

**RELATIONSHIP BETWEEN EMPLOYEE DEMOGRAPHIC
CHARACTERISTICS AND THEIR ATTITUDE TOWARDS PERFORMANCE
CONTRACTING IN KENYA MARINE AND FISHERIES RESEARCH
INSTITUTE, NAIROBI**

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DECLARATION

This research project is my original work and to the best of my knowledge, has not been presented for an award of any degree in any University.

Sign:.....

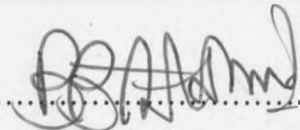
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To God the almighty, your unfailing love and gift of good health that has kept me going, I will forever praise you.

DEDICATION

I dedicate this work to my family members who have been patient with me and have supported me through out my academic journey. Tribute to my wife and children.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
LIST OF TABLES.....	vii
LIST OF FIGURES.....	viii
ABSTRACT.....	ix
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of Study.....	1
1.1.1 Employee Demographic Characteristics.....	1
1.1.2 Employee Attitude.....	2
1.1.3 Performance Contracting.....	2
1.1.4 Employee Demographic Characteristics and their Attitude Towards Performance Contracting.....	4
1.1.5 Kenya Marine and Fisheries Research Institute.....	4
1.2 Problem Statement.....	5
1.3 Objective of the Study.....	7
1.4 Significance of the Study.....	7
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Employee Attitude.....	8
2.2 Employee Demographic Characteristics.....	9
2.2.1 Personality Traits.....	9
2.3 Performance Contracting.....	12
2.4 Employee Attitude towards Performance Contracts.....	17
CHAPTER THREE: RESEARCH METHODOLOGY.....	19
3.1 Research Design.....	19
3.2 Population.....	19
3.3 Sample.....	19
3.4 Data Collection.....	20
3.5 Data Analysis.....	20

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND	
DISCUSSION.....	21
4.1 Response Rate.....	21
4.1.1 Distribution of Respondents by Position within the Organization	21
4.1.2 Distribution of Respondents by Sex	21
4.1.3 Distribution of Respondents by Age.....	21
4.1.4 Marital Status.....	21
4.1.5 Religious Group.....	21
4.1.6 Distribution of Respondents by Level of Education.....	21
4.1.7 Number of Years Worked at KMFRI	22
4.2 Employee Personality	22
4.3 Employee Attitude towards Performance Contracting	23
4.4 Employee Demographic Characteristics and Attitude Towards Performance Contracting	25
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS...26	
5.1 Summary of Findings	26
5.2 Conclusions.....	26
5.3 Recommendations.....	27
5.4 Limitations of the Study	27
5.5 Suggestions for Further Research.....	27
REFERENCES	28
APPENDIX.....	35

LIST OF TABLES

Table 3.1: Sample Distribution by Grades	19
Table 4.1: Employee Demographic Characteristics and Attitude towards Performance Contracting	25

LIST OF FIGURES

Fig. 4.1: Employee Personality Types.....	22
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ABSTRACT

For many developing countries that include Kenya, the public enterprise is the major vehicle for economic development with responsibilities for the effective management of infrastructure activities. Lackluster performances of these entities lead to the adoption of performance contracting as a means of performance management. Performance Management is a key processes that, when effectively carried out, helps employees know that their contributions are recognized and acknowledged.

This descriptive study set out to determine the relationship between employee demographic characteristics and employee attitude towards implementation of performance contracts in Kenya Marine and Fisheries Research Institute in Kenya. The population of interest was all employees of the agency. A sample of 125 employees was considered adequate for the study and primary data was collected by use of a questionnaire.

Based on the study findings, employee age, employee personality, parentage and marital status are the demographic characteristics positively correlated to employee attitude towards performance contracting. Employee gender notably has no relationship with the attitude towards performance contracting but the levels of education negatively correlate to the attitude towards performance contracting. It is therefore concluded that for the success of the performance contracting process, employee demographic characteristics should be considered as a way of creation of ownership of the performance contract. There is also need to allocate adequate resources to achieve the set target which should also not be abstract or general.

CHAPTER ONE: INTRODUCTION

1.1 Background of Study

Performance management is the systematic process by which an organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of its mission and goals. Performance Management is one of the key processes that, when effectively carried out, helps employees know that their contributions are recognized and acknowledged. Employee performance management includes: planning work and setting expectations, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion, and rewarding good performance. Managing employee performance facilitates the effective delivery of strategic and operational goals (Daniels, 2004). One of the performance management is the use of performance contracts against which employee performance is gauged.

1.1.1 Employee Demographic Characteristics

These are personal characteristics or attributes that characterize the behaviour of the individual. They include gender, age, marital and parental status, working experience, number of children, and education level among others. According to Randolph (2008), individual characteristic comprises of a person's demographic, physiological, and cognitive traits. Individuals vary in their characteristics across many dimensions. Personal characteristics directly affect a person's attitude and perception of issues. Furthermore, individual characteristics such as age, education and work experience directly affect a person's ability to work.

The effect of individual characteristics on performance depends on the work environment. In some cases, the work environment may inhibit the impact of individual characteristics, whereas in others it facilitates their effect on behavior (Miron, Erez and Naveh, 2004). Miron, Erez and Naveh state that individuals actualize their potential when the organizational culture is congruent with their own work values, interests, and capabilities. For example, performance quality is the product of individual characteristics congruent with a quality-oriented culture, and efficiency is the product of an outcome-

oriented culture combined with individual characteristics that affect efficiency. Lack of congruence between creative people and their work context may inhibit their innovative performance.

1.1.2 Employee Attitude

An attitude could be defined as a learned predisposition to respond in consistently favorable or unfavorable manner with respect to a given object (Kreitner and Kinicki, 1992). Attitude can be characterized in three ways: first, they tend to persist unless something is done to change them, second, attitudes can fall anywhere along a continuum from very favorable to very unfavorable, and third, attitudes are directed toward some object about which a person has feelings (affect) and beliefs. According to Gabris and Mitchell (1989), attitudes have three basic components: affect (emotional feeling toward the object), cognition (perceived knowledge about the object) and intention (intended behavior toward the object). Unlike individual characteristics, attitude can change daily where as the former might never change or can take months or even years. Typically a person's attitude will be influenced by the specific set of circumstances. Individual characteristics tend to overlay the short-term attitude traits (Eagly and Chaiken, 1995).

Employee attitudes are crucial for an organization, since they usually lead to desired behaviors. According to Kreitner and Kinicki (1992), employee whose performance is under review often becomes defensive. Negative feedback from performance contract outcomes not only fails to motivate the typical employee, but also can cause him to perform worse. According to Baron (1988), "destructive criticism", which is vague, ill-informed, unfair or harshly presented - will lead to problems such as anger, resentment, tension and workplace conflict, as well as increased resistance to improvement, denial of problems, and poorer performance.

1.1.3 Performance Contracting

A performance contract is a management tool for measuring performance that establish operational and management autonomy between Government and public agencies, reduces quantity of controls and enhances quality of service, privatizes the style of public

sector management by focusing on results and not processes and measures performance, enables recognition and reward of good performance and sanctions bad performance (GOK, 2005).

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 behavior (CAPAM, 2005).

As part of performance management, performance contracting is a central element of new public management, which is a global movement reflecting liberation management and market-driven management. Liberation management means that public sector managers are relieved from a plethora of cumbersome and unnecessary rules and regulations which usually hinders quick decision making in the organization (Gianakis, 2002). The debate in the public sector has been more complex than just increasing the effectiveness of strategic management systems and narrowing the gap between ambitious strategies and annual planning. 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).

1.1.4 Employee Demographic Characteristics and their attitude towards Performance Contracting

For workers, fixed-term and temporary contracts might plausibly be associated with higher job insecurity, a sense of marginalization and loss of opportunity for development, for career and for organizational identification. Beck (2000) described the growth of such contracts as shifting the risk from the employing organization to the individual. In other words, contract workers can be portrayed as marginal and disadvantaged. Therefore employees signing performance contracts may feel insecure about their jobs hence they may not be willing to append their signatures for fear of job loss if they perform below per.

Costa and McCrae (1992) states that performance quality-focused environment is not favorable to all employees, as people differ in their preference for paying attention-to-detail, and complying with rules. Thus, performance contract standardizing performance evaluation of employees is perceived as exposing such personal difference. Employees; characteristics differ; conscientious employees are typically competent, dutiful, self-disciplined, and achievement striving. Such employees view performance contracting favourably and are willing to go beyond the contract terms in service delivery, that is, the dominant characteristic of work-related conscientiousness is the will to achieve (Judge, Martocchio and Thoresen, 1997). While conscientiousness seems to also be relevant to performance quality, it has mostly been associated with productivity, measured by quantity and speed.

1.1.5 Kenya Marine and Fisheries Research Institute

Kenya Marine and Fisheries Research Institute (KMFRI) is a state corporation in the Ministry of Fisheries Development of the Government of Kenya. It is mandated to conduct aquatic research covering all the Kenyan waters and the corresponding riparian areas including the Indian Ocean waters. The institute was established by an Act of parliament (Science and Technology Act, Cap 250 of the laws of Kenya) in 1979 and run by a board of management.

The research mandate of KMFRI is defined by article No. 4 of the science and technology Act of 1979, Cap 250. The institute is empowered to carry out research in marine and freshwater fisheries, Aquatic biology, aquaculture, environmental chemistry, ecological, geological and Hydrological studies as well as chemical and physical oceanography. KMFRI has a total of 600 permanent employees and 300 employees on contracts within its 3 branches in Mombasa, Kisumu and Nairobi. All the 600 permanent employees has signed performance contract.

KMFRI, just like other parastatals is required by the government to operate within the performance contract framework where the agreement between the government and the institution clearly specifies the mutual performance obligations, intentions and responsibilities. This is a freely negotiated performance agreement between the government acting as the owner of the government agency and the agency itself up to and including other management levels of the organization.

1.2 Problem Statement

Langat (2006) in her study on factors necessary for the design of good performance contracts for state corporations in Kenya found that the design and implementation of performance contracts would only achieve the desired outcomes if the necessary prerequisite conditions are satisfied. These included: clear definition of an organization's vision, mission and strategic objectives; establishing and putting in place performance management and measurement systems and mitigating factors that are out of control of those who sign performance contracts.

Motivation is the key to performance improvement and therefore an essential key to organizational success. In order to be successful, organizations need the commitment of employees (Molander, 1996). To understand motivation, one must understand human nature itself and there lies the problem. Essentially there always exists a gap between an individual's actual state and some desired state and therefore employers should always strive to learn about the demographic characteristics of their employees and work towards reducing this gap to be able to maintain a motivated and satisfied workforce. People

differ, they distinguish themselves from each other regarding their needs, backgrounds, expectations, and individual characteristics. In other words, what may satisfy one employee may be different from what will satisfy another, at least in terms of the satisfaction degree, moreover, some needs may change over time, getting stronger or weaker. A group of employees sharing the same individual features may have the same needs and expectations toward work and may be satisfied in the same way. The knowledge of those factors may be of great value for the organization in order to increase the employees' motivation and satisfaction with the work (Bassy, 2002).

Researchers (Macbr, 1989; Rosenholtz, 1989) suggest that the personal investment of employees at all levels is necessary for any effective organization. Recent research on school effectiveness emphasizes the importance of personal investment and commitment of employees (Rosenholtz, 1989). Other researchers (Csikzentmihalyi & McCormack, 1986) along with Rosenholtz (1989) indicate that if employee are dissatisfied with their work lives and lack commitment to their organizations, not only will employees suffer, but the organization will suffer as well. Bishay (1996) postulates that if employees are satisfied with their work they will show greater commitment towards their jobs. Conversely, dissatisfied workers with negative attitudes will ultimately leave the organization. Research reveals inadequacies in working conditions, resources and support, limited decision-making latitude and restricted opportunities, require improvement in the teaching profession (Carnegie Forum, 1986; Darling- Hammond, 1984; Rosenholtz ,1989; Sergiovanni and Moore ,1989).

KMFRI is a state corporation mandated to conduct aquatic research. However, for a long time, KMFRI has been underperforming leading to overexploitation of fish resources, pollution and habitat destruction. Just like other parastatals, this prompted the government to requisition performance contracts. However, without the human resource positive attitude towards performance contracts, it remains a piece of paper. While some employees are in favor of performance contracts, other view it a stringent while others feel that it does not encourage innovation. The existing research studies do not address the factors that influence employee attitude towards performance contracting, particularly

in the public corporations in Kenya which creates a gap in knowledge in performance contracting in Kenya. This study therefore seeks to bridge this gap in knowledge by answering the question; how do employee demographic characteristics influence the employee attitude towards performance contracting in state corporations in Kenya.

1.3 Objective of the Study

To determine the relationship between employee demographic characteristics and employee attitude towards implementation of performance contracts in Kenya Marine and Fisheries Research Institute in Kenya.

1.4 Significance of the Study

The study is bound to benefit the management of state corporations, Government policy makers, and future researchers in various ways:

Findings of this study will help public corporation management and other decision makers in coming up with ways of enhancing performance contracts implementation. The management will learn how employee attitude can affect implementation of performance contracting. Thus, the management would thus, change employees attitude towards performance contracts.

The study's findings may be of used by the Government policy makers for developing responsive policies on performance contracting. In such strategy they would include human resource attitudinal aspects as it influences performance contracting implementation.

Additionally, the study would be a source of knowledge to students and researchers on how individual characteristics of employees influence their attitude towards performance contracting and ultimately implementation of the latter. The researchers might find the study an empirical study and literature in future research in related topic.

CHAPTER TWO: LITERATURE REVIEW

2.1 Employee Attitude

Work-related attitudes demonstrated by employees are increasingly valued as many have a direct or indirect impact on organization behavior. Effective contractual performance is related to such important employee attitudinal and characteristics as well as behavioral factors, such as turnover intention (Addae et al., 2006). In fact, it is an attitudinal construct that is important antecedent to other constructive employee behaviors. Effective performance contract is central to strategic human resource management practices and individual effectiveness (Guest, 1998; Bratton and Gold, 1999). According to Armstrong (2000), taking a strategic approach to coordination of employees toward job performance (e.g. compensation) may mean making strong changes in how employees are supervised. Taking charge of one's own career requires career resilience. According to Collard et al. (1996, p. 17) employees who are career resilient contribute to skills aligned with business needs and are dedicated to continuous learning and committed to personal excellence, have an attitude that is focused but flexible, and deliver solid performance in support of organizational goals for as long as they are part of the organization. Characteristics of employees who altitude cope with that of performance contract reflect the characteristics identified with employability.

Teamwork, effective communication, adaptability to change, positive and flexible attitudes, continuous learning, self-confidence, willingness to take risks, and a commitment to personal excellence are all characteristics identified with employability-which in essence is performance resilience is all about. Attitude has a great influence on the ability to comply with performance contract. Fox (1995) describes seven attitudes that reflect career and essential to performance contract (pp. 62-64): "growing or decaying--there is no middle road; a chaotic organization is a great place to learn; I must be selective in what I learn; it is possible to align what I want, what the organization wants, and what the market wants: I must push to the outer limits and enjoy doing it; I am a unique business--Me,; and there are many different pathways to a professional vision.

2.2 Employee Demographic Characteristics

Individual characteristics can be linked to personal traits. Personality is made up of the characteristic patterns of thoughts, feelings, and behaviors that make a person unique. In addition to this, personality arises from within the individual and remains fairly consistent throughout life. Some of the fundamental characteristics of personality include: Consistency; where there is generally a recognizable order and regularity to behaviors. Essentially, people act in the same ways or similar ways in a variety of situations, Psychological and physiological; personality is a psychological construct, but research suggests that it is also influenced by biological processes and needs, Impact behaviors and actions; Personality does not just influence how we move and respond in our environment; it also causes us to act in certain ways, Multiple expressions; Personality is displayed in more than just behavior. It can also be seen in our thoughts, feelings, close relationships, and other social interactions (McCrae, 1992).

In 1907 Adickes said man is divided into four world view: dogmatic, agnostic, traditional, and innovative. In 1920 Kretschmer said abnormal behavior was determined by the temperament similar to those of Adickes: hyper esthetic, anesthetic, melancholic and hypo manic. Thus some people are born too sensitive, some too insensitive, some too serious, some too excitable. Around 1920 Adler spoke similarly by pointing to four mistaken goals” people of different make pursue when upset: recognition, power, service and revenge. Also in 1920 Spranger told of four human values that set people apart: Religious, theoretic, economic and artistic (Ornstein 1993).

2.2.1 Personality Traits

Your personality is formed from feelings, thought patterns, interests, and other behaviors. An individual characteristic is what makes each of us unique. Most personality traits can be understood as aspects of five broad categories (McCrae, 1997). The five categories of personality traits include; Neuroticism: Neuroticism includes the attributes of being anxious, self-pitying tense, touchy, unstable, and worrying. Extraversion; Extraversion can be described as active, assertive, energetic, enthusiastic, outgoing, and talkative. Openness to Experience; Openness to experience applies to someone who is curious,

imaginative, insightful, with wide interests. Agreeableness; Agreeableness implies appreciative, forgiving, generous, kind, sympathetic, and trusting. Conscientiousness; Conscientiousness depicts someone who is efficient, organized, reliable, and responsible. It is obvious that people possessing personality traits within the categories of Extraversion, Openness, Agreeableness, and Conscientiousness have more effective coping skills than people with traits falling within the category of Neuroticism (Jackson 1986).

According to Funder (2001) the personalities of men as well as women are like finger prints. The personality of a man can be classified or typed, based on the common factors that are at the core of each personality type, i.e. personality types A, B, C and D. The 'A' personality likes to be in charge and be in control of their environment and their lives. They are normally not very detail oriented, choosing to delegate details to others. They are usually very goal oriented and practical in their solutions.

However, arriving at their solutions and goals will entail a no-nonsense, "bottom-line" approach. 'A' personalities don't like a lot of restraints or restrictions placed on them preferring instead to work independently and set their own schedules. Since they often tend to be a workaholic, it is not unusual to see them put in whatever time and effort it takes to accomplish their goal. This personality type is mostly a supervisory position or management. The "A" personality is not easily discouraged and will normally exude confidence. They are easily bored by routine or repetitive work. They will also be very dissatisfied if they believe someone is trying to take advantage of them or hold them back. The "A" personality may not be very good at recognizing co-worker's feelings and needs; not because they don't care, but because they are so focused on achieving their goals. If you're looking for someone who works well under pressure and seems to excel in high stress situations, the "A" personality is probably what you're looking for (McCrae, 1997).

Jackson (1986) state that "B" personality is a very outgoing, energetic and fast paced individual who likes to be around people and enjoys being the center of attention. They

are good relationship builders and most people like them right away. Their driving need for approval, they try and like everyone in hopes everyone will in turn reciprocate and like them too. Compliments, acknowledgement of their achievements, words of admiration and even applause from groups will be the most important thing you can do for them. The 'B' personality loves to talk about themselves and some may view them as self centered but their real motivation is to be liked. Some of the strengths you can count on from the "B" personality are their enthusiasm, outgoing behavior, friendliness towards others and their ability to persuade even the most skeptical of people. They tend to be "dreamers" and can often turn those dreams into very practical ideas in the workplace. They aren't too good about hiding their own feelings either, so if they are hurt or disappointed, you'll probably be able to read it in their mannerisms and overall disposition. Some of the natural weaknesses that are associated with the "B" personality include being impatient, having a relatively short attention span and are not very detail oriented.

The "C" personality is a very detail oriented individual that likes to be involved in things that are controlled and stable. They are interested in accuracy, rationality and logic. They will also dislike being around people who are full of "hype", since they desire facts, accurate and logical, but just the facts. Other people's emotions may not be a priority for them as they tend to strive for the facts. "C" personalities tend to be quite controlling, both of themselves and others. They don't like things to get out of hand and may not appear very expressive at times because they don't really want themselves to display a lot of emotion. They are very outcome driven and will be sticklers for following procedures and protocol in getting the job done. They are careful, resourceful, and above all, are excellent thinkers who will look at all aspects of an issue before taking a stand. Once they take a stand on an issue, they will have the facts to back it. They like their jobs clearly defined and want to know exactly what is expected of them. Knowing those facts, they will be able to prioritize their tasks and see them through to completion, because of their detail orientation; they are meticulously prepared with all the details so nothing is left for anyone to disagree with, Many accountants and lawyers, for example, are "C"

personalities. They are excellent for any job that requires creative thinking based on patience, facts and accuracy (Ornstein, 1993).

The “D” personality takes a slower, easy pace toward their job and life in general. They seek security and longevity on the job and are very happy doing a repetitive task, day in and day out as the repetition allows them to become very skilled in what they do. The “D” will resist change out of concern that, even though the current way may be unpleasant, the unknown may be even more unpleasant. They are risk averse. “D” personalities are usually very organized and being around a messy environment or disorganization will bother them. They are also good at playing a very supportive role with others and are normally very caring, thoughtful and compassionate. They are patient, good listeners and will persevere when all others have given up. They especially like working in a group or on a team and will be a stabilizing force within that group or team. Although they may not be as fast as others, they are accurate and thorough. They will usually keep their feelings to themselves and are reluctant to express themselves, even if a more assertive type seems to be taking advantage of them. They will probably choose to go along to get along (McCrae, 1987).

2.3 Performance Contracting

A performance contract is defined as a negotiated agreement between the management of a public enterprise and its owners (the government) with respect to the future goals of the enterprise, the way that performance of each goal will be measured, performance targets, management incentives, financing of activities, the autonomy of management information system (accounting, reporting, audit) to establish and enforce accountability through the contract (Farazmand, 2001). For many developing countries the public enterprise is the major vehicle for economic development. They have the responsibility for the management of infrastructure activities that must be operated effectively for the development to take place at all. They are responsible for generating a significant share of gross national product. They frequently earn much of the foreign exchange available to their countries. Net capital formation in the country is often substantially that of public enterprises. In view of the importance of the role of the public enterprises in developing

countries, the many conclusions about their unsatisfactory performance are disquieting. Experience from any field projects and surveys confirm the failure of the public enterprises in many countries to contribute to the wealth of their communities (Powell, 1987).

Lawrence (2002) defines performance-based contracting as an approach where the statement of work is based on objective, measurable performance standards outputs. OFPP further states that a performance-based contract contains performance standards (i.e., quality, quantity, timeliness). Performance-based contracting means structuring all aspects of an acquisition around the purpose of the work to be performed with contract requirements set forth, in clear, specific, and measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work. Performance-based contracting methods are intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed meet contract standards.

OECD (1999) on the other hand defines Performance Contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. Performance based contracting emphasizes results related to output, quality and outcomes rather than how the work is performed. It has an outcome orientation and clearly defined objectives and timelines. It uses measurable performance standards, quality assurance plans and provides performance incentives and ties payment to outcomes (Roy, 2005).

There are three forms of performance contracting. That is financial contracting, shared savings and guaranteed savings. Under financial contracting, vendor financing is generally offered by a manufacturer who wishes to demonstrate confidence in the energy efficiency capabilities of equipment and offers to take up payment of the equipment out of avoided utility cost. In shared savings prior to the project implementation, the owner and the vendor agree on a split of the energy cost savings. If there is no cost savings the vendor does not get paid and if the energy prices go up the customer pays more than

expected for use of the equipment. Guaranteed savings the vendor guarantees the energy to be saved and dollar value of savings will be sufficient to cover debt service obligation (Shiny et al, 1998).

Performance Based Contracting offers a share-in savings contracting, revenue enhancement contracting, In the case of both share-in-savings contracting and revenue enhancement contracting, contractor behavior is changed to focus on the accomplishments of certain processes and outputs that lead in turn to the accomplishment of certain desired outcomes (reduced service delivery costs and increased revenues). In the case of milestone contracting, contractor behavior is changed to focus more on performance. This is because output, quality, outcome performance requirements, incentives, and penalties are automatically built. The experience of state and local governments clearly demonstrates that share-in-savings contracting, revenue enhancement contracting, and milestone contracting can affect the behavior of contractors to focus more on performance. Thus, these approaches warrant being called Performance Based Contracting says Lawrence (2002) as quoted by Jack (2004).

The adoption of this approach therefore demanded a paradigm shift in Government. This called for a transformation from a passive, inward looking bureaucracy to one which is pro-active, outward looking and results oriented; one that seeks 'customer satisfaction' and 'value for money'. Consequently the ministries' departments were required to develop strategic plans which reflected their objectives derived from the 9th National Development Plan, the Poverty Reduction Strategy Paper and based on the Medium Term Expenditure Framework (MTEF), sectoral Priorities and Millennium development Goals. The Strategic plans should also focus on the attainment of Vision 2030. Preparation of the strategic plans and individual plans ensures that an agency focuses on results hence makes it possible to prepare performance contracts as results outputs can be defined (GoK, 2005).

The expectations of the performance contracting include; improved performance, decline in reliance on Exchequer funding, increased transparency in operations and resource

utilization, increased accountability for results, Linking reward on measurable performance, reduced confusion resulting from Multiplicity of objectives, Clear apportionment of responsibility for action, improvement in the correlation between planning and implementation, creating a fair and accurate impression on the performance, greater autonomy and creation of enabling legal and regulatory environment (AAPAM, 2006). Other expected outcomes include Institutionalize performance oriented culture in the public service, Measure and evaluate performance and enhance performance of loss making government agencies (00K, 2005).

Performance based contracting encourages and promotes contractors to be innovative and find cost effective ways of delivering services, results in better prices and performance, maximizes competition and innovation, achieves cost savings, gives the contractor more flexibility in general to achieve the desired results, shifts risk to contractors so they are responsible for achieving the objectives, provides incentives to improve contractor performance and ties contractor compensation to achievement, provides financial incentives for efficient use of resources, increases the likelihood of meeting mission needs, shows results more quickly, promises better outcomes, rewards good performance, encourages contractors and governments to work together to provide the best services to clients, allows contractors to have buy in and shared interests, promotes the achievement of departmental outcomes, identifies priority areas and invest resources to maximize client outcomes and sets groundwork to evaluate programs and services (Peter, 2005).

Bouckaert et al (1999) argues that objectives of contract management in the European countries are diverse. One is to improve service delivery after deregulating public monopolies which could not be guaranteed by full privatization. Two, is to better governmental control of the financial expenditure of the organizations involved in the delivery of public services. The use of contracts clarifies the role and the responsibility of the organizations in the delivery of basic services by stipulating the intended outputs against a fixed amount of financial input. A third objective is to enhance the efficiency and the effectiveness of service delivery and management by reducing traditional input controls and by focusing on steering by results.

The expectation of introducing performance contracts in the Kenya include: Improved service delivery to the public by ensuring that top-level managers are accountable for results, reversing the decline in efficiency and ensuring that resources are focused on attainment of key national policy priorities of the government, institutionalizing performance oriented culture in the public Service through introduction of an objective performance appraisal system measure and evaluate performance, linking reward to measurable performance, facilitate the attainment of desired results, instill accountability for results at the highest level in the government, ensure that the culture of accountability pervades all levels of the government machinery. Strengthen and clarify the obligation required of the government and its employees in order to achieve agreed target (Kobia and Mohammed, 2006).

The objective to introduce Performance Contracts was to: Create competitive advantage for the country by adopting best international practices in the management of the public service through developing competitive strategies, strategic planning and management, effective change management, developing customer focus through customer value proposition, cascading the strategic intent throughout public agencies and to all levels, creating value on key management and operational perspectives. Harness leadership capabilities within and outside the public service to ensure expedient achievement of national goals and priorities. Create a leadership pool which allows vision, strategy, goals and values to be the guide-posts for corporate action and behavior. These in turn would ensure continuity and sustained momentum of cutting edge management practices in the Public service. Improvement in efficiency levels and ensuring that public resources are focused on attainment of key national policy priorities. Relating reward to measurable performance and ensuring that the culture of accountability pervades all levels of the Government. A key objective of the performance contracting policy is to simultaneously increase autonomy along with transparency and accountability. Government surveillance mechanisms are thereafter left to focus on outputs and outcomes of management processes and not on the processes themselves (Ndubai, 2008).

2.4 Employee Attitude towards Performance Contracts

Employees have attitudes or viewpoints about many aspects of their jobs, their careers, and their organizations. However, from the perspective of research and practice, the most focal employee attitude is job satisfaction. The most-used research definition of job satisfaction is by Locke (1976), who defined it as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”. Implicit in Locke’s definition is the importance of both affect, or feeling, and cognition, or thinking. When we think, we have feelings about what we think. Conversely, when we have feelings, we think about what we feel. Cognition and affect are thus inextricably linked, in our psychology and even in our biology. Thus, when evaluating our jobs, as when we assess most anything important to us, both thinking and feeling are involved.

Results of the survey sent to the senior civil servants that have either participated or followed closely the performance negotiations in the Finnish government revealed that. Performance contracting has improved co-operation between the agencies themselves and between the ministry and the agencies. This meant improved commitment to the systematic and strategic planning processes within the ministry and also strengthened links to the budget process. The weaknesses of the system identified fall roughly into two categories. Firstly, there is a gap between the planning stage and the monitoring phase of the system. Those interviewed stressed the lack of measurement and evaluation of the set objectives. The performance contracting objectives need indicators developed in order to measure the effects of these objectives properly. Secondly, it was argued that the set objectives were either too abstract or too detailed.

Nevertheless, the performance contracting system has great potential. Those interviewed emphasized that this system is an option to accomplish relevant strategic goals for the ministry. If one wishes to point out the opportunities of the system, they have something to do with the strengthened will to cooperate between the ministry and its subordinate agencies and the development of evaluation methods and an indicator system for performance contracting. The results should be transparent, logically and systematically

evaluated, and reported clearly. Performance contracting also makes possible the ministry's role as a strategic leader (Petri Uusiskyla and Petri Virtanen, 1999).

The results of performance contracting have been mixed. In some countries there has been a general and sustained improvement in Public Enterprise improvement, while in other countries some Public enterprises have not responded or have been prevented by government policies from responding. In implementing performance contracts, the common issues that were being addressed include; improve performance to deliver quality and timely services to the citizen, improve productivity in order to maximize shareholders wealth, reduce or eliminate reliance on the exchequer, instill a sense of accountability and transparency in service delivery and the utilization of resources and give autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures (Kobia and Mohammed, 2006).

Lessons learnt from African experience on the implementation of performance contracts included; to institutionalize and create ownership of the performance contract, public enterprise managers and citizen should be involved and let them manage the process rather than external parties, allocate adequate resources to achieve the set target, select few realistic target rather than too many objectives attempted at once, government should honor their financial commitment to the enterprise (Kobia et al, 2006).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a descriptive survey design. This approach takes an in depth study of a single organization to enable description and understanding of the phenomenon under consideration. Being that the study focuses on only one organization, it evaluates in-depth information on how employee demographic characteristics affect their attitude towards performance contracting.

3.2 Population

The target population of the study comprised the employees of the Kenya Marine and Fisheries Research Institute in Nairobi. According to 2011 KMFRI's employee audit, the Institute had 250 employees in Nairobi.

3.3 Sample

Stratified random sampling technique was used to select the sample units from the population. The population was stratified into the four hierarchical levels within the institution; Top Management, Middle Management, Supervisory level and Subordinates. From each level, 50% of the population was randomly selected making an aggregate of 125 employees. Gay (1992) postulates that a minimum sample size should be 10% of a target population. Kilemi (1995) states that the minimum sample size in research is 30 randomly selected cases. Thus, our selection of 50% is the basic minimum to meet Gay and Kilemi criterion. Besides, as the number is adequate enough to yield comprehensive and non-redundant data on individual characteristic and attitude towards performance contracting. The sample size is, therefore, considered representative.

Table 3.1: Sample Distribution by Grades

Level	Grade	Population	Sample
Top management	A-C	20	10
Middle management	D-F	50	25
Supervisory	G-H	70	35
Subordinate	J-L	110	55
Total		250	125

3.4 Data Collection

The study used primary data sources which were collected using semi-structured questionnaire (Appendix 1) that have open and closed - ended questions for qualitative and quantitative data respectively. The questionnaire was structured into two categories, that is, general information of the respondent (Employee demographic characteristics) and attitude towards performance contracting. Drop and pick later method was used to administer the questionnaire.

3.5 Data Analysis

The data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 17.0) and analyzed using descriptive statistics involving the use of absolute and relative (percentages) frequencies, measures of central tendency and dispersion (mean and standard deviation respectively).

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Response Rate

Out of the 125 questionnaires distributed only 109 were returned. The average response rate was therefore, 87%.

4.1.1 Distribution of Respondents by Position within the Organization

Majority of the respondents at 42% were at the supervisory levels, 28% were subordinate, 21% were middle level managers, while 9% were top level managers.

4.1.2 Distribution of Respondents by Sex

Majority of the respondents (58%) were male while 42% were female.

4.1.3 Distribution of Respondents by Age

A majority of the respondents (25%) are of the 36 to 40 years age bracket, 23% are of the 41 to 45 years age bracket, 13% are of the 31 to 35 years as well as over 50 years age bracket, 12% are of the 26 to 30 years age bracket, 8% are between 46 to 50 years of age and 6% are at the 21 to 25 year age bracket.

4.1.4 Marital Status

The majority of the respondents (86%) are married while 14% are single.

4.1.5 Religious Group

Majority of the respondents (76%) are Christians, 9% are Muslims while 15% pursue other faiths.

4.1.6 Distribution of Respondents by Level of Education

40% of the respondents hold a first degree, 38% hold a second degree, 13% hold a high school qualification while 9% hold a diploma qualification.

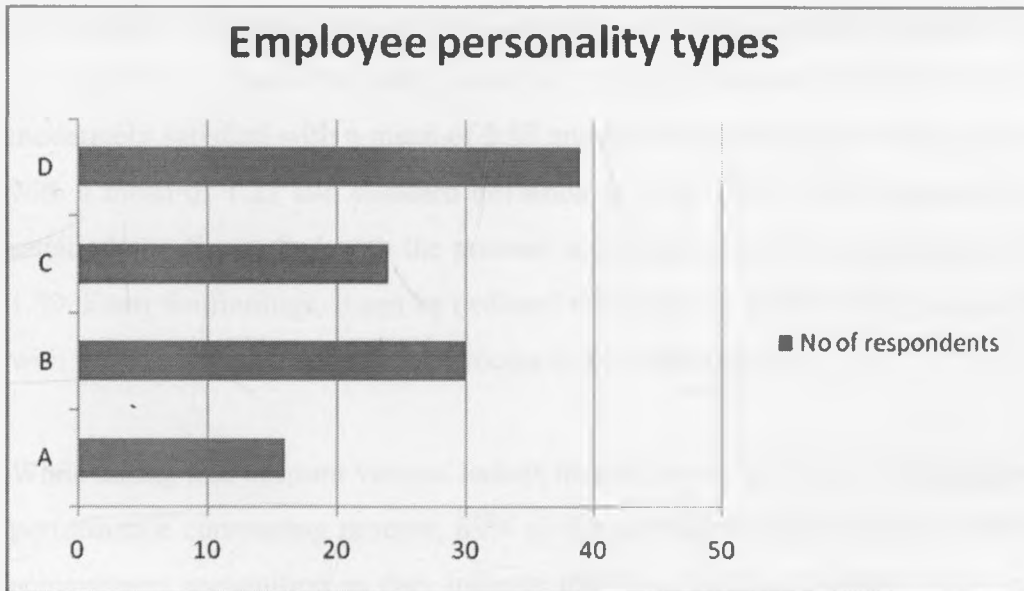
4.1.7 Number of Years Worked at KMFRI

The respondents were asked on how long they have worked with the commission, 38% have worked for over 10 years, 29% for between 6 to 10 years, 22% for less than 2 years and 11% for between 3 to 5 years.

4.2 Employee Personality

The students were asked questions that categorize their personality traits between types A, B, C and D. The respondents' personality classifications were as presented in figure 4.1 below.

Fig. 4.1: Employee Personality Types



From the findings, 36% of the respondents are type D personality who takes a slower, easy pace toward their job and life in general. 28% are type B personality characterized as very outgoing, energetic and fast paced individuals who like to be around people and enjoy being the center of attention. 22% of the respondents are type C personality who is very detail oriented individuals who like to be involved in things that are controlled and stable. 15% of the respondents are type A personality who like to be in charge and be in control of their environment and their lives. They are not very detail oriented as they choose to delegate details to others.

4.3 Employee Attitude towards Performance Contracting

On implementation of performance contracts in KMFRI, the performance issues that were being addressed included; improvement of performance to deliver quality and timely services to the citizen, improvement of productivity in order to maximize government output, reduction or elimination of reliance on the exchequer, instilling of a sense of accountability and transparency in service delivery and utilization of resources to give autonomy to KMFRI without being subjected to the bureaucracies and unnecessary procedures.

The respondents were asked on their satisfaction with the performance contracting process at KMFRI. From the responses, 53% of the employees are dissatisfied with the performance contracting process with a mean of 4.79 and standard deviation of 0.81. 17% are moderately dissatisfied with a mean of 3.87 and standard deviation of 0.35. 13% are moderately satisfied with a mean of 2.17 and standard deviation of 0.72. 9% are satisfied with a mean of 1.22 and standard deviation of 0.92. 8% of the respondents are neither satisfied nor dissatisfied with the process with a mean of 3.87 and standard deviation of 1.59. From the findings, it can be deduced that majority of the employees are dissatisfied with the performance contracting process in the organization.

While taking into account various factors that influence the levels of satisfaction with the performance contracting process, 89% of the respondents highly rank remuneration and achievement recognition as they indicate that they feel remunerated fairly and that they feel that the organization recognize individual effort with a mean of 4.32 and a standard deviation of 0.92 for fair remuneration and a mean of 4.27 and standard deviation of 0.72 for achievement recognition. 70% of the respondents highly rank that the work itself provides them with the performance feedback and they receive feedback from other persons with a mean of 1.5 and a standard deviation of 0.92. Similarly, 70% of the respondents indicate that the requirement to perform many tasks is a satisfactory factor with a mean of 2.79 and a standard deviation of 0.81. Also satisfying is self determination and responsibility as 65% of the respondents cite that they decide on their own how and when to work with a mean of 3.2 and standard deviation of 0.85. Personal qualification

and entire work performance do not influence the levels of satisfaction with the performance contracting process.

Feedback from the work itself and feedback from peers are cited amongst the highest performance contracting components that influence the levels of satisfaction with the process. This is an indication that proper communication of performance benchmarks and feedback mechanisms are useful for the success of the process. It is note worthy that performance contracting has improved co-operation between the employees and their supervisors. This means improved commitment to the systematic and strategic planning processes within the organization and also strengthened links to the budget process. The study identifies weaknesses of the process as the gap between the planning stage and the monitoring phase of the system.

When evaluating our jobs, both thinking and feeling are involved. The existence of performance contracts for many different tasks, use of personal qualifications under key performance indicators and utilization of individual employee talents in key performance indicators (KPI's) also influence the levels of satisfaction. Remuneration, performance of whole tasks and recognition in the organization were least classified as influencing the levels of satisfaction with the performance contracting process.

4.4 Employee Demographic Characteristics and Attitude Towards Performance Contracting

Table 4.1: Employee Demographic Characteristics and Attitude towards Performance Contracting

Demographic Characteristics	Correlation coefficient
Gender	0
Age	0.72
Marital status	0.2
Parentage	0.44
Level of education	-0.69
Personality	0.68

The results of the multiple regression analysis indicate that employee age ($\beta = 0.72$) and personality ($\beta = 0.68$) are strongly positively correlated to the employee attitude towards performance contracting, Parentage ($\beta = 0.44$) and marital status ($\beta = 0.2$) are positively correlated to the employee attitude towards performance contracting, Level of education ($\beta = -0.69$) is strongly but negatively correlated to the attitude towards performance contracting. Employee gender has no relationship with the attitude towards performance contracting.

The personal characteristics of age, Parentage and marital status have been cited to influence human behavior. These findings therefore confirm that the success of performance contracting at KMFRI can be explained by these personal characteristics to varying extents. Further, personality of an employee which is formed from feelings, thought patterns, interests, and other behaviors also seem to influence the attitude towards performance contracting and therefore the subsequent outcome of the performance contracting process. Though education is supposed to refine human skills and subsequently behavior, it is interesting to observe that education level negatively correlate with the attitude towards performance contracting processes.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The study findings suggest that majority of the employees are dissatisfied with the performance contracting process in the organization. Feedback from the work itself and feedback from peers are cited amongst the highest performance contracting components that influence the levels of satisfaction with the process.

Remuneration and achievement recognition are highly ranked as factors that influence levels of satisfaction with the performance contracting process. Performance feedback and performance of many tasks is also cited amongst the high ranking satisfying factors together with leadership, responsibility and personal initiative. Use of personal qualifications and talent towards attainment of the performance indicators are not deemed as satisfying factors.

While taking into account the personal characteristics of employees, it emerges that employee age, employee personality, parentage and marital status are the demographic characteristics positively correlated to employee attitude towards performance contracting. Employee gender has no relationship with the attitude towards performance contracting while the levels of education negatively correlate to the attitude towards performance contracting.

5.2 Conclusions

Majority of the KMFRI employees are dissatisfied with the performance contracting process in the organization. From the study findings, it is deduced that employee age, employee personality, parentage and marital status are the demographic characteristics that positively correlate to employee attitude towards performance contracting. Though employee gender has no relationship with the attitude towards performance contracting, the levels of education negatively correlate to the attitude towards performance contracting intimating a need for independence in carrying out tasks by the employees.

5.3 Recommendations

Based on the findings of this study it recommends; institutionalization and creation of ownership of the performance contract, public enterprise managers, employees and the end users of the services should be involved to let them manage the process rather than external parties. This process will address the effects of the employee demographic characteristics. There is need to allocate adequate resources to achieve the set target, select few realistic targets rather than too many objectives attempted at once and the government should honor their financial commitment to the enterprise

5.4 Limitations of the Study

The study was limited to the perspective of the employees of KMFRI. Out of the target 125 employees, 109 participated in the study. The response rate was therefore 88% with a non-response rate of 12%. Therefore the findings may have a marginal error as a result of the non response rate.

There was a challenge that forced the researcher to make several call backs in order to get hold of the respondents to fill in the questionnaires as they cited lack of time and busy schedules. This had cost and time implications on the researcher.

5.5 Suggestions for Further Research

The study was conducted in only 109 employees of KMFRI. The findings can be verified by conducting the same study on a larger sample of employees in other public service agencies that comply with performance contracting. Future researchers may conduct a study targeting the end users of government services, policy makers and employees in other public service agencies in Kenya.

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APPENDIX II: QUESTIONNAIRE

INSTRUCTIONS: Kindly give an honest and accurate response to the items in the questionnaire

SECTION A: EMPLOYEE DEMOGRAPHIC CHARACTERISTICS

Please tick as appropriate:

1. What is your gender? Male Female

2. Please indicate your age category:

Below 20 years 36-40years

21-25 years 41-45years

26-30 years 46-50 years

31-35years Above 50years

3. What is your marital status? Married Single

4. Do you have children? Yes No

5. What is your highest level of education?

High School College Diploma Graduate degree

Other specify

6. What is your current grade:

AC GH

DF JL

7. How many years have you worked for KMFRI?

Less than 2 years [] 3-5 years []

6-10 years [] More than 10 years []

8. Do you have any affiliation to professional group/organization (professional?
Membership)?

Yes () No ()

SECTION B: EMPLOYEE PERSONALITY TRAITS

9. How do you generally describe yourself?

Positive thinker and highly independent []

Outgoing, energetic and fast paced []

Reserved with an eye for detail []

Easy person, orderly with a preference of working in teams []

Religious []

10. Tick which of the following sentences clearly describes yourself:

Personality Description	Yes	No
I like to be in charge and be in control of the environment and my life		
I am not very detail oriented as I choose to delegate details to others		
I am goal oriented and practical in my solutions		
I prefer to work independently and set my own schedules		
I am not easily discouraged and I will normally exude confidence		
I get bored by routine or repetitive work		
I get very dissatisfied if I believe someone is trying to take advantage of me or hold me back		
I work well under pressure and I excel in high stress situations		
I am a very outgoing, energetic and fast paced individual		
I like to be around people		
I enjoy being the center of attention		
I am a good relationship builder and most people like me		
I love to talk about myself		
I have a relatively short attention span and i am impatient		
I am interested in accuracy, rationality and logic		
I dislike being around people who are full of "hype"		
I look at all aspects of an issue before taking a stand		
I like my job clearly defined and I want to know exactly what is expected of me		
I am very happy doing a repetitive task		
I often resist change		
I am very risk averse		
Being around a messy environment or disorganization will bother me		
very caring, thoughtful and compassionate		
I like working in a group		
I keep my feelings to myself and i am reluctant to express myself		

SECTION C: ATTITUDE TOWARDS PERFORMANCE CONTRACTING

In this part you are asked to evaluate how satisfied you are with respect to performance contracting at KMFRI.

11. Overall how satisfied are you with performance contracting processes in the organization?

1 2 3 4 5

Satisfied

Dissatisfied

12. Please tick in the box beside the question, which is the most accurate description of your level of satisfaction with performance contracting at KMFRI: 1 = strongly agree; 2 = agree; 3 neutral; 4 = disagree; and, 5 strongly disagree.

Statement	1	2	3	4	5
I require performance contract of many different tasks					
I feel motivated to use my personal qualification under key performance indicators					
My talents are utilized by the organization in the key performance indicators					
I perform an entire piece of work from beginning to end as per the performance contract					
I decide on my own how and when I have to work					
My work itself provide me with the performance feedback					
I receive feedback about my performance from other persons (co workers, superiors)					
I feel remunerated fairly					
I feel that the organization recognize individual effort					