process was externally imposed affecting their buy-in.

To a moderate extent though, there was visible and vocal support of the process by senior management while open communication was encouraged and a collaborative atmosphere provided and employees had knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts. However the employees felt that to only a small extent was there support by the supervisor and senior management in providing resources for meeting targets, training and coaching by supervisors, trust and team building or support by subordinates especially unionisable employees

Similarly to a small extent only was there enhancement of capacity and capability in people and processes, delegation of duties given to unionisable employees considered adequate to enable the supervisor drive them to meet targets, resources allocation and information system data to all employees in meeting targets or the involvement of employees early enough to prepare them for the new performance contracting The organization's ability and conscious effort to incorporate these critical dimensions/issues in their change management strategies would have enabled it execute the performance contracting strategy more effectively

5.1.2 Organization Structure and Culture

Studies by Marr (2004) and Bititci et al (2005) indicate that failure in implementation of new performance measurements in any performance criteria framework is in the content and relevance of the measurements to strategy, the non-recognition of soft issues of culture, employee involvement, communication, management style, and the organization structure Study by Bititci et al (2005) also show that there is some interplay between performance measurement, organizational culture and management styles in the introduction of new performance measurements, and that culture of the organization seem to have a big impact on its implementation

The findings indicate that organization culture and structure supported the implementation process To a large extent, the corporate executives observed that the organization culture and structure provided cross- functional support and the newly adopted performance measures enhanced a new performance culture and behavior However to a moderate extent the existing performance culture may inhibit the new targets. On the other hand, to a small extent were processes, regulations and policies re-evaluated to empower the employees meet customer needs and expectations This finding is obtainable in most organizations whose existing culture may not support the newly introduced performance measurement criteria

The experiences of employees and their perception on organization structure and culture show that to only a moderate extent did the organization structure and culture support the process, which contrasts with the observation of the corporate executives Also to a large extent organization's reporting structure needed to be reformed To a moderate extent existing performance culture within the organization inhibited the achievement of the new performance targets, supporting the corporate executives findings, though the organizational culture and structure did provide for cross- functional support in meeting the expected targets

However the employees also felt that to a small extent, both the supervisor and the employee had adequate information during the negotiations of performance targets goals while the company processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations The Company therefore needs to look at these observable gaps between its corporate expectations and experiences of employees to enable it develop a culture and structure that can be able to support the process

5.1.3 Principal Stakeholders Expectations

According to literature review, GOK (2005a) argues that the problems inhibiting performance in government agencies are excessive controls and regulations, multiplicity of principals, frequent political interference, brain drain, bloated staff levels, poor management and outright mismanagement

The findings indicate that the process had moderate support by the multiple principals in ensuring its success In particular, though to a very large extent the government seemed to exhibit commitment to the process of performance contracting, its requirement that the Company adopt external procedures and controls e g public procurement affected its provision of resources which ultimately affected its ability to successfully implement the concept

Also to a large extent requirements by Government to put the company under State Corporations Act affected the Company's autonomy to meet its targets, regulatory tariff controls affected the Company's commercial goal while external political interference and undue influence inhibited its ability to meet performance goals and expectations To a moderate extent were negotiations of the targets, goals and expectations with the multiple principals carried out freely while government's excessive controls inhibited the company's ability to meet its targets On the other hand to a small extent the government expected the Company to undertake non- commercial or unprofitable goals and the weights allocated to targets by the government in prioritizing its expectations in the performance contracts conformed to the ones earlier adopted by the company

According to Mann (1995), Trivedi (2005) and GOK (2005a), the signaling system allocates weights It adopts a system of " five point" scale and " criteria weight" which ultimately result in calculation of " composite score" or an index of performance of the enterprise Since the process had weights prioritizing government expectations, the Company adopted a signaling system of performance contracts

The employees' experiences of and perceptions on principal stakeholders' expectations on the other hand indicate that on the average there was support and commitment to the process by the stakeholders who to the employees are the corporate executives They also concurred that to a very large extent the government's requirement that the Company adopt external procedures and controls e g public procurement affected the provision of resources while the requirement that the company be placed under State Corporations Act affected it's autonomy to meet its targets To a large extent also, Governments excessive controls inhibited meeting of targets

On the other hand, to a moderate extent did external political interference and undue influence inhibit employees' ability to meet performance goals and expectations while senior management exhibited moderate commitment to the process of performance contracting Electricity Regulatory Board tariff controls moderately affected the Company's commercial goal while weights provided for by the Company in prioritizing its expectations in the performance contracts moderately conformed with the ones the employee considered important while the Government also moderately expected Company to undertake non- commercial or unprofitable goals

5.1.4 Performance Information System

According to UN Guidelines, failure in performance contracting implementation arise mainly in enterprises without reasonable up-to-dated information system, low degree of specification of goals, lack of legal framework; low management autonomy to pursue market based interests, low internalization of performance contracting throughout the enterprise, multiplicity and often conflicting goals, pursuit of non-commercial goals on instructions of government and the attendant unclear indicators; price controls on inputs and outputs of monopolies, short period of contracts, non-competitive incentive systems and non- independent evaluation system among others

The findings indicate that the issues on performance information system were addressed only moderately. Whereas to a large extent both the Government and the Company had adequate information during the negotiations of performance targets and to a moderate extent the measures were standardized across functions, regions, divisions and departments, only to a small extent were hard to measure targets addressed adequately by the processes and information systems The targets did not also keep pace with emerging technologies and trends.

According to GOK (2005a), OECD (1999), Trivedi (2004) and Mann (1995) a standard performance contract should have a performance information system that relates to need for reasonable information balance between the organization and the employees in the process of negotiating performance targets Employees' experiences and perception of performance system were even harsher arguing that it was only to a small extent implemented In particular, it ensured that only to a small extent performance measures were standardized across functions, regions, divisions and departments and that changes were not done in the information systems to enable employees have data to measure and improve on performance Similarly data was not frequently provided to areas not covered by the IT system to enable employees track their performance

5.1.5 Performance Incentive System

According to OECD (1999), one fundamental precondition for successful implementation of a performance contract is that performance should be linked to a system of incentives for good performance and sanctions for poor performance The findings indicate that the process addressed only to a very small extent issues relating to performance incentives In particular, only to a small extent was the government able to motivate employees to achieve results and compensate them for effort expended through performance incentives

To no extent at all did the Company have knowledge of rewards for achievement and penalties for failure during negotiations which explains why the employees' perception and experience on performance incentive at management level indicate that on average issues on it were addressed only to a small extent In particular, only to moderate extent were performance incentives provided by the company able to motivate the employees to achieve results Further, to only a small extent were mitigating factors that were out of control of employee factored into the final assessment nor did the employees have knowledge of rewards for achievement and penalties for failure during negotiations for performance targets

5.1.6 Performance Evaluation System

According to OECD (1999) fundamental preconditions for successful implementation of a performance contract include performance criteria included in the contracts must be clearly defined and easily understood, performance criteria should be fair to the manager, as it should encompass only areas within the control of public enterprise management, criteria for evaluating public. Performance targets should be negotiated and not imposed arbitrarily from top government, public enterprise managers must be left free to manage the enterprise within agreed parameters once the performance targets have been set, performance should be judged at end of year systematically against the targets negotiated at the beginning of the year, to carry out performance evaluation, there is need to have balance in availability of information between the evaluator and evaluatee

The findings show that the performance evaluation system was moderately implemented To a very large extent were the performance targets adopted able to focus employees towards the company objectives while the performance targets negotiated by Government were clear, consistent non- conflicting and measurable including that the newly introduced performance measures were arrived at after consultations with the employees actually performing the tasks The performance measurement criterion was well communicated to all while the balance between financial measures and other non-financial measures of operations and growth were only moderately implemented The company also just moderately adopted a conceptual measurement framework from private sector complimenting it with the generic performance criteria provided for by the government

However, to only a small extent did the company incorporate unique area specific circumstances to the targets and factored mitigating factors out of control of employee It also to a small extent maintained equity across divisions/departments or sought autonomy from the government to meet the agreed upon targets The process however did not to any extent at all seek for independent and professional external evaluators to be agreed upon to evaluate the company's performance during the negotiations

Employees felt that to a large extent, there was transparency in both setting and evaluation of performance targets and that there was independence and professionalism by the internal evaluators of performance To a moderate extent though the performance targets negotiated by the supervisor were clear, consistent, non-conflicting and measurable

On the other hand, they felt that to only a small extent were the new performance measures adopted able to enhance a performance culture and behavior within the organization Similarly performance measurement criteria was not communicated and understood by all employees, equity was not maintained across all divisions/ departments in deciding on the targets and unique area specific circumstances not incorporated in the targets arrived at by employees during negotiations But to no extent at all were hidden agendas, favoritism or lack of leadership exhibited in the process as observed by the corporate executives

5.1.7 Accountability for Performance

According to PBMSIG (2001), accountability for performance is a critical factor in any successful performance measurement criteria. They cite the key requirements for successful establishment of an accountability environment as leadership; reciprocation; equity, trust; transparency, clarity, balance, ownership, consequences, consistency, and follow up. They note that the main barriers include hidden agendas, favoritism, lack of leadership, lack of resources, lack of follow-through, lack of clarity, and data misuse

Overall the research findings indicate accountability for performance was moderately exhibited. Although the performance targets negotiated by Government were clear, consistent non- conflicting and measurable and newly introduced performance measures arrived at were considered after consultations with the employees actually performing the tasks, regulations and policies were however not re-evaluated to empower employees meet customer needs and expectations while performance incentives by Government did not motivate employees achieve results and compensate them for effort expended

The employees' perceptions on the dimensions considered under accountability for performance were that they were also moderately exhibited. Their perception on the process showed that to a large extent there was transparency in both setting and evaluation of performance targets and negotiations of the targets, goals and expectations with the supervisors carried out in a free atmosphere. However to a small extent was data provided frequently to areas not covered by the IT system to enable employees track their performance and employees were not involved early enough to prepare them for the new performance contracting regime. On the other hand, they also concurred that to no extent at all were hidden agendas, favoritism or lack of leadership exhibited

5.1.8 Challenges in Implementing Performance Contracting

The major factors that posed challenges to the process were resistance to change by employees and managers and change of existing performance culture and behavior of employees. Similarly the internalization of the new concept of performance contracting in the Company and provision of information system that provides adequate data to measure performance and the negotiation of realistic yet stretching targets and training of employees on all aspects of performance contracting posed major challenges. Other challenges included irregular performance reviews at lower levels, wait and see attitudes among managers and non-selling of the initiatives to staff to secure buy-in

Major challenges encountered by employees included lack of adequate resources, materials, computers and tools to match expected performance; suspicion of intentions as observed by the supervised staff causing confusion, lack of an articulate performance reward/penalty system, measurement of some tasks/targets were cumbersome without good IT systems, lack of autonomy and empowerment of employees to meet the targets, unclear organization structure; lack of ownership by unionisable employees who did not sign the contracts yet were expected to be driven to perform, the targets being dependant on other divisions/functions especially the procurement department; implementation system done hurriedly without much staff involvement affecting its buy-in, and lack of leadership, support and commitment by senior managers

5.2 Conclusion

The success in the implementation of the process of performance contracts was moderately achieved by the Kenya Power and Lighting Company. The process attempted to moderately involve stakeholders especially the government and customers in its strategy implementation. Attempts were made to communicate the vision and mission, staffs were not involved early in the process, and while customer and employee surveys were not done to get feedback on their needs and no effort to establish whether the strategies were effective. While the organization culture and structure supported the implementation process since it provided for cross- functional support and the new performance measures attempted to enhance a new performance culture and behavior, there was still need to reform the organization structure especially the existing reporting structure

Employees' experiences and perception of performance information system indicate that on the average issues affecting it was addressed to only a small extent In particular performance measures were not standardized across functions, regions, divisions and departments, changes were not done in the information systems to enable them have data to measure and improve on performance while data was not provided frequently to areas not covered by the IT system to enable employees track their performance

Issues relating to performance incentive system were also addressed to only a small extent since to no extent at all did the Company have knowledge of rewards for achievement and penalties for failure during the negotiations of the targets while performance incentives provided by the company were not able to motivate the employees to achieve results. Furthermore, mitigating factors that were out of control of employees were not factored into the final assessment with the employees having no knowledge of rewards for achievement and penalties for failure during negotiations for their performance targets

Performance evaluation system was moderately implemented as to a moderate extent only were newly introduced performance measures arrived at after consultations with the employees actually performing the tasks The performance measurement criteria was also moderately communicated and understood by all while performance measurement criteria adopted was fair to employees and external stakeholders especially government Deliberate effort was made to balance between financial measures and other non-financial measures of operations and growth The company attempted to use a conceptual measurement framework from the private sector and complimented it with the generic performance criteria provided for by the government The company adopted a signaling performance contracting generic type of performance contracting by incorporating weights to determine the overall composite performance

However, it did not incorporate unique area specific circumstances on targets nor factored mitigating factors out of control of employee or maintained equity across divisions/departments or sought autonomy from the government to meet the agreed upon targets It did not to any extent also seek for independent and professional external evaluators to be agreed upon to evaluate the company's performance during the negotiations

The process did however exhibit the Company's attempts to establish accountability for performance atmosphere though these were but just only moderately achieved

The process also encountered some challenges, which if the company would have addressed effectively in its change management strategies, the process would have been more successful The challenges included some, which were structural in nature, others cultural while others due to poor strategy implementation strategies

Cultural challenges included among others resistance to change by employees and managers, change of existing performance culture and behavior of employees, internalizing the new concept of performance contracting in the Company, wait and see attitudes among managers and suspicion of intentions by the supervised staff causing confusion Structural challenges included poor reporting and organizational structure, lack of resources, inarticulate incentives systems, poor information systems, lack of performance conceptual framework among others

Lastly poor strategies include implementation system done hurriedly without much staff involvement affecting buy-in, lack of leadership, support and commitment by senior managers, lack of ownership by unionisable employees, non-selling of the initiatives to staff to secure buy-in, and lack of autonomy and empowerment among others

5.3 Recommendations

The researcher recommends that the corporate executives look at the strategies adopted to drive the performance contracts so as to pay more attention to issues that affected its strategy execution In particular the change management strategies together with effects of its organization structure and culture in the introduction of new performance measures

The Company needs to take keen interest to reform its performance information system and the performance incentive system to cater for the needs of both stakeholders and employees in a way that it can drive performance as indicated by the employee experiences

On the performance evaluation system, there is need to develop a conceptual framework that blends both the government criteria and best in practice private sector frameworks These criteria should be communicated to employees and the resultant performance measurements should be adopted after negotiations with the employees to cultivate much needed buy-in while senior management support and commitment be visibly exhibited

Training of all employees on the concept, objectives and expectations of performance contracting needs to be enhanced to change the paradigm of employees towards prudent resource utilization and set an accountability to performance atmosphere in the organization complete with a new performance culture that enables the organization successfully internalize the performance contracting concept

Since strategy making cannot be a purely rational and analytical process, to obtain support for the strategy, inspirational values of all principal protagonists and stakeholders as well as the political forces must be considered Since the value of any strategy is realized only if it is implemented, the commitment and support of key people beyond the Managing Director and the staff are essential And to get their full support, engagement of their heads only may not be enough as their emotional commitment will also be essential

5.4 Limitation Of The Study

The major critical limitation was that the concept of performance contracting was very new within the public sector in the country and KPLC had just undergone its first cycle This tended to bring a lot of subjectivity from the respondents, as they were still skeptical of the success of performance contracting concept within public sector enterprises. The success of the concept may not also become evident until the company has gone through several cycles to enable it identify factors that may mitigate against its failure or support the success of performance contracts within the public sector enterprises

5.5 Suggestions For Further Research

Further research suggested by the researcher may include establishing the success of the concept of performance contracts in the public sector through a survey of enterprises that have undertaken it for more than one cycle Other research may look into the extent to which each of the performance contracting dimensions would influence the success of performance contracting in the public sector organizations in developing countries Each of these dimensions could be correlated against factors of company success to establish their extents especially on company profitability, productivity, quality of products/service and levels of value addition while adopting performance-contracting concept in the public enterprises

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APPENDIX 1

Public Agencies That Signed Performance Contracts By October 2005:

1. Kenya Ports Authority
2. Kenya Pipeline Company
3. National Oil Corporation of Kenya
4. Kenya Power and Lighting Company
5. Kenya Utalii College
6. Chemelil Sugar Company
7. Consolidated Bank of Kenya
8. Kenya Reinsurance Corporation
9. Kenya Post Office Savings Bank
10. Telkom Kenya
11. East African Portland Cement
12. Industrial and Commercial Development Corporation
13. Kenya Industrial Estates
14. National Housing Corporation
15. Kenya Broadcasting Corporation
16. Kenya Wines Agencies Limited

Source Information Booklet On Performance Contracts In The Public Service-GOK 2005b

APPENDIX 2 :LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "[illegible]" Nairobi
Telex: [illegible] Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 16th September 2005

TO WHOM IT MAY CONCERN

The bearer of this letter OTHIENO JARED . O

Registration No: D/61/P/8394/01

is a Master of Business Administration (MBA) student of the University of Nairobi.

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

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

Thank you.

M. B. A. OFFICE * Box 30197, NAIROBI. UNIVERSITY COMMERCE FACULTY

JACKSON MAALU
CO-ORDINATOR, MBA PROGRAM

The Respondent,
Kenya Power & Lighting Company Ltd,
P O Box 30099- 00100
GPO, Nairobi.
17th September, 2005

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a postgraduate student in the Faculty of Commerce, University of Nairobi pursuing a Masters of Business Administration (MBA) program. In order to fulfill the degree requirements, I am currently undertaking a Management Research Project on "**The Process and Experience of Implementing Performance Contracts -A Case Study of Kenya Power and Lighting Company Ltd**"

This project will concentrate on the process undertaken and the experiences of employees on the recently introduced performance contracts within KPLC

In order to carry out the Research, you are selected to form part of the study. I, therefore, request you to assist by filling in the attached questionnaire. The information you give will be treated in strict confidence and is needed purely for academic purposes. In no way will your name appear in the final report

A copy of the final report will be made available to you upon request. Your assistance and co-operation will be highly appreciated

Yours Sincerely,

Jared O Othieno

APPENDIX 3

QUESTIONANNAIRE (A) FOR CORPORATE LEVEL EXECUTIVES

PART A: General Information

1) Please indicate your job title ------------------------------(optional)

2) Highest completed level of education
    a) Primary School ( )
    b) Secondary School ( )
    c) College ( )
    d) Graduate Degree ( )
    e) Post Graduate degree/ diploma ( )

3) Number of years worked in the organization
    a) Less than 5 years ( )
    b) 5 – 10 years ( )
    c) 10 – 15 years ( )
    d) 15-20 years ( )
    e) 20-25 years ( )
    f) more than 25 years ( )

4) Gender
    a) Male ( )
    b) Female ( )

5) Please indicate your terms of employment
    a) Permanent ( )
    b) Contract ( )

6) Please indicate the Division/ department you work in ------------------------

PART B

Please indicate on a scale 1 to 5 below,the extent to which you consider the following were considered in the process of introduction and implementation of performance contracting by KPLC. Please, Tick (√) appropriate Box

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
1	Involved external stakeholders in developing of the Company's performance measures and goals.					
2	Communicated performance expectations to external stakeholders especially customers					
3	Communicated vision and mission to all employees in the Company					
4	The performance measures adopted focus employees towards meeting the company objectives and enhance continous improvement.					
5	Government expects the Company to undertake non- commercial or unprofitable goals					
6	Government exerts excessive controls that inhibit meeting performance targets					
7	Electricity Regulatory Board's tariff controls affecting Company's commercial goal					
8	Occasional external political interference and undue influence inhibits organisations ability to meet performance goals and expectations					
9	Organisation reporting structure needed to be reformed to assist employees in performance improvement					
10	Organisational culture and structure provides for cross- functional support in meeting the expected targets.					
11	Negotiations of the targets, goals and expectations with the multiple principals were carried out freely					
12	The Company had knowledge of rewards for achievement and penalties for failure during negotiations.					
13	Performance incentives provided by Government would motivate employees to achieve results and compensate them for effort expended					

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
14	Employees had knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts					
15	Trust and team work improved with the introduction of performance contracts					
16	Both the Government and the Company had adequate information during the negotiations of performance targets goals and measures in the performance contracts					
17	The Company used the generic performance criteria provided for by the Government					
18	The Company used a conceptual performance measurement framework borrowed from private sector as a measurement tool					
19	Weights provided for by the Government in prioritising its expectations in the performance contracts conformed with the ones earlier adopted by the company					
20	Staff were involved early enough to prepare them for the new performance contracting regime					
21	The Government exhibited commitment to the process of performance contracting management					
22	Middle and supervisory level management exhibited commitment and buy-in of performance contracting					
23	Performance measures were standardised across functions, regions, divisions and departments					
24	Adequate resources were allocated and information system data provided to all in order to assist in meeting the targets					
25	Appropriate training programs were initiated and coaching by supervisors encouraged on all aspects of performance contracting					
26	There was visible and vocal support of the process by senior management.					
27	Open communication was encouraged and a collaborative atmosphere provided					
28	Deliberate need and sense of urgency to the process was established					
29	Union leadership and staff were involved and sensitised on the performance contracting process.					

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
31	Existing performance culture within the organisation may inhibit the achievement of the new performance targets					
32	Requirements by Government to put the company under State Corporations Act affected the Company's autonomy to meet its targets					
33	Government requirement that external procedures and controls e g Public Procurement be adopted by the Company affected its provision of resources					
33	External consultants were involved to train and carry out the performance contracting process					
34	Deliberate effort was made to balance financial measures and other non-financial measures of operations and growth					
35	Unique area specific circumstances were incorporated in the targets arrived at by employees when negotiated.					
36	Equity was maintained across all divisions/ departments in deciding on the targets.					
37	Performance targets negotiated by Government were clear, consistent non- conflicting and measureable					
38	Performance measurement criteria was communicated and understood by all employees.					
39	Performance measurement criteria adopted was fair to employees and external stakeholders especially government					
40	The Government provided the company with enough autonomy to meet the agreed upon targets.					
41	Independent and professional evaluators were agreed upon to evaluate the company's performance					
42	Processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations					
43	New performance measures adopted enhanced a performance culture and behaviour within the organisation					
44	Company conducts regular customer and employee surveys to monitor changes in expectations					

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
45	Performance targets and measures kept pace with emerging technologies and trends					
46	Hard to measure targets were addressed adequately by the processes and information systems.					
47	Company enhanced its capacity and capability in people and processes to meet the new targets					
48	Mitigating factors that were out of control of employee were factored into during the final assesment.					
49	Newly introduced performance measures arrived at were considered after consultations with the employees actually performing the tasks					
50	Delegation of duties given to unionisable employees considered adequate to enable the supervisor drive them to meet their targets					

PART C

Please indicate the factors that posed a challenge to you in the process of implementing performance contracting in the Company You may select the relevant factors by ticking the list below.

(a) Resistance to change by employees and managers ( )

(b) Change of performance culture and behavior of employees ( )

(c) Alignment of performance targets to meet the expectations of all stakeholders ( )

(d) Internalising the new concept of performance contracting in the Company ( )

(e) Developing performance incentives that motivates employees ( )

(f) Providing an information system that provides adequate data to measure and drive performance. ( )

(g) Developing a conceptual framework for performance measurement and evaluation criteria. ( )

(h) Any other challenges. Please specify --

APPENDIX 4

QUESTIONANNAIRE (B) FOR OTHER MANAGEMENT STAFF

PART A: General Information

1.) Please indicate your job title ----------------------------(optional)

2.) Please indicate your job level:

a Executive management ( )
a Senior management ( )
b. Middle Management ( )
c First Level Supervisor ( )

3.) Highest completed level of education

a.) Primary School ( )
b.) Secondary School ( )
c.) College ( )
d.) Graduate Degree ( )
e.) Post Graduate degree/ diploma ( )

4.) Number of years worked in the organization

b) Less than 5 years ( )
c) 5 – 10 years ( )
d) 10 – 15 years ( )
e) 15-20 years ( )
f) 20-25 years ( )
g) more than 25 years ( )

5.) Gender

h) Male ( )
i) Female ( )

6.) Please indicate your terms of employment

j) Permanent
k) Contract

7.) Please indicate the region you work in

l) Nairobi Region ( )
m) Central Office ( )
n) Mt Kenya Region ( )
o) West Region ( )
p) Coast Region ( )

8.) Please indicate the Division/ department you work in -----------------------

PART B

Please indicate on a scale 1 to 5 below,the extent to which you experienced the following with the implementation of performance contracting by KPLC Please, Tick (√) appropriate Box

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
1	Vision and mission were communicated to all employees within the Company					
2	Occasional external political interference and undue influence inhibits organisations ability to meet performance goals and expectations					
3	Organisation reporting structure needed to be reformed to assist employees in performance improvement					
4	Organisational culture and structure provides for cross- functional support in meeting the expected targets					
5	Government expecting Company to undertake non- commercial or unprofitable goals					
6	Government excessive controls inhibit meeting performance targets					
7	Electricity Regulatory Board's tariff controls affecting Company's commercial goal					
8	Negotiations of the targets, goals and expectations with the supervisors were carried out in a free atmosphere.					
9	Employees had knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts					
10	The employees had knowledge of rewards for achievement and penalties for failure during negotiations for performance targets.					
11	Performance incentives provided by the company would motivate employees to achieve results and compensate them for effort expended					
12	Trust and team work improved with the introduction of performance contracts.					

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
13	Both the supervisor and the employee had adequate information during the negotiations of performance targets goals and measures in the performance contracts					
14	Employees believed that the requirement for performance contracts were imposed by external players					
15	Weights provided for by the Company in prioritising its expectations in the performance contracts conformed with the ones the employee considers important					
16	Employees were involved early enough to prepare them for the new performance contracting regime					
17	Senior management exhibited commitment to the process of performance contracting management					
18	Middle and supervisory level management exhibited commitment and buy-in of performance contracting					
19	Tasks allocated which do not form part of the evaluated targets are considered in appraisals					
20	Performance measures were standardised across functions, regions, divisions and departments					
21	Adequate resources were allocated and information system data provided to all in order to assist in meeting the targets					
22	Appropriate training programs were initiated and coaching by supervisors encouraged on all aspects of performance contracting					
23	There was visible and vocal support of the process by senior management					
24	Open communication was encouraged and a collaborative atmosphere provided					
25	Union leadership and staff were involved and sensitised on the performance contracting process					
26	Existing performance culture within the organisation may inhibit the achievement of the new performance targets					
27	Requirements by Government to put the company under State Corporations Act affected the Company's autonomy to meet its targets					

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
28	Government requirement that external procedures and controls e.g Public Procurement be adopted by the Company affected its provision of resources					
29	Changes were done in the information systems to enable employees have data to measure and improve on performance attributes.					
30	Unique area specific circumstances were incorporated in the targets arrived at by employees when negotiated					
31	Equity was maintained across all divisions/ departments in deciding on the targets.					
32	Performance targets negotiated by the supervisor were clear, consistent, non-conflicting and measureable.					
33	Employees had knowledge of and could ascertain and measure qualitative target.					
34	Employees had knowledge had of the effects of performance contracts on their employment contracts.					
35	There was support by the supervisor and senior managment in providing resources for meeting targets					
36	There was transperancy in both setting and evaluation of performance targets					
37	Hidden agendas, favouritism or lack of leadership were exhibited					
38	Performance measurement criteria was communicated and understood by all employees					
39	The company provided the employees with enough autonomy to meet the agreed upon targets					
41	There was independence and professionalism by the evaluators of performance.					
42	Processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations					
43	There was support by surbordinates including unionisable employees in meeting performance goals and expectations					
44	New performance measures adopted enhanced a performance culture and behaviour within the organisation					

		To a very large extent 5	To a large extent 4	To some extent 3	To a small extent 2	To no extent at all 1
45	Employees reported to a single manager/supervisor who will evaluate him/her					
46	Feedback sessions provided by the supervisor adequate to improve employees performance					
47	Delegation of duties given to unionisable employees considered adequate to enable the supervisor drive them to meet their targets					
48	Data was provided frequently to areas not covered by the IT system to enable employees track their performance					
49	Company enhanced its capacity and capability in people and processes to meet the new targets					
50	Mitigating factors that were out of control of employee were factored into during the final assesment					

PART C

Please indicate the factors that pose a challenge to you and those you supervise in implementing performance contracting in your section/department/division. You may select the relevant factors by ticking the list below.

(a)Resistance to change by employees ( )

(b)Resistance to change by managers ( )

(c)Change of performance culture and behavior of employees ( )

(d) Negotiation of realistic yet stretching targets ( )

(e) Training employees on all aspects of performance contracting ( )

(f) Any other challenges. Please specify ------------------------------------

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APPENDIX 5

Table 4.18 Correlations between respondents' demographics and performance contracting dimensions

		Job level	Number of years worked in the organization	Region of work	Division / Department
External political interference and undue influence inhibiting organizations ability	Pearson Correlation	-0.179*	-0.288**	0.029	0.024
	Sig. (2-tailed)	0.013	0.000	0.686	0.734
Organizational culture and structure and cross- functional support	Pearson Correlation	0.188**	0.361**	-0.094	-0.002
	Sig. (2-tailed)	0.009	0.000	0.188	0.975
Negotiations of the targets carried out in a free atmosphere	Pearson Correlation	-0.118	-0.096	0.095	0.126
	Sig. (2-tailed)	0.104	0.180	0.183	0.076
Knowledge of the company strategies, objectives, goals and expectations at time of signing the performance contracts	Pearson Correlation	0.156*	0.370	0.018**	0.053
	Sig. (2-tailed)	0.031	0.000	0.797	0.458
Knowledge of rewards and penalties during negotiations	Pearson Correlation	0.176**	0.219**	0.199	0.094
	Sig. (2-tailed)	0.015	0.002	0.005	0.188
Performance incentives motivate employees to achieve results and compensate them for effort expended.	Pearson Correlation	0.217**	0.344**	0.060**	0.027
	Sig. (2-tailed)	0.003	0.000	0.398	0.705
Improvement of trust and team	Pearson Correlation	0.212	0.301	0.218**	-0.065**
	Sig. (2-tailed)	0.003	0.000	0.002	0.363
Adequate information during negotiations	Pearson Correlation	-0.104	0.104**	0.316	0.266
	Sig. (2-tailed)	0.152	0.143	0.000	0.000
Belief that external players imposed the requirement for performance contracts	Pearson Correlation	0.018	-0.073**	-0.123	-0.089
	Sig. (2-tailed)	0.802	0.307	0.084	0.212
Weights provided for by the Company conformed with the ones the employee considers important	Pearson Correlation	0.077	0.325**	0.068**	-0.048
	Sig. (2-tailed)	0.288	0.000	0.343	0.498
Employees were involved early enough to prepare them	Pearson Correlation	-0.128*	0.336	0.321	0.266
	Sig. (2-	0.077	0.000	0.000	0.000

	tailed)				
Commitment by Senior management	Pearson Correlation	0.019	0.250**	0.266	0.070
	Sig. (2-tailed)	0.798	0.000	0.000	0.329
Commitment by Middle and supervisory level management	Pearson Correlation	0.167**	0.095**	0.023	0.075
	Sig. (2-tailed)	0.021	0.184	0.752	0.296
Consideration of tasks which do not form part of the evaluated targets in appraisals	Pearson Correlation	0.063	0.213*	0.028	-0.076*
	Sig. (2-tailed)	0.383	0.003	0.691	0.285
Performance measures were standardized across functions, regions, divisions and departments	Pearson Correlation	0.255	0.276**	0.117**	-0.049*
	Sig. (2-tailed)	0.000	0.000	0.100	0.491
Allocation of resources and information system data provided to all	Pearson Correlation	-0.041	0.170**	0.393**	0.160*
	Sig. (2-tailed)	0.574	0.017	0.000	0.024
Training programs and coaching by supervisors	Pearson Correlation	-0.034	0.223	0.313**	0.174**
	Sig. (2-tailed)	0.642	0.002	0.000	0.014
Visible and vocal support by senior management	Pearson Correlation	0.126	0.313**	0.220	0.153**
	Sig. (2-tailed)	0.081	0.000	0.002	0.031
Open communication and a collaborative atmosphere provided	Pearson Correlation	0.102	0.364**	0.228	0.165**
	Sig. (2-tailed)	0.159	0.000	0.001	0.020
Involvement of union leadership and staff	Pearson Correlation	-0.080	-0.019*	0.309*	0.295**
	Sig. (2-tailed)	0.270	0.792	0.000	0.000
Existing performance culture inhibited the achievement of the new performance targets.	Pearson Correlation	-0.090	0.297**	-0.022**	-0.223*
	Sig. (2-tailed)	0.213	0.000	0.755	0.002
Changes done in the information systems	Pearson Correlation	0.051	0.198**	0.111	0.270
	Sig. (2-tailed)	0.480	0.005	0.111	0.000
Incorporating unique area specific circumstances	Pearson Correlation	0.013	0.152**	0.174*	0.332
	Sig. (2-tailed)	0.856	0.032	0.014	0.000
Equity across all divisions/ departments	Pearson Correlation	-0.053	0.255*	0.211**	0.164
	Sig. (2-tailed)	0.463	0.000	0.003	0.021

Performance targets were clear, consistent, non-conflicting and measureable	Pearson Correlation	0.042	0.319*	0.124**	0.029**
	Sig. (2-tailed)	0.567	0.000	0.081	0.684
Employees had knowledge of and could ascertain and measure qualitative targets	Pearson Correlation	0.109	0.195**	0.141**	-0.060
	Sig. (2-tailed)	0.133	0.006	0.048	0.399
Knowledge of the effects of performance contracts on employment contracts.	Pearson Correlation	-0.043	0.174*	0.383	0.095
	Sig. (2-tailed)	0.550	0.014	0.000	0.182
Support by the supervisor and senior management in providing	Pearson Correlation	-0.132**	0.142	0.314**	0.321
	Sig. (2-tailed)	0.068	0.047	0.000	0.000
Transparency in both setting and evaluation of performance targets	Pearson Correlation	-0.035	0.401*	0.186**	0.121
	Sig. (2-tailed)	0.629	0.000	0.009	0.090
Lack of hidden agendas, favouritism or leadership	Pearson Correlation	0.056	-0.151*	0.013	0.050
	Sig. (2-tailed)	0.442	0.033	0.857	0.484
Communication and understanding of performance measurement criteria	Pearson Correlation	-0.295	-0.030*	0.337	0.126**
	Sig. (2-tailed)	0.000	0.672	0.000	0.076
Autonomy to meet the agreed upon targets	Pearson Correlation	0.097*	0.151**	0.310	0.128
	Sig. (2-tailed)	0.183	0.033	0.000	0.072
Independence and professionalism of the evaluators of performance	Pearson Correlation	0.116**	0.145**	-0.016	-0.107
	Sig. (2-tailed)	0.108	0.041	0.822	0.133
Processes, regulations and policies were re-evaluated to empower the employees meet customer needs and expectations	Pearson Correlation	0.181	0.148**	0.018	0.218
	Sig. (2-tailed)	0.012	0.038	0.804	0.002
Support by subordinates including unionisable employees	Pearson Correlation	0.151	0.266**	0.079**	0.095
	Sig. (2-tailed)	0.037	0.000	0.266	0.185
New performance measures adopted enhanced a performance culture and behaviour within the organisation	Pearson Correlation	0.266	0.156	0.066**	-0.022
	Sig. (2-tailed)	0.000	0.000	0.359	0.754
Employees reported to a single manager/supervisor evaluated him/her	Pearson Correlation	0.045	0.253**	0.048	-0.071
	Sig. (2-tailed)	0.539	0.000	0.502	0.319

Feedback sessions adequate to improve employees performance	Pearson Correlation	0.136	0.394**	0.206**	0.012
	Sig. (2-tailed)	0.060	0.000	0.004	[illegible]
Delegation of duties to unionisable employees adequate to enable the supervisor drive them to meet their targets	Pearson Correlation	0.032**	0.120**	0.204	-0.007*
	Sig. (2-tailed)	0.662	0.091	0.004	0.925**
Data provided frequently to areas not covered by the IT system	Pearson Correlation	0.058	0.234**	0.113	0.012
	Sig. (2-tailed)	0.427	0.001	0.114	0.872
Company enhanced its capacity and capability in people and processes to meet the new targets	Pearson Correlation	0.047	0.255**	0.235**	0.073
	Sig. (2-tailed)	0.516	0.000	0.001	0.304
Mitigating factors that were out of control of employee were factored in the final assessment	Pearson Correlation	0.295**	0.359	0.004	-0.178*
	Sig. (2-tailed)	0.000	0.000	0.960	0.012

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

APPENDIX 6

CROSS TABULATIONS

Communication of vision and mission per Division/Department

Division / Department		To no extent at all	To a small extent	To some extent	To a large extent	To a very large extent	Total
MD's Division	Count	0	6	9	17	14	46
	%	0.0	13.0	19.6	37.0	30.4	100
Transport, Supplies, Procurement & Logistics	Count	0.0	0.0	0.0	9.0	3.0	12
	%	0.0	0.0	0.0	75.0	25.0	100
Energy Transmission	Count	0.0	3.0	0.0	3.0	3.0	9
	%	0.0	33.3	0.0	33.3	33.3	100
IT & Telecom	Count	0.0	0.0	6.0	3.0	0.0	9
	%	0.0	0.0	66.7	33.3	0.0	100
HR & Administration	Count	0.0	0.0	2.0	5.0	0.0	7
	%	0.0	0.0	28.6	71.4	0.0	100
Finance	Count	0.0	3.0	4.0	17.0	6.0	30
	%	0.0	10.0	13.3	56.7	20.0	100
Distribution & Customer Service	Count	9.0	5.0	21.0	39.0	11.0	85
	%	10.6	5.9	24.7	45.9	12.9	100
Total	Count	9.0	17.0	42.0	93.0	37.0	198
	%	4.5	8.6	21.2	47.0	18.7	100

Re-evaluation of Processes, regulations and policies

Division / Department		To no extent at all	To a small extent	To some extent	To a large extent	To a very large extent	Total
MD's Division	Count	3	15	12	13	3	46
	%	6.5	32.6	26.1	28.3	6.5	100
Transport, Supplies, Procurement & Logistics	Count	6	0	3	3	0	12
	%	50	0	25	25	0	100
Energy Transmission	Count	0	3	6	0	0	9
	%	0.0	33.3	66.7	0.0	0.0	100
IT & Technology	Count	0	3	3	3	0	9
	%	0.0	33.3	33.3	33.3	0.0	100
HR & Administration	Count	0	0	2	5	0	7
	%	0.0	0.0	28.6	71.4	0	100
Finance	Count	0	22	5	0	3	30
	%	0.0	73.3	16.7	0.0	10.0	100
Distribution & Customer Service	Count	17	40	13	15	0	85
	%	20.0	47.1	15.3	17.6	0.0	100
Total	Count	26	83	44	39	6	198
	%	13.1	41.9	22.2	19.7	3.0	100

Feedback sessions by the supervisor

Division / Department		To no extent at all	To a small extent	To some extent	To a large extent	To a very large extent	Total
MD's Division	Count	6	6	22	12	0	46
	%	13.0	13.0	47.8	26.1	0.0	100
Transport, Supplies, Procurement & Logistics	Count	0	0	12	0	0	12
	%	0	0	100	0	0	100
Energy Transmission	Count	0	3	0	3	3	9
	%	0.0	33.3	0.0	33.3	33.3	100
IT & Technology	Count	0	0	9	0	0	9
	%	0	0	100	0	0	100
HR & Administration	Count	0	0	5	2	0	7
	%	0.0	0.0	71.4	28.6	0.0	100
Finance	Count	0	5	22	3	0	30
	%	0.0	16.7	73.3	10.0	0.0	100
Distribution & Customer Service	Count	10	18	29	25	3	85
	%	11.8	21.2	34.1	29.4	3.5	100
Total	Count	16	32	99	45	6	198
	%	8.1	16.2	50.0	22.7	3.0	100

Performance measures standardisation across functions, regions, divisions and departments

Division / Department		To no extent at all	To a small extent	To some extent	To a large extent	To a very large extent	Total
MD's Division	Count	6	13	12	15	0	46
	%	13.0	28.3	26.1	32.6	0	100
Transport, Supplies, Procurement & Logistics	Count	0	3	6	3	0	12
	%	0	25	50	25	0	100
Energy Transmission	Count	0	6	0	0	3	9
	%	0.0	66.7	0.0	0.0	33.3	100
IT & Technology	Count	0	3	3	3	0	9
	%	0.0	33.3	33.3	33.3	0.0	100
HR & Administration	Count	0	0	4	0	3	7
	%	0.0	0.0	57.1	0.0	42.9	100
Finance	Count	5	16	6	0	3	30
	%	16.7	53.3	20.0	0.0	10.0	100
Distribution & Customer Service	Count	8	21	22	25	9	85
	%	9.4	24.7	25.9	29.4	10.6	100
Total	Count	19	62	53	46	18	198
	%	9.6	31.3	26.8	23.2	9.1	100

Resources allocation

Division / Department		To no extent at all	To a small extent	To some extent	To a large extent	To a very large extent	Total
MD's Division	Count	0	25	18	3	0	46
	%	0.0	54.3	39.1	6.5	0.0	100
Transport, Supplies, Procurement & Logistics	Count	0	3	6	3	0	12
	%	0	25	50	25	0	100
Energy Transmission	Count	3	0	[illegible]	3	0	9
	%	33.3	0.0	33.3	33.3	0	100
IT & Technology	Count	0	3	3	3	0	9
	%	0.0	33.3	33.3	33.3	0.0	100
HR & Administration	Count	0	2	2	0	[illegible]	7
	%	0.0	28.6	28.6	0.0	42.9	100
Finance	Count	0	19	11	0	0	30
	%	0.0	63.3	36.7	0.0	0.0	100
Distribution & Customer Service	Count	16	40	21	5	[illegible]	85
	%	18.8	47.1	24.7	5.9	3.5	100
Total	Count	19	92	64	17	6	198
	%	9.6	46.5	32.3	8.6	3.0	100

Consideration of mitigating factors out of control of employee

Division / Department		To no extent at all	To a small extent	To some extent	To a large extent	To a very large extent	Total
MD's Division	Count	2	20	21	3	0	46
	%	4.3	43.5	45.7	6.5	0.0	100
Transport, Supplies, Procurement & Logistics	Count	6	6	0	0	0	12
	%	50	50	0	0	0	100
Energy Transmission	Count	0	3	3	3	0	9
	%	0.0	33.3	33.3	33.3	0.0	100
IT & Technology	Count	0	3	3	3	0	9
	%	0.0	33.3	33.3	33.3	0.0	100
HR & Administration	Count	2	0	0	5	0	7
	%	28.6	0.0	0.0	71.4	0.0	100
Finance	Count	5	17	5	0	3	30
	%	16.7	56.7	16.7	0.0	10.0	100
Distribution & Customer Service	Count	17	11	22	26	9	85
	%	20.0	12.9	25.9	30.6	10.6	100
Total	Count	32	60	54	40	12	198
	%	16.2	30.3	27.3	20.2	6.1	100

Independence and professionalism on evaluation of performance

Division / Department		To no extent at all	To a small extent	To some extent	To a large extent	To a very large extent	Total
MD's Division	Count	0	3	26	11	6	46
	%	0.0	6.5	56.5	23.9	13.0	100
Transport, Supplies, Procurement & Logistics	Count	0	0	12	0	0	12
	%	0	0	100	0	0	100
Energy Transmission	Count	0	0	9	0	0	9
	%	0	0	100	0	0	100
IT & Technology	Count	0	0	9	0	0	9
	%	0	0	100	0	0	100
HR & Administration	Count	0	0	5	2	0	7
	%	0.0	0.0	71.4	28.6	0.0	100
Finance	Count	2	3	14	11	0	30
	%	6.7	10.0	46.7	36.7	0.0	100
Distribution & Customer Service	Count	6	3	29	33	12	85
	%	7.1	3.5	34.1	38.8	14.1	100
Total	Count	8	9	104	57	18	198
	%	4.0	4.5	52.5	28.8	9.1	100