

**PRACTICES ADOPTED FOR THE IMPLEMENTATION OF PERFORMANCE
CONTRACTS IN KENYAN STATE CORPORATIONS**

BY

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

NOVEMBER, 2014

DECLARATION

I hereby declare that this is my original work and has not been submitted for any award at any other institution.

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DEDICATION

I wish to dedicate this project to my family and in particular my husband Geoffrey Korir for the support and encouragement, to my son Glen Kenai for giving me the reason to study and work hard. To my parents for teaching me the value of education, sister Beatrice and Brother Collins for your tremendous support in ensuring I completed my studies well.

ACKNOWLEDGEMENTS

To my Heavenly Father for seeing me through my studies, without the help of God I would not have made it. His grace was sufficient all through, and I am eternally grateful for his blessings upon me.

Special thanks to my supervisor Prof. Martin Ogutu for his counsel, advice, guidance and suggestions throughout the project. It was a pleasure working with you Prof. and I have gained a lot of knowledge in strategic management through your vast knowledge of the subject, expertise and wisdom.

To my family and special thanks to my Husband Geoffrey Korir for the financial support and encouragement throughout my studies .To my employer, Youth Enterprise Development Fund and supervisors for supporting me as I did my studies.

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ABSTRACT

The main objective of this study was to establish the practices adopted for the implementation of Performance Contracts in Kenyan state corporations as well as to determine the challenges they face in implementing Performance Contracts. The research design that was used was cross sectional and descriptive survey. The target population of this study consisted of 187 operational State Corporations in Kenya. The sample size was arrived at using sample size calculator to select a sample of 57 corporations which is 30% of a population of 187 State Corporations in Kenya. The findings indicated that all the Corporations sampled were under Performance Contracting. The findings also indicated that performance had improved in State Corporations with implementation of Performance Contracts however it was noted that most Corporations do not meet their set targets. The study concluded that majority of the state corporations had the chief executive officer giving the general direction and strategies on Performance Contracting implementation and line managers developing and implementing strategies whereas most corporations do not first carry out research on best practices before implementation. The study also concluded that the most common implementation challenges were lack of training and capacity building of employees regarding performance contracting, ambiguity in the process and resistance by personnel to participate in the process hence these challenges had hindered the successful implementation of performance contracts in Kenyan State Corporations. The study recommends that the management of State Corporations should review the strategies adopted in implementing the performance contracts and ensure that proper continuous training is conducted to the employees on performance contracting. The study also recommends constant follow up, monitoring and evaluation of the performance contracting so as to address challenges as they arise and to ensure that employees understand the need and importance of performance contracts. The study will contribute to the existing knowledge on Performance Contracting and will contribute to policy making by Government in developing public service reform initiatives in order to improve service delivery in the Public Sector.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, Government Institutions have been known for its bureaucracy and lengthy procedures involved in service delivery. This has resulted in inefficiency, wastage of resources, poor service delivery and poor economic performance. Performance contracting was introduced in the quest to improve service delivery in the Government Institutions through; setting clear objectives, setting SMART(Simple, Measurable, Accurate, Realistic and Time-bound) targets, specifying agent performance in terms of results (outputs) & assigning accountability for those results, increasing the transparency of the accountability relationship in public institutions, establishing clear reporting, monitoring and evaluation mechanisms of the projects and providing a basis for assessment of performance (Oduor, 2010).

The underlying assumption driving the performance contracting concept is that, once performance can be measured and performance shortfalls identified actions can be taken to address the shortfall (Jones and Thompson, 2007). Performance Contracting has its foundation on theories like New Performance Management and Results Based Management. The main concern has been to improve external accountability and increase internal efficiency and effectiveness at the same time. In particular, performance contracting is seen as a tool for improving public budgeting, promoting a better reporting system and modernizing public management while enhancing efficiency in resource use and effectiveness in service delivery (Greiling, 2006).

Emphasis on performance management for delivery of results is undoubtedly influenced by the basic assumption of performance management which lies in its professed ability to unite the attention of institution members on a common objective and galvanize them towards the attainment of this objective (Balogun, 2003).

A State Corporation is a body corporate established by an Act of Parliament. It may also be established by the President by order to perform functions specified by the order. State Corporations are formed to meet both commercial and social goals and they exist for various purposes including: to exploit social and political objectives, to address market failures, provide social amenities, redistribute income and develop marginalized areas. The number of state Corporations is not definite due to conflicting reports indicating a range of 200 to 300 however, according to the Presidential Task Force on Parastatals Reforms Report 2013, there are currently 262 State Corporations but only 187 that are in operation.

1.1.1 Strategy Implementation

Strategy implementation is the method by which strategies are operationalized or executed within the organization. It focuses on the processes through which strategies are achieved (Griffin, 2004). Strategy implementation involves turning strategies and plans into actions necessary to produce business performance. The success of any strategy lies in its implementation as argued by scholars, “We would be in some form of denial if we didn’t see that execution is the true measure of success.” C. Michael Armstrong. “People think of execution as the tactical side of business, something leaders delegate while they focus on the perceived ‘bigger issues’.

Hrebiniak (2006) notes that strategy implementation is the most difficult step in the Strategic Management process as it is action oriented involving the strategy, the processes and people in an organization. The activities in strategy implementation are; linking strategy to processes and the people who are going to implement, assessing organization's capabilities, linking rewards to outcomes, upgrading company capabilities to meet expectations, assessing the business environment and ensuring accountability. Successful implementation requires good managerial skills that are, among others: leadership skills, people management skills, open minded thinking, perseverance and analytical skills. Some of the challenges encountered in strategy implementation include: formulation of strategy based on assumptions, loss of the vision and mission in implementation, poor leadership by managers, resistance to change by employees, lack of alignment between the strategy and structure as well as environmental changes (Thompson & Strickland 2003).

There are various practices that have been adopted by institutions in strategy implementation to ensure success. McGraw-Hill (1991), in the reprinted version of Bourgeois III and Brodwin's " Five steps to Strategic Action," identified five process approaches used to advance strategy implementation: Commander model, Change model, Collaborative model, Cultural model, Crescive model. The practices generally involve; alignment of strategy and action plans, alignment of structure to strategy, stakeholder participation in planning, alignment of budgets and performance, research on best practices that guide implementation, engagement of staff and experts, developing clear business models, monitoring and evaluation.

1.1.2 Performance Contracts

A Performance Contract is a freely negotiated performance agreement between a Government, acting as the owner of the agency and the management of the agency. According to GoK (2007), a performance contract is a management tool for measuring negotiated performance targets. Performance contracting system originated in France in the late 1960s. It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced in India (OECD, 1997). Prior to this period the business environment was rather stable and therefore strategic planning was entrusted in the hands of the top management of the organization. This practice was counterproductive as managers who were implementers of the strategic plans were not involved at the formulation stage. Aosa (2000) supports this view when he argues in his study that due to increased environmental turbulence in the early 1970's, especially 1973 top executives were forced to recast the way they looked at their business for survival. They redefined performance management as a proactive management tool for achieving business goals and objectives, through a structured and continual process of motivating, measuring and rewarding individual and team performance.

Performance contracts were introduced by the Kenyan Government in 2003 in order to improve service delivery in the public service. The purpose of performance contracts is to establish clarity and consensus about priorities in the Government Institution while specifying key result areas and expected performance targets. It provides for measurement of performance on each specified performance criteria. Implementation of performance contracts in Kenya started in 2004 from a pilot group of 16 commercial public enterprises, to eventually cover the entire public service in Kenya, comprising the

following institutions: 38 Ministries and Accounting Departments, 130 Public Enterprises, 175 Local Authorities i.e. municipalities, local, county, and urban councils (Muthaura, 2007). The Performance Contracts make performance indicators clear to Kenyan citizens, who are then empowered to demand accountability from their public officials. This type of involvement has helped to restore public trust in government which is indicated by citizens' increasing willingness to pay taxes. The Government's tax collections grew at a yearly average of 13.6 percent during the span of 2001-2007. This increase in the public coffers has contributed to the Kenyan Government's ability to finance around 95% of its budget from internal sources and the Kenyan GDP growth rate's rapid turnaround from negative levels in the 1990s to 6.1 percent by 2006 (Muthaura, 2007).

Performance Contracting is a six step process comprising of the following activities: target formulation, negotiations, vetting, contract signing, implementation and reporting. The process of identifying performance targets is carried out after the budget process has been completed and institutions informed about their resource allocation. This ensures that targets are realistic and achievable within the available resources. The targets emanate from the institutions and are freely negotiated and not imposed arbitrarily by the government. Performance Contracting has led to accountability in the public service, improved service delivery, enhanced efficiency and competitiveness in the public service hence growth of Institutions. Performance Contracting has however had some challenges in implementation like: lack of skilled personnel to implement, lack of goodwill by some institutions, resistance by institutions to participate and the long bureaucratic Government procedures.

1.1.3 Performance Contracts Implementation Practices

The process of identifying performance targets is carried out after the budget process has been completed and institutions informed about their resource allocation. This ensures that targets are realistic and achievable within the available resources. The targets emanate from the institutions and are freely negotiated and not imposed arbitrarily by the government. The process of negotiation is carried out in two phases. The first phase is the pre-negotiation consultations. At this stage the negotiating parties carry out a SWOT analysis in order to determine the institution's performance capacity. This helps to determine whether the targets being developed are realistic, achievable, measurable, growth oriented and benchmarked to performance of similar institutions. The second phase in the negotiation process is where all issues agreed upon are factored into the performance contract. The draft contract is then submitted to the performance contracting secretariat for vetting. The vetting process ensures among other things that the contracts comply with the guidelines and that they are linked to the strategic objectives of the institutions, anchored on the strategic plans, growth oriented and relevant to the mandate of the institution (Obong'o, 2009).

The performance contracts are signed at two levels. In case of government ministries, the contract is signed between the Head of the Public Service and Secretary to the Cabinet, representing the Government on the one side and the permanent secretary of a ministry on the other side. To ensure that ministers, who represent the political body, are bound by the commitments of their permanent secretaries, they are required to counter sign the performance contracts. In the case of state corporations, the first level is between the government and the board of directors. The permanent secretary representing the parent

ministry of the corporation signs with the board of directors on behalf of the government, while the board chair and one independent director sign on behalf of the board. The board subsequently signs a performance contract with the chief executive to transfer the responsibility of achieving the targets to the management. This guarantees operational autonomy given that board of directors are not executive and are not therefore involved in the day-to-day management of their corporations. Similar arrangements are replicated in the local authorities where the first level entails signing the contract between the chairperson/mayor of a council and the permanent secretary in charge of local government. The evaluation exercise is done ex ante. Thus performance evaluation by the ad hoc evaluation committee is based on a comparison of achievements against the targets agreed at the signing of the contract (GOK, 2004).

1.1.4 Kenyan State Corporations

State Corporations were first established by the Colonial Government to provide services that the private sector was not providing. State Corporations play a key role in Kenya's economy development and growth. These Institutions cover both the commercial and social sectors hence have huge budgetary implications on the Kenyan Government. State Corporations are governed by the State Corporations Act (CAP 446) of the Laws of Kenya. A large number of the corporations are based in Kenya while others like the Kenya Commercial Bank have operations outside Kenya.

The performance of State Corporations has been a matter of ongoing concern in an environment of resource scarcity and mounting needs. In Kenya PC is governed by an Act of Parliament namely under State Corporations (Performance Contracting)

Regulations, 2004, therefore all public institutions are legally bound. Thus, the mainstream civil service and several public organizations have adopted Performance contract concept. The need to focus scarce government resources on high priority and core areas as a means of achieving effectiveness in service delivery was recognized as early as 1970s and reiterated in subsequent years. (GOK, 2004).

The objectives of performance contract strategy in public service include: improving service delivery to the public by ensuring that top-level managers are accountable for results, and in turn hold those below them accountable, reversing the decline in efficiency and ensuring that resources are focused on attainment of the key national policy priorities of the Government; institutionalizing performance oriented culture in the civil service through introduction of an objective performance appraisal system; measuring and evaluating performance; linking reward to measurable performance and strengthening and clarifying the obligations required of the Government and its employees in order to achieve agreed targets (GOK, 2004).

1.2 Research Problem

The effective implementation of Performance Contracting requires the focus on the following questions: what is the outcome or change sought as a result of this contract? How will it be measured and evaluated if the result has been achieved? How will the performance affect management decisions? (AAPAM, 2005). Despite the knowledge by State Corporations of the importance of effective implementation of Performance Contracts, there is still a challenge in identifying the best practices to adopt for successful implementation. The research will therefore seek to highlight the practices adopted in

implementation of Performance Contracts in Kenya State Corporations as well as identify the challenges faced when implementing Performance Contracts. State Corporations are funded by the Kenyan Government and take up approximately Ksh.400 Billion from the public funds. Despite this huge funding allocation, many state corporations remain unviable and continue to make losses.

International studies have highlighted various issues on Performance Contracting. Hope (2001) points out that performance contracts specify the mutual performance obligations, intentions and the responsibilities, which a government requires public officials or management of public agencies or ministries to meet over a stated period of time. Armstrong and Baron (2004), noted that the main purpose of performance contracting is to ensure delivery of quality service to the public in a transparent manner for the survival of the organization. Therkildsen (2001) speculates that performance contracts if well executed increase political accountability by making it easier for managers to match targets with political priorities. Politicians can, in turn, hold managers accountable for their performance as being witnessed in many developing nations. Norman (2004) while studying the public sector reforms in New Zealand noted that doing the job efficiently for a decade would result in success. Locally, several studies have also been done on Performance Contracting. Wafula (2013) researched on transforming the public service in Kenya through performance contracting and he established that there was a substantive disconnect between the stated Performance Contracting outcomes and the design and framework of the Performance Contract instrument, making it difficult to effectively measure the extent to which these outcomes are realized even though this has grown with consistency in the content. He also noted that in Kenya, there is no harmony between

budgeting, planning and Performance Contracting process and there is no structured framework for systematic review of Performance Contracting system. Mbua (2013) investigated challenges in implementing performance contracts in Kenya and he noted that there exist some ambiguities in the whole concept of Performance Contracting. He was of the view that the concerned government agency needs to invest in area of training and capacity development to ensure the system works. Gathai (2012) analyzed the factors that influence implementation of Performance Contracts in State Corporations (a case of Kenya Civil Aviation Authority) and recommended that organizations should have strategic performance measures that monitor the implementation and effectiveness of an organization's strategies and that determine the gap between actual and targeted performance. Opiyo (2006) in his discussion paper series “Civil Service Reform Policy in Kenya” noted that in an effort to achieve the objectives and targets of Economic Recovery Strategy and to manage performance challenges in public service, the government adopted Performance Contracting (PC) in public service as a strategy for improving service delivery to Kenyans.

Kobia (2006) recommended further research on the following areas: role of Results Office in the implementation of Performance Contracts in Kenya, future research study focusing on larger sample public servants perceptions on the role of Performance Contracts in improving service delivery is needed, establish if Kenyan citizens perceive service delivery as having been improved since the implementation of Performance Contracting in Kenya and assessment of legal and regulatory environment to find out the extent to which it facilitates or inhibits implementation of PC in Kenya. The study will seek to answer the question: what practices are adopted in the implementation of

performance Contracts by Kenyan State Corporations?

1.3 Research Objectives

- 1) To establish practices adopted for the implementation of Performance Contracts by Kenyan State Corporations.
- 2) To determine the challenges faced in implementing Performance Contracts by Kenyan State Corporations.

1.4 Value of the study

This study contributes to the existing knowledge, addresses and provides the background information to research organizations, individual researchers and scholars. The findings will provide analysis of the existing body of knowledge and identify gaps that may exist. The study will also provide a foundation for those who will want to carry out further research in this area.

The study can be used by the management to strengthen its strategy implementation process while enhancing acquisition of knowledge and better appreciation of Performance Contracting concept. The study will be key in guiding the management in decision making as well as helping them understand the relationship between performance contracting and improved performance of the Institution.

The findings of this study will be significant to employees as it will be expected to inform on the existence, importance and challenges of Performance Contracting that may be beneficial to organization's performance. The study will also highlight the practices that have led to successful implantation of performance contracts.

The study is expected to give an insight to the Government on the impact of Performance Contracting on the quality of service delivery in State Corporations. The study will be instrumental to the government in developing policies regarding performance contracting as well as providing a highlight of the areas of improvement. The study will also be helpful to the Government when analyzing performance of state corporations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides theoretical and empirical information from publications on topics related to the research problem. The specific areas that will be examined include; related theories of performance contracting, what various scholars and authors have written about performance contracting and the approaches adopted in implementing performance contracts. The chapter will also explore the development of the concept of performance contracting in Kenya and the implementation by Kenyan State Corporations. Further, the chapter will highlight the strategies that have been adopted to ensure successful implementation of performance contracts.

2.2 Theoretical Foundation

The theoretical bases for Performance Contracting include among others; Results Based Management (Kobia and Mohammed, 2006) and New Public Management (Balogun, 2003). In pursuit of the goal of performance improvement within the public sector, New Public Management emphasizes on the adoption of private sector practices in public institutions (Balogun, 2003). Alford and Hughes (2008), argue that NPM is the attempt to find a new model with which to describe the operations of governments.

The basic hypothesis holds that market oriented management of the public sector will lead to greater cost-efficiency for governments, without having negative side-effects on other objectives and considerations.

Ferlie et al (1996) described 'New Public Management in Action' as involving the introduction into public services of the three Ms: Markets, managers and measurement. As suggested by Rainey, the 1960s and the 1970s were characterized by the initiation of unsuccessful public policies in Europe and in America. The NPM movement began in the late 1970s and early 1980s where its first practitioners emerged in the United Kingdom under Prime Minister Margaret Thatcher and in the municipal governments in the U.S. that had suffered most heavily from economic recession and tax revolts. The governments of New Zealand and Australia joined the movement next. Their successes put NPM administrative reforms on the agendas of most Organization for Economic Co-operation and Development (OECD) countries and other nations as well (OECD, 2010).

Result Based Management (RBM) is a participatory and team based management approach designed to achieve defined results by improving planning, programming, management efficiency, effectiveness, accountability and transparency (CIDA, 2000). The elements of results based management are; performance target setting, performance planning, and performance monitoring and reporting. Meier (2003) defined Results Based Management (RBM) as a management strategy aimed at achieving important changes in the way organizations operate, with improving performance in terms of results as the central orientation. RBM provides the management framework with tools for strategic planning, risk management, performance monitoring and evaluation. Its primary purpose is to improve efficiency and effectiveness through organizational learning, and secondly to fulfill accountability obligations through performance reporting.

The tools of Results Based Management (RBM) approach aim to ensure the accountability of public officials by having the Government, the private sector, and civil society set clearly defined indicators of success to measure public service delivery (Kobia & Mohammed, 2006). The Public sector plays an indispensable role in the effective delivery of public services that are critical to the functioning of a state economy. When the delivery of services becomes ineffective, it affects the quality of life of the people and nation's development process (Kobia and Mohammed, 2006). Performance contracting strategy originated from the perception that the performance of the Public Sector has been consistently falling below the expectations of the Public. The problems that have inhibited the performance of government agencies are largely common and include excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (Results Based Management Guide, 2005).

2.3 Strategy Implementation

Strategy implementation is the method by which strategies are operationalized or executed within the organization. It focuses on the processes through which strategies are achieved (Griffin, 2004). This involves the design or adjustment of the organisation through which the administration of the enterprise occurs. This includes changes to existing roles of people, their reporting relationships, their evaluation and control mechanisms and the actual flow of data and information through the communication channels which support the enterprise (Chandler 1962; Hrebiniak and Joyce 2005). It is an action oriented process involving people, business processes and systems. Strategy implementation is important but difficult because implementation activities take a longer time frame than formulation, involves more people and greater task complexity, and has a

need for sequential and simultaneous thinking on part of implementation managers (Hrebiniak and Joyce 2001). Although formulating a consistent strategy is a difficult task for any management team, making that strategy work, implementing it throughout the organization, is even more difficult (Hrebiniak, 2006).

Strategy implementation is carried out by the entire management team and non-management team hence it involves every organization unit. The top management gives the strategic direction but they rely on the middle and lower level managers to get things done. Chimhanzi (2004) suggests that cross unit working relationships have a key role to play in the successful implementation of marketing decisions. Implementation effectiveness is affected negatively by conflict and positively by communication and specifically, interpersonal, not written. In turn, these interdepartmental dynamics are affected by senior management support, joint reward systems, and informal integration. The relationships between different strategy levels also reflect the effect of relationships among different cross organizational levels on strategy implementation (Slater & Olson, 2001). Quality of people refers to skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position (Peng & Litteljohn, 2001). Viseras, Baines, and Sweeney (2005) group key success factors into three research categories: people, organization, systems in the business environment. Their findings indicate that strategy implementation success depends crucially on the human or people side of project management, and less on organization and systems related factors. Similarly, Harrington (2006) finds that a higher level in total organizational involvement during strategy implementation had positive effects on the level of implementation success, firm profits and overall firm success.

2.4 Practices in Strategy Implementation

McGraw-Hill (1991), in the reprinted version of Bourgeois III and Brodwin's "Five steps to Strategic Action," examines five process approaches used to advance strategy implementation: Commander Model, Change model, Collaborative model, Cultural model, Crescive model. The first approach addresses strategic position only, and should guide the CEO in charting a firm's future. The CEO can use economic and competitive analyses to plan resource allocations to achieve his goals. The model works best in organizations where the CEO wields great power and can command implementation, but it splits organizations into thinkers and doers. The change model emphasizes how the organizational structure, incentive compensation, control systems and can be used to facilitate the implementation of a strategy. After the management making the strategic decisions, plans are made for a new organizational structure, personnel changes, new planning, information measurement and compensation systems, and cultural adaptation techniques to support the implementation of the strategy.

The collaborative model concentrates on group decision making at a senior level and involves top management in the formulation process to ensure commitment. Group dynamics and brain storming techniques are employed to get managers with different viewpoints to provide their inputs to the strategy process. The Cultural model tries to implement strategy through the use of a corporate culture. The model takes the participative elements to lower levels in the organisation as an answer to the strategic management question of wanting the whole organization committed to our goals and strategies. The management guides the organization by communicating her vision and allowing each individual to participate in designing her work procedures in concert with

the vision. The Crescive model draws on managers' inclinations to want to develop new opportunities as seen by them in the course of their day to day management. Crescive means increasing or growing and focuses on encouraging managers to develop, champion, and implement sound strategies. The strategic leader is not interested in strategizing alone, or even in leading others through a protracted planning process. He encourages subordinates to develop, champion, and implement sound strategies on their own. Strategies developed, as these are, by employees and managers closer to the strategic opportunity are likely to be operationally sound and readily implemented.

The problems in strategy implementation include unfeasibility of the strategy, weak management role, lack of communication, lacking commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, unexpected obstacles, competing activities, delayed schedule, uncontrollable environmental factors, and negligence of daily business.

(Alexander 1991; Giles 1991; Galpin 1998; Lares-Mankki 1994; Beer & Eisenstat 2000). Nielsen (1983) contends that firms must achieve consensus both within and outside their organization in order to successfully implement business strategies. If members of the organization are not aware of the same information, or if information passes through different layers in an organization, a lower level of consensus may result. This lack of shared understanding may create obstacles to successful strategy implementation (Noble, 1999b). Floyd and Wooldridge (1992a) label the gulf between strategies conceived by top management and awareness at lower levels as "implementation gap". They define strategic consensus as the agreement among top, middle-, and operating-level managers

on the fundamental priorities of the organization. Consensus, in their approach, has four levels: strong consensus, blind devotion, informed skepticism and weak consensus. Peng and Litteljohn (2001) show that effective communication is a key requirement for effective strategy implementation. Rapert and Wren (1998) find that organizations where employees have easy access to management through open and supportive communication climates tend to outperform those with more restrictive communication environments.

2.5 Approaches of Performance Contracts

Lane (1987) defines a contract as a binding agreement between two or more parties for performing, or refraining from performing some specified act(s) in exchange for lawful consideration. On the other hand, The American Heritage Dictionary (2009) defines performance as the results of activities of an organization or investment over a given period of time. Performance contracting as part of strategic management is, therefore, defined as a binding agreement between two or more parties for performing, or refrains from performing some specified act (s) over a specified period of time. It is a branch of management control systems which provide information that is intended for managers in performing their jobs and to assist organizations in developing and maintaining viable patterns of behaviour (CAPAM, 2005).

In the Kenyan public service context a Performance contract is thus defined as a freely negotiated performance agreement between Government, organization and individuals on one hand and the agency itself. (Kenya, Sensitization Training Manual, 2004). Performance Contracting is seen as a tool for improving public budgeting, promoting a better reporting system and modernizing public management while enhancing efficiency

in resource use and effectiveness in service delivery (Greiling, 2006). The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution. The use of Performance contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. The contract specifies the mutual performance obligations, intentions and responsibilities between two parties. The success of Performance Contracts in such diverse countries as France, Pakistan, South Korea, Malaysia, India, and Kenya has sparked a great deal of interest in this policy around the world. A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public enterprises in their countries (Birech, 2011). The Kenyan government acknowledges that over the years there has been poor performance in the public sector, especially in the management of public resources which has hindered the realization of sustainable economic growth (GoK, 2005). The government reiterates in the Economic Recovery Strategy (ERS) some of the factors that adversely affect the performance of the public sector. These include excessive regulations and controls, frequent political interference, poor management, outright mismanagement and bloated staff establishment.

Recent studies have focused on how Performance Contracts have influenced performance in institutions and how to measure performance. The studies also focused on how performance contracts affect the level of efficiency and quality of service delivery in the public sector. Other studies indicated that the Performance Contracting process is still ambiguous and institutions are still not performing as expected despite implementing performance contracts.

This study then set out to fill the gaps in the identifying the practices adopted in implementation of performance contracts by Kenyan State Corporations and the challenges experienced while implementing performance contracts.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology that was used to carry out the research. It describes the research design, population of the study, sample design, data collection and data analysis that the study used.

3.2 Research Design

The research design that was used for this study is descriptive cross-sectional survey was used for this study. A cross sectional and descriptive survey attempts to describe or define a subject often by creating a profile of a group of problems, people or events through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated.

This is a design in which the main objective is to assess a sample at one point in time without trying to make inferences or causal statements (Babbie, 2008). The choice of survey research as opposed to other research designs was motivated by the following factors; first, survey research provides for a suitable instrument for collecting a large amount of data. Secondly, it provided a practical framework for collecting a large sample of composing groups and thirdly, survey studies have strong data reliability.

3.3 Population of the Study

A population is any set of persons or objects that possesses at least one common characteristic (Busha & Harter, 1980). The target population of this study consisted of 187 operational State Corporations.

According to the Report of The Presidential Task force on Parastatal Reforms 2013, the State Corporations are classified as: Commercial State Corporations -34, Commercial State Corporations with Strategic Functions-21, Executive Agencies-62, Independent Regulatory Agencies-25, Research Institutions, Public Universities, Tertiary Education and Training Institutions-45.

3.4 Sample Design

Sampling is a procedure, process or technique of choosing a sub-group from a population to participate in the study. It is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected. Mugenda and Mugenda (2003), states that a sample of 30% is considered representative for a population less than 500. The sample size was arrived at using sample size calculator to select a sample of 57 corporations from a population of 187 State Corporation in Kenya. In this study therefore thirty percent of the population constitutes the sample size.

The five functional categories of state corporations as categorized by the Presidential Task force on Parastatal Reforms was treated as strata after which simple random sampling was done proportionate to the number of corporations in each stratum. The goal

of stratified random sampling is to achieve the desired representation from various sub-groups in the population.

The table below shows sampling that was done on respective functional categories. The following formula of simple sample size calculator was used;

$$\text{Sample size} = 30\% * \text{population}$$

Table 3.1 : Sample Population

Category of Population	Population Size	Sample Size (30% of population)
Commercial State Corporations	34	10
Commercial State Corporations with Strategic Functions	21	6
Executive Agencies	62	19
Independent Regulatory Agencies	25	8
Research Institutions, Public Universities, Tertiary Education, Training	45	14
Total	187	57

Source: Author (2014)

3.5 Data Collection

The study relied heavily on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study. The study sought responses from Senior Managers

and Heads of Departments of the target Corporations owing to their experience and participation in Performance Contracting processes in the organization.

The questionnaire contained closed-ended and open – ended questions which were structured into three parts. Part A covered background information, part B consisted of general questions focusing on practices adopted in implementation of Performance Contracts and part C focused on challenges experienced in the implementation of Performance Contracts. The questionnaire was administered through drop and pick method.

3.6 Data Analysis

The process of data analysis involved several stages; the completed questionnaires were edited for completeness and consistency, checked for errors and omissions and then coded. The quantitative data was analyzed through the use of descriptive analysis techniques which is the use of measures of central tendencies which include the mean, median, mode, range quartile deviation, standard deviation and variance.

Descriptive statistics enable the researcher to meaningfully describe a distribution of measurements (Mugenda & Mugenda, 1999) and also to describe, organize and summarize data (Fain 1999). Tables, Pie charts and other graphs were used as appropriate to present the data collected for ease of understanding and analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of study findings on the practices adopted for the implementation of performance contracts in Kenyan state corporations. The research targeted 57 respondents out of which 44 respondents completed and returned duly filled questionnaires making a response rate of 77.2%. The study made use of frequencies on single response questions. On multiple response questions, the study used Likert scale in collecting and analyzing the data whereby a scale of 5 points was used in computing the means and standard deviations. The findings were presented in tables, graphs and charts.

Table 4.1 Response rate of state corporations

Category of State Corporation	Sample Targeted	Response Received
Commercial State Corporations	10	8
Commercial State Corporations with Strategic Functions	6	5
Executive Agencies	19	13
Independent Regulatory Agencies	8	6
Research Institutions, Public Universities, Tertiary Education, Training	14	12
Total	57	44

Source: Primary data (2014)

4.2 General Information

This section provides information related to the targeted respondents in the various state corporations. The study sought to inquire information on various aspects of respondents' background that is, the year of establishment of their corporation to enable the researcher find out the years of operation, the respondent's type of corporation, number of employees in their respective corporation and the capacity of service at the corporation. This information aimed at testing the appropriateness of the respondent in answering the questions regarding the practices adopted for the implementation of performance contracts in Kenyan state corporations.

4.2.1 Years of Operation

The study sought to establish the number of years that the state corporation had been operational as shown in table 4.2

Table 4.2 Years of Operation

Years of Operation	Frequency	Percentage (%)
Below 10 Years	10	22.7
11-20 Years	23	52.3
21-30 Years	8	18.2
31-50 Years	3	6.8
Total	44	100

Source: Primary data (2014)

According to the findings, 52.3% had been operational for 11-20 years, 22.7% for below 10 years, and 18.2% for 21-30 years while 6.8% had been operational for 31-50 years. This depicts that majority of the corporations were stable owing to their long period of operation.

4.2.2 Functional categories of State Corporations in Kenya

The study required respondents to indicate the category of functional State Corporation that they worked in. According to the findings shown by table 4.3 below, most of the respondents (29.5%) worked in executive agencies, 27.3% worked in research institutions, public universities, tertiary education and training institutions, 18.2% were in commercial state corporations, 13.6% worked in independent regulatory agencies while 11.4% worked in commercial state corporations with strategic functions.

Table 4.3 Functional categories of state corporations

Functional Category of State Corporation	Percentage (%)
Commercial State Corporations	18.2
Commercial State Corporations with Strategic Functions	11.4
Executive Agencies	29.5
Independent Regulatory Agencies	13.6
Research Institutions, Public Universities, Tertiary Education, Training	27.3
Total	100

Source: Primary data (2014)

4.2.3 Number of Employees at the State Corporation

The study sought to find out the number of employees at the state corporations as indicated in figure 4.1 below.

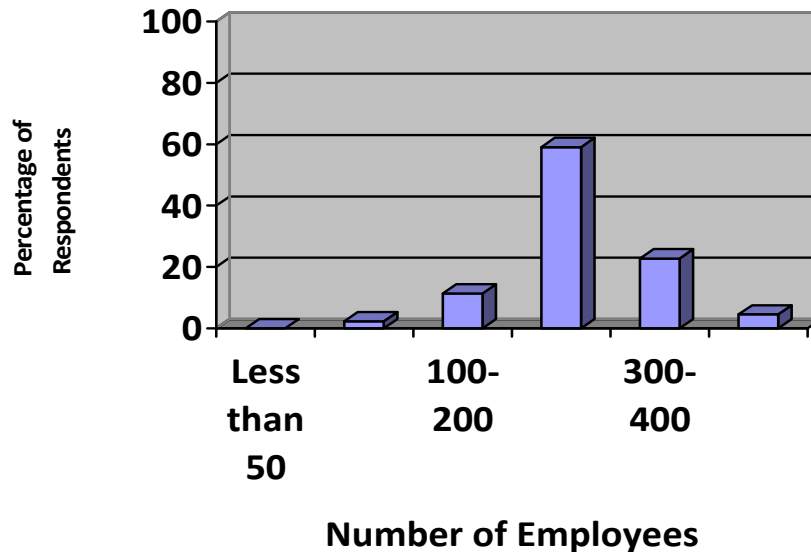


Figure 4.1 Distribution of number of employees

According to the findings, majority of the respondents indicated that they have between 200-300 employees (59.09%), 22.73% indicated that the number of employees ranges from 300-400, 11.36% indicated that the number of employees was between 100-200, 4.55% indicated that they have employees above 400 while 2.27% indicated that their number of employees ranged from 50-100. No corporation had less than 50 employees. This shows that most corporations operate with a relatively large number of staff.

4.2.4 Respondent's Capacity of Service at the State Corporation

The respondents were required to indicate their capacity of service at their respective corporations. According to the findings, majority of the respondents (90%) served as

supervisors, 6% were at the middle level management, 1% served at the senior level while no respondent was a junior staff. This is a clear indication that the supervisors are the ones who often take more responsibility in the performance contracting compared to the other levels of staff in the corporations.

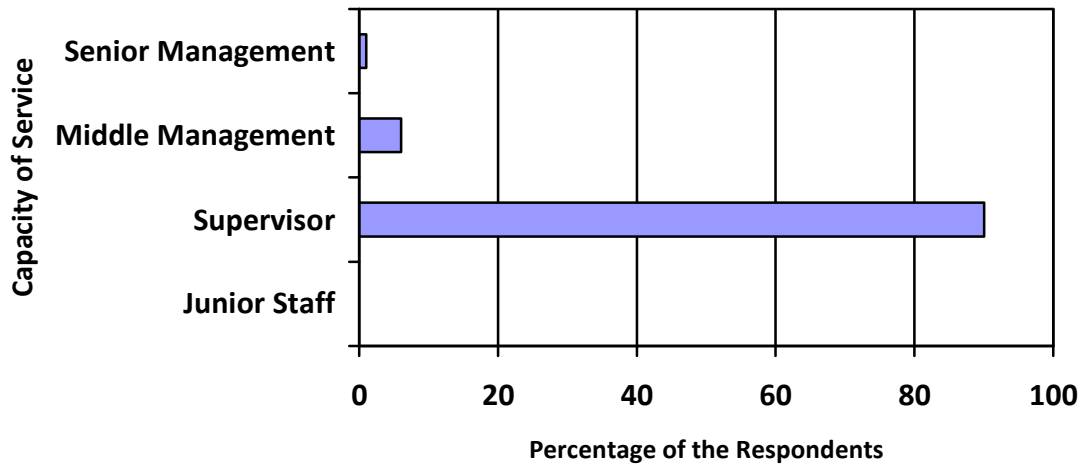


Figure 4.2 Distribution of the respondents by capacity of service

4.3 Practices in performance Contracts

This section gives a summary of the practices in performance contracts in Kenyan state corporations. The study required the respondents to indicate whether their corporation was under performance contracting. From the findings shown in figure 4.3 below, all the respondents (100%) indicated that their corporations were under performance contracting. This is an indication that performance contracting is part of the policies in all the state corporations and as per the Government’s requirement.

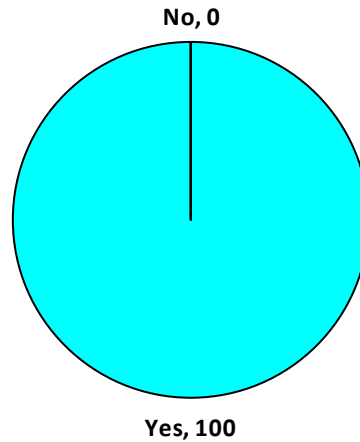


Figure 4.3 Response rate on corporations on performance contracting

The study also sought to establish whether performance at the various state corporations had improved with the implementation of performance contracts. From the findings shown in figure 4.4 below, majority of the respondents (68%) indicated that performance had improved with the implementation of performance contracting while 32% indicated that performance at their corporation had not improved. This implies that the impact of the performance contracts at some corporations is yet to be seen.

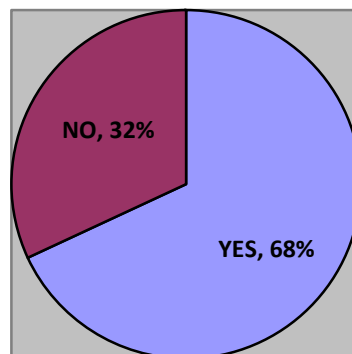


Figure 4.4 Response rate on improved performance

The study sought to establish whether the corporations met their set targets as stated in the performance contracts. Most respondents (60%) indicated that they do not meet the set targets as per the performance contracts while 30 % indicated that they met the set targets. This shows that performance contracting at the state corporations is not yet fully effective.

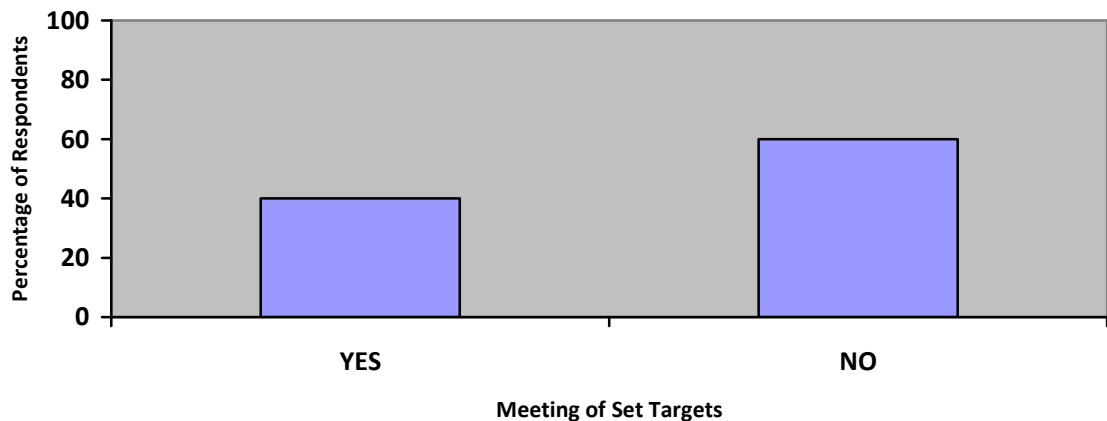


Figure 4.5 Response Rate on meeting of set targets

The study also required respondents to indicate whether their corporation had changed the structures to accommodate the strategies of implementing performance contracts. The findings showed that majority of the corporations (80%) had not changed their structures to accommodate the strategies of implementing performance contracts while 20% had changed their structures. This is an indication that most state corporations retain their structures irrespective of capability to implement the strategies of performance contracting.

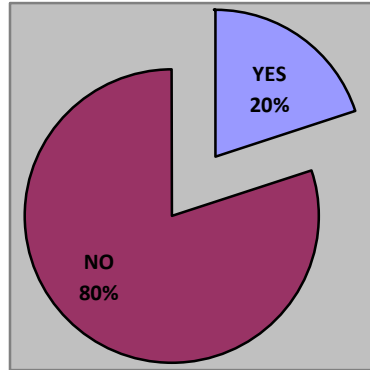


Figure 4.6 Response rate on change of corporate structures to accommodate performance contracts implementation

4.3.1 Performance Contract Strategy Implementation Practices

The study sought to establish the extent to which state corporations applied various strategic implementation practices. The responses were rated on a five point Likert scale indicating to what extent respondents agreed to the statements, where: 1- Not at all, 2- To a little extent, 3- To a moderate extent, 4- To a great extent and 5-To a very great extent. The mean and standard deviations were generated and are as illustrated in table 4.4.

Table 4.4 Performance Contract Strategy Implementation Practices

Performance Contract Strategy Implementation Practices	Mean	Std. Dev
CEO gives the general direction and strategies	4.86	.35
Change of corporation structure and systems to develop strategy	2.18	.39
Group decision making regarding strategy implementation	3.05	.43
Use of organization culture to implement strategy	3.00	.43
Line managers develop and implement strategies	4.02	.73
Involvement of stakeholders in strategy implementation	2.14	.35
First carry out research on best practices before implementation	1.07	.25
Engagement of experts in strategy implementation	2.09	.29
Grand Mean	3.00	

Source: Primary data (2014)

From the study findings in Table 4.4 above, the grand mean (M=3.00) indicated that respondents agreed to a moderate extent on the various performance contract strategy implementation practices adopted by their corporation. Respondents agreed to a great extent that their state corporation applied the following strategic implementation practices in performance contracting; CEO gives the general direction and strategies (M=4.86), line managers develop and implement strategies (M=4.02) respectively. Majority of the respondents agreed to a moderate extent that their corporation applied the following strategic implementation practices in performance contracting; group decision making regarding strategy implementation (M=3.05), use of organization culture to implement strategy

(M=3.00) respectively. In addition, majority of the respondents agreed to a little extent that their state corporation applied the following strategic implementation practices in performance contracting; change of corporation structure and systems to develop strategy (M=2.18), involvement of stakeholders in strategy implementation (M=2.14), engagement of experts in strategy implementation (M=2.09) respectively. Respondents agreed that the strategy to first carry out research on best practices before implementation of performance contracting was not adopted at all (M=1.07).

The respondents also gave their views on other practices adopted for the implementation of Performance Contracts as follows; bench marking with other State Corporations especially those who rate highly in evaluation, continuous progress reviews by the management, monitoring and evaluation of activities to ensure successful implementation and signing of individual targets between staff and the supervisors at all levels of the Corporation.

4.4 Challenges in implementation of performance contracts

The study sought to establish the challenges faced in implementation of performance contracts in Kenyan state corporations. The responses were rated on a five point Likert scale indicating to what extent respondents agree to the statements, where: 1- Not at all, 2- To a little extent, 3- To a moderate extent, 4- To a great extent and 5-To a very great extent. The mean and standard deviations were generated and are as illustrated in table 4.5.

Table 4.5 Challenges in implementation of performance contracts

Implementation Challenges	Mean	Std. Dev
Ambiguity of the performance contracting process	4.93	.25
Lack of skilled personnel	3.18	.15
Resistance by personnel to participate in the process	4.18	.58
Lack of involvement of all levels of staff in the process	3.11	.54
Poor leadership from Senior Management	3.64	.89
Lack of involvement of stakeholders in implementation	2.30	.46
Lack of training and capacity building regarding performance contracts	4.98	.15
Lack of resources to implement strategies	2.09	.29
Organization culture with minimal emphasis on performance	4.02	.55
Rigid organizational structure and systems	3.30	.63
Grand Mean	3.57	

Source: Primary data (2014)

From the study findings in Table 4.5 above, the grand mean (M=3.57) indicated that the respondents agreed to a great extent that there were challenges in implementation of performance contracts at their corporation. Respondents agreed to a great extent that their state corporation faces the following challenges in implementing performance contracts; lack of training and capacity building regarding performance contracts (M=4.98), ambiguity of the performance contracting process (M=4.93), resistance by personnel to participate in the process (M=4.18), organization culture with minimal emphasis on

performance (M=4.02) respectively. Respondents agreed to a moderate extent that their state corporation faces the following challenges in implementing performance contracts; poor leadership from senior management (M=3.64), rigid organizational structure (M=3.30), lack of skilled personnel (M=3.18), lack of involvement of stakeholders in implementation (M=3.11) respectively. In addition, the respondents agreed to a little extent that their state corporation faces the following challenges in implementing performance contracts; lack of involvement of stakeholders in implementation (M=2.30), lack of resources to implement strategies (M=2.09) respectively.

The respondents also gave other challenges as follows; delayed communication to all staff of negotiated targets, poor management styles that hinder performance, unplanned staff transfers causing interruptions, the association of Performance Contracting and politics, focus of Performance Contracting on improved services offered with little emphasis on improved employee skills and the high temptation to cheat on results in order to score highly. They also noted that the challenges had hindered the successful implementation of performance contracts to a great extent.

4.5 Discussion of Findings

The study found that identification of practices to implement Performance Contracts does not necessarily ensure that they will be used, but consistent leadership is needed to institutionalize use of these practices in order to improve performance. According to Brown (1996), Performance Contracts improve organizational performance in general and is dependent on a number of factors such management styles, leadership, effective

strategic plans and political/legal environment. These factors are critical in ensuring the Performance Contracts are implemented thus giving positive results or outputs. The study also highlighted the challenges of poor leadership that need to be addressed in order to be successful in implementation. The most important thing when implementing performance contracts is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Miller, 2002).

Grapinett (1999) argued that members of staff are not sufficiently involved in drawing up contracts, a task which in spite of appeals from Central Government is still largely the preserve of managers. This means that performance goals are all too often perceived as being imposed from above rather than from a collective thought process. Buy-in to use performance measures in managerial decision making requires consistent consultation among staff of all levels in order to create a climate with adequate support in the Organization. One of the major challenges in implementation of performance contracts appear to be more cultural and behavioral in nature ,including the impact of poor integration of activities and diminished feelings of ownership and commitment (Aaltonen and Ikåvalko, 2002).

Corboy and O'Corrbui (1999), meanwhile, identify the deadly sins of strategy implementation which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; difficulties and obstacles not acknowledged, recognized upon; and ignoring the day-to-day business

imperatives. Marginson, (2002) contend that strategy implementation evolves either from a process of winning group commitment through a coalitional form of decision making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture. To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Rap and Kauffman, 2005).

The study agrees with Kobia & Mohammed (2006), who indicated some of the problems experienced during the implementation of the performance contract as, lack of adequate resources, resources not being released on time, and unplanned transfer of staff. Ambiguity of the Performance Contracting process was also highlighted as a major challenge in implementing Performance Contracts. There is need to capacity build the staff in order to understand the process so as to fully participate in it. This requires a well-defined training program for the public servants to support implementation of performance contracting. On the other hand, there is need to study both the public servants' perceptions on the role of performance contracting in improving service delivery to the end users and also the impact of the performance contracting on service delivery to the citizens. This will confirm whether the objectives of implementing performance contracting are being achieved in the public sector.

The findings indicate that involvement of experts and stakeholders is important for successful implementation of performance contracts. Muralidharan (1997) argues that citizens are the clients and main beneficiaries of public sector operation and thereby should be involved in every process of performance evaluation. Pollitt (1988) acknowledges that while it is not obvious that the accumulated wisdom of the private sector is transferable to the public sector, inevitable interactions between the two spheres are productive for both. Public-Private sector partnerships are therefore encouraged in order to improve on service delivery.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations of the study in line with the purpose of the study aimed at examining the practices adopted for the implementation of performance contracts in Kenyan state corporations.

5.2 Summary of Findings

The study established that all the respondents attested that their corporations were under performance contracting. This illustrates that performance contracting has been adopted by state corporations in Kenya and is part of the policies and requirements. The study established that performance had improved in most state corporations with the implementation of performance contracts. This implies that performance contracting is relatively effective in the state corporations. The study also established that majority of the corporations do not meet the set targets on performance contracts and that most of them have not changed their structures to accommodate the strategies of implementing performance contracts. This indicates a possible lapse in the strategies put in place by state corporations to ensure the targets are achieved hence the performance contracting is not yet fully effective.

The study established that majority of the respondents agreed to a great extent that their state corporation applied the following strategic implementation practices in performance contracting; CEO gives the general direction and strategies, line managers

develop and implement strategies respectively. Majority of the respondents agreed to a moderate extent that their corporation applied the following strategic implementation practices in performance contracting group decision making regarding strategy implementation, use of organization culture to implement strategy respectively. The study also established that the respondents agreed to a little extent that their state corporation applied the following strategic implementation practices in performance contracting; change of corporation structure and systems to develop strategy, involvement of stakeholders in strategy implementation, engagement of experts in strategy implementation respectively. Respondents agreed that the strategy to first carry out research on best practices before implementation of performance contracting was not adopted at all.

The study also established from the respondents that other practices adopted for the implementation of Performance Contracts include bench marking with other State Corporations especially those who rate highly in evaluation, continuous progress reviews by the management, monitoring and evaluation of activities to ensure successful implementation and signing of individual targets between staff and the supervisors at all levels of the Corporation.

The study established that majority respondents agreed to a great extent that their state corporation faces the following challenges in implementing performance contracts; lack of training and capacity building regarding performance contracts, ambiguity of the performance contracting process, resistance by personnel to participate in the process, organization culture with minimal emphasis on performance respectively. Majority of the respondents agreed to a moderate extent that their state corporation faces the

following challenges in implementing performance contracts; poor leadership from senior management, rigid organizational structure, lack of skilled personnel, lack of involvement of stakeholders in implementation respectively.

The study also established from the respondents that other challenges in implementing performance contracts include: delayed communication to all staff of negotiated targets, poor management styles that hinder performance, unplanned staff transfers causing interruptions, the association of Performance Contracting and politics, focus of Performance Contracting on improved services offered with little emphasis on improved employee skills and the high temptation to cheat on results in order to score highly.

5.3 Conclusions

The study sought to establish the practices adopted for the implementation of performance contracts by Kenyan State Corporations. To this objective the study concluded that the most adopted practices include; CEO gives the general direction and strategies, line managers develop and implement strategies, group decision making regarding strategy implementation and use of organization culture to implement strategy respectively. The study also concluded that most corporations do not first carry out research on best practices before implementation.

The study also sought to determine the challenges faced in implementing performance contracts by Kenyan State Corporations. To this objective the study concluded that most of the challenges faced include; lack of training and capacity building regarding performance contracts, ambiguity of the performance contracting process, resistance by personnel to participate in the process, organization culture with minimal emphasis on

performance, poor leadership from senior management, rigid organizational structure, lack of skilled personnel and lack of involvement of stakeholders in implementation. The study also concluded that the challenges had hindered the successful implementation of performance contracts in Kenyan State Corporations.

5.4 Recommendations

The study recommends that the management of State Corporations should review the strategies adopted in implementing the performance contracts and ensure that proper continuous training is conducted to the employees on performance contracting so as to equip them with knowledge and skills that will help them in their mandates. The study also recommends involvement of all stakeholders in strategy implementation so as to achieve the set targets.

The study also recommends constant follow up, monitoring and evaluation of the performance contracting so as to address challenges as they arise and to ensure that employees understand the need and importance of performance contracts. This will ensure a smoother implementation process and participation of employees in the process.

5.5 Limitations of the Study

The researcher encountered various limitations that were likely to hinder access to information sought by the study. The researcher encountered challenges of time as the research was being undertaken in a short period with limited time for doing a wider research. Some of the respondents approached were reluctant in giving information fearing that the information they give might be used against them or portray a negative image about the corporation. The researcher handled the problem by carrying an introduction

letter from the University and assured the respondents that the information they gave was to be treated confidentially and it was to be used purely for academic purpose.

5.6 Areas for Further Research

Since this study explored the practices adopted for the implementation of performance contracts in Kenyan state corporations, the study recommends that;

A similar study should be carried out in the private sector for comparison purposes and to allow for generalization of findings on the practices adopted on performance management in organizations in Kenya.

Further research should also be conducted on strategies put in place by the state corporations to address the implementation challenges of performance contracting. The research on implementation challenges should also be carried out in private institutions to determine the challenges they face in implementing performance management.

5.7 Implication of the study on Policy, Theory and Practice

This study has highlighted the various practices adopted by State Corporations in implementing Performance Contracts. The findings will contribute to the existing knowledge on Performance Contracting and will contribute to policy making by Government in developing public service reform initiatives in order to improve service delivery in the Public Sector.

The study will also assist the Government in developing a framework for Regulatory Policy Evaluation. This framework will to help the Government in evaluating the design and implementation of their regulatory policy on Performance Contracting against the

achievement of strategic regulatory objectives. The study will also help the Government to develop strategies of addressing the challenges experienced in implementing performance contracts to ensure successful implementation.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

PART A: GENERAL INFORMATION

1. Year of establishment-----

2. Indicate the functional category (please tick one)
 - i) Commercial State Corporation ()
 - ii) Commercial State Corporations with Strategic Functions ()
 - iii) Executive Agencies ()
 - iv) Independent Regulatory Agencies ()
 - v) Research Institutions, Public Universities, Tertiary Education , Training Institutions ()

3. Indicate the number of employees in your Corporation (please tick one)
 - i) Less than 50 ()
 - ii) 50-100 ()
 - iii) 100-200 ()
 - iv) 200-300 ()
 - v) 300-400 ()
 - vi) Above 400 ()

4. In what capacity do you currently serve at your Corporation?
 - i) Junior staff ()
 - ii) Supervisor ()

iii) Middle management ()

iv) Senior management ()

SECTION B: PRACTICES IN PERFORMANCE CONTRACTS

1. Is your Corporation currently under performance contracting?

Yes ()

No ()

2. Has the performance improved in your Corporation with the implementation of performance contracts?

Yes ()

No ()

3. Does your Corporation meet the set targets as stated in the performance contracts?

Yes ()

No ()

4. Has your Corporation's structure changed to accommodate the strategies of implementing performance contracts?

Yes ()

No ()

5. To what extent is each of the following practices adopted in implementing performance contracts in your corporation? **Use a 5-point scale of 1-5 where 1=Not at all, 2=little extent, 3=moderate extent, 4=great extent, 5= very great extent.**

Performance Contract Strategy Implementation Practices	1	2	3	4	5
CEO gives the general direction and strategies					
Change of corporation structure and systems to develop strategy					
Group decision making regarding strategy implementation					
Use of organization culture to implement strategy					
Line managers develop and implement strategies					
Involvement of stakeholders in strategy implementation					
First carry out research on best practices before implementation					
Engagement of experts in strategy implementation					

6. What other practices are used by your corporation in implementing strategy? (kindly specify below)

PART C: CHALLENGES IN IMPLEMENTATION OF PERFORMANCE

CONTRACTS

1. To what extent does your Corporation encounter each of the following challenges in implementing performance contracts? Use a **5-point scale of 1-5** where **1=Not at all, 2=little extent, 3=moderate extent, 4=great extent, 5= very great extent.**

Implementation Challenges	1	2	3	4	5
Ambiguity of the performance contracting process					
Lack of skilled personnel					
Resistance by personnel to participate in the process					
Lack of involvement of all levels of staff in the process					
Poor leadership from Senior Management					
Lack of involvement of stakeholders in implementation					
Lack of training and capacity building regarding Performance Contracts					
Lack of resources to implement strategies					
Organization culture with minimal emphasis on performance					
Rigid organizational structure and systems					

2. What other challenges are experienced by your corporation in implementing strategy?
(kindly specify below)

2. To what extent do you consider the challenges to have hindered the successful implementation of performance contracts?

Thank you for your co-operation

APPENDIX II: LIST OF KENYAN STATE CORPORATIONS

1. Cereals and Sugar Finance Corporation
2. Coffee Development Fund
3. Cotton Development Authority
4. Kenya Coconut Development
5. Pyrethrum Board of Kenya
6. Sisal Board of Kenya
7. Tea Board of Kenya
8. Coffee Board of Kenya
9. Kenya Sugar Board (KSB)
10. Canning Crops Board
11. Agro-Chemical and Food Company
12. Kenya Meat Commission (KMC)
13. Muhoroni Sugar Company Ltd (Under
14. South Nyanza Sugar Company Limited
15. Kenya Seed Company (KSC)
16. Kenya Veterinary Vaccine Production Institute
17. National Cereals & Produce Board (NCPB)
18. Coffee Research Foundation
19. Kenya Agricultural Research Institute (KARI)
20. Kenya Sugar Research Foundation
21. Tea Research Foundation
22. National Biosafety Authority

23. Agricultural Development Corporation
24. Kenya Animal Genetics Resource Centre
25. Kenya Tsetse and Trypanosomiasis
26. Agricultural, Fisheries and Food Authority
27. Kenya Leather Development Council
28. Kenya Plant Health Inspectorate Services (KEPHIS)
29. National Irrigation Board
30. Bukura Agricultural College
31. Kenya Agricultural and Livestock Research Organization
32. Kenya Marine and Fisheries Research Institute
33. The Kenya Veterinary Board (KVB)
34. Animal Technicians Council
35. Horticultural Crops Development Authority
36. Chemilil Sugar Company Ltd
37. Nzoia Sugar Company Ltd
38. Kenya Dairy Board
39. LAPSSET Corridor Development Authority
40. Kenya Ordnance Factories Corporation
41. Anti-Female Genital Mutilation Board
42. South -South Centre
43. Youth Enterprises Development Fund
44. Constituency Development Fund
45. Kenya National Bureau of Statistics

46. National Coordinating Agency for Population & Development
47. Public Benefits Organizations Regulatory Authority
48. Kenya School of Government
49. Kenya Institute of Public Policy Research & Analysis (KIPPRA)
50. Drought Management Authority
51. Institute of Human Resource Management
52. Tourism Research Institute
53. Kenya National Trading Corporation (KNTC)
54. Kenyatta International Convention Centre
55. Kenya Safari Lodges and Hotels Ltd.
56. Kenya Tourist Finance Corporation (Formally KTDC)
57. Kenya Tourist Board
58. Export Promotion Council (EPC)
59. Tourism Fund Board of Trustees
60. Tourism Regulatory Authority
61. Kenya Utalii College (KUC)
62. Bomas of Kenya
63. Golf Hotel Kakamega
64. Sunset Hotel Kisumu
65. Kabarnet Hotel Limited
66. Mt Elgon Lodge
67. Kenya National Innovation Agency
68. Kenya Universities and Colleges

69. Technical and Vocational Education and Training Curriculum
70. Jomo Kenyatta Foundation
71. Kenya Literature Bureau (KLB)
72. University of Nairobi Enterprises Ltd
73. School Equipment Production Unit
74. University of Nairobi Press (UONP)
75. Jomo Kenyatta University Enterprises Ltd.
76. Rivatex (East Africa) Ltd.
77. Higher Education Loans Board
78. Kenya Institute of Curriculum Development
79. Kenya National Commission for UNESCO
80. Kenya National Examination Council (KNEC)
81. Technical and Vocational Education Training Authority
82. Commission for University Education
83. National Commission for Science, Technology and Innovations
84. Chuka University
85. Cooperative University College
86. Dedan Kimathi University
87. Egerton University
88. Embu University College
89. Garissa University College
90. Jaramogi Oginga Odinga University of Science and Technology
91. Jomo Kenyatta University of Agriculture And Technology

92. Karatina University
93. Kenya Multi-Media University
94. Kenyatta University
95. Kibabii University College
96. Kirinyaga University College
97. Kisii University
98. Laikipia University
99. Maasai Mara University
100. Machakos University College
101. Maseno University
102. Masinde Muliro University of Science and Technology
103. Meru University of Science and Technology
104. Moi University
105. Murang'a University College
106. Pwani University
107. Rongo University College
108. South Eastern Kenya University
109. Taita Taveta University College
110. Technical University of Mombasa
111. The Technical University of Kenya
112. University of Eldoret
113. University of Kabianga
114. University of Nairobi

115. KCA University
116. Rural Electrification Authority
117. Kenya Electricity Generating Company (Kengen)
118. Kenya Electricity Transmission Company (KETRACO)
119. Kenya Pipeline Company (KPC)
120. Kenya Power and Lighting Company (KPLC)
121. National Oil Corporation of Kenya
122. Geothermal Development Company (GDC)
123. Energy Regulatory Commission
124. Kenya Nuclear Electricity Board
125. Mombasa Pipeline Board
126. Water Services Trust Fund
127. Nyayo Tea Zones Development Corporation
128. National Water Conservation and
129. Kenya Wildlife Service (KWS)
130. Kenya Water Towers Agency
131. Kenya Forest Service Forests
132. Water Resources Management Authority
133. Water Services Regulatory Board
134. National Environmental Management Authority (NEMA)
135. Kenya Water Institute
136. Kenya Forestry Research Institute
137. Athi Water Services Board

138. Coast Water Services Board
139. Lake Victoria North Water Service Board
140. Lake Victoria South Water Service Board
141. Northern Water Services Board
142. Rift Valley Water Services Board
143. Tana Water Services Board
144. Tanathi Water Services Board
145. Coast Development Authority
146. Ewaso Ng'iro North Development Authority
147. Ewaso Ng'iro South Development Authority
148. Kerio Valley Development Authority
149. Lake Basin Development Authority
150. Tana & Athi Rivers Development Authority
151. National Cancer Institute of Kenya
152. Kenya Medical Supplies Authority (former Kenya Medical Supplies)
153. Kenyatta National Hospital
154. Moi Teaching and Referral Hospital
155. National Aids Control Council
156. National Hospital Insurance Fund
157. National Quality Control Laboratories
158. Kenya Medical Laboratory
159. Kenya Medical Training College (KEMTC)
160. Kenya Medical Research Institute (KEMRI)

161. Kenya Nutritionists and Dieticians Institute
162. Nursing Council of Kenya
163. East African Portland Cement Company Ltd.
164. Kenya Wine Agencies Ltd (KWAL)
165. New Kenya Co-operative Creameries
166. Yatta Vineyards Ltd
167. Development Bank of Kenya Ltd.
168. KWA Holdings
169. Numerical Machining Complex
170. Industrial and Commercial Development Corporation
171. Kenya Industrial Estates (KIE)
172. Sacco Societies Regulatory Authority
173. Kenya Investment Authority
174. Kenya Industrial Property Institute
175. Anti-Counterfeit Agency
176. Kenya Bureau of Standard (KBS)
177. Kenya National Accreditation Service
178. Export Processing Zones Authority (EPZA)
179. Kenya Industrial Research & Development Institute
180. Small and Micro Enterprises Authority
181. Media Council of Kenya
182. Kenya Yearbook Editorial Board
183. Kenya Broadcasting Corporation

184. Postal Corporation of Kenya
185. Brand Kenya Board
186. Information and Communications Technology Authority
187. Konza Technopolis Authority
188. Communications Commission of Kenya
189. Kenya Institute of Mass Communication
190. The National Council for Children's Services
191. National Campaign Against Drug Abuse Authority
192. Kenya Citizens and Foreign Nationals Management Service
- 193 .Kenya Red Cross Society
194. St. John Ambulance of Kenya
- 195 .National Council for Persons with Disabilities
196. National Industrial Training Authority
197. National Social Security Fund Board of Trustees
198. The National Social Security Assistance Authority
- 199 .National Construction Authority
- 200 .Research Development United Company Ltd
201. National Housing Corporation Housing
202. National Bank of Kenya
203. Privatization Commission
204. Consolidated Bank of Kenya
- 205 .Kenya National Assurance Co. (2001) Ltd
206. Kenya Reinsurance Corporation Ltd

207. Agricultural Finance Corporation
208. Industrial Development Bank
209. Kenya Post Office Savings Bank
210. Capital Markets Authority
211. Insurance Regulatory Authority
212. Retirement Benefits Authority
213. Kenya Revenue Authority (KRA)
214. Deposits Protection Fund Board (now Kenya Deposit Protection Authority)
215. Financial Reporting Centre
216. Kenya Accountants & Secretaries National Examination Board (KASNEB)
217. Kenya Trade Network Agency
218. Policy Holders Compensation Fund Insurance
219. Unclaimed Financial Assets Authority
220. Investor Compensation Fund Board
221. Competition Authority
222. Public Procurement Oversight Authority
223. Kenya Institute of Supplies Examination Board
224. Kenya Institute of Supplies Management
225. Institute of Certified Secretaries of Kenya
226. Institute of Certified Public Accountants of Kenya
227. Local Authorities Provident Fund
228. Kenya Copyright Board
229. National Council for Law Reporting

- 230. Kenya Law Reform Commission
- 231. Nairobi Centre for International
- 232. Council for Legal Education
- 233. Kenya School of Law
- 234. National Crime Research Center
- 235. Law Society of Kenya
- 236. Kenya Academy of Sports
- 238. National Youth Council
- 239. The Kenya Cultural Center
- 240. Sports Kenya
- 241. Kenya Film Classification Board
- 242. Kenya National Library Service (KNLS)
- 243 .Kenya Film Commission
- 244. Kenya Rural Roads Authority
- 245. Kenya Urban Roads Authority
- 246 .Kenya National Shipping Line
- 247. Kenya Ports Authority (KPA)
- 248. Kenya Railways Corporation (KRC)
- 249. Kenya Airports Authority (KAA)
- 250. Kenya Ferry Services Ltd (KFS)
- 251. Kenya National Highways Authority (KeNHA)
- 252. Kenya Civil Aviation Authority (KCAA)
- 253. Kenya Maritime Authority

- 254. National Transport & Safety Authority
- 255. Physical Planners Registration Board
- 256. Engineers Registration board
- 257. Architects and Quantity Surveyors
- 258. Kenya Roads Board (KRB)
- 259. Simlaw Seeds Kenya Ltd
- 260. Simlaw Seeds Uganda Ltd.
- 261. Simlaw Seeds Tanzania
- 262. Lands Limited

Source: Report of The Presidential Taskforce on Parastatal Reforms (2013)