

**THE IMPLEMENTATION CHALLENGES OF PERFORMANCE  
CONTRACTING IN CIVIL SERVICE AT MOMBASA COUNTY**

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**A Research Project Submitted in Partial Fulfillment of the  
Requirements for the Master of Business Administration Degree in the**

**Department of Business**


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## DECLARATION

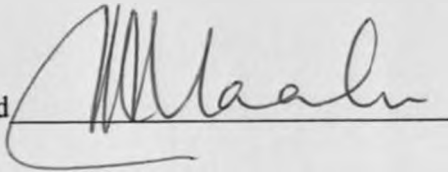
I hereby declare that this research project is my original work and has not been presented for a degree in any other University.

Signed \_\_\_\_\_

A handwritten signature in black ink, appearing to be 'M. N. A.', written over a horizontal line.

This research project has been submitted for examination with my approval as the University Supervisor.

Signed \_\_\_\_\_

A handwritten signature in black ink, appearing to be 'Maal', written over a horizontal line.

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Date \_\_\_\_\_

14/11/2012

## **ACKNOWLEDGEMENTS**

I am indebted to God for having enabled me complete this MBA program. His abundant love, care and grace throughout this period and having cultivated in me a profound hope and faith that my prayers have been answered. Thank you Lord!

I owe my supervisor, special gratitude for his immense support and guidance. His positive criticism greatly enhanced and enriched this study. Thank you for your patience and for being so willing and available during the research project.

## **DEDICATION**

To my family, my dear wife Wamuyu, daughters Wamaitha, Wanjiku and Wanjiru for their steadfast support, encouragement and understanding while undertook the project.

## ABSTRACT

Strategic management is a field that deals with the major intended and emergent initiatives involving utilization of resources, to enhance the performance of organizations in their external environments. The research was a case study that focused on challenges faced in implementation of Performance Contracting (PC) within the civil service at Mombasa County. The data collection instrument was a questionnaire. Qualitative and quantitative analysis was used to analyze the primary data which had been collected by conducting interviews and secondary information from the ministry's library. The findings obtained indicate that civil service at Mombasa County faces both operational and institutional challenges in undertaking performance contracting. The challenges mainly ranged from the organizational structure, leadership and management styles, rigid organizational culture and lack of effective performance management. It was also noted that the organizational structure should be restructured to facilitate quick decision making and subsequent faster response than is currently experiencing. The respondents furthermore highlighted that some leadership have not been enthusiastic enough in implementing the PC and coming up with strategies to counter the challenges that face the ministry. The research has revealed that proper implementation of PC will significantly contribute to the efficiency and effectiveness level of service delivery. This study explored immensely about the challenges that face implementation of PC. It is therefore suggested that; enough funding should be provided in order to ensure that the implementation is streamlined; Training should be done appropriately and ensure participation from all cadres, popularizing the concept is also highly encouraged; Review of systems and automation of procedures would also ensure a smooth flow of implementation process; Provision of enough resources needed to facilitate implementation; Ensuring autonomy and minimal political interference.

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## **ACRONYMS AND ABBREVIATIONS**

**P.Cs- Performance Contracts**

**PSEs- Public Sector Enterprises**

**K.I.M- Kenya Institute of Management**

**SOEs- State - Owned Enterprises**

**G.O.K- Government of Kenya**

**M.D- Managing Director**

**P.C.S.C- Performance Contracts Steering Committee**

**IPMR- International Public Management Review**

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

Performance contracting is a branch of management science referred to as management control systems and is a contractual agreement to evaluate a service according to agreed upon terms, within an established time period, and within a stipulated use of resources and performance standards. Performance contracting is one of the turnaround strategy implementation tools that have been adopted by the government in many parts of the world to revitalize service delivery in the public. It clearly specifies the intentions, obligations and responsibilities of the two contracting parties (Dourberger, 1998)

It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. It is therefore a management tool for evaluating accountability for results by public officials since it measures the extent to which they achieve targeted results (Greer et al, 1999)

The Kenya government has been implementing performance contracting in the last five years, and hence the need to establish the challenges faced with implementation and ways of enhancing the same for the betterment of the service delivery to the citizens.

#### **1.1.1 Concept of Performance**

In Kenya, the economic performance has for more than two decades been very low. The successive losses suffered by most parastatals have worsened the performance. Liberalization of the economy in the early 1990s and dawn of multi-party politics in

Kenya worsened the performance of most business organizations. The local industries became vulnerable to the deep competition by much recognized and experienced organizations from abroad. This led to shutting of numerous private business organizations, for example, in textile sector. Liberalization of the economy strained the government to shift out of certain industries like distribution, transport. This was followed by strong calls to privatize most parastatals and state corporations. In fact since 1993, Kenya has embarked on privatization of state corporations but with limited success. (Economic Survey, 2005).

Nevertheless, the private sector in Kenya has tackled the challenges arising from economic liberalization and strong global competition differently. It continued to cling to competitive strategies like downsizing, restructuring, mergers, acquisitions, relocations, and re-engineering. Such practices like participative decision-making, cost and waste management, performance management, customer care, service delivery teamwork, productivity, strategic planning and outsourcing were easily and swiftly adopted in the private sector.

Several state corporations and parastatals though began to borrow a leaf from the private sector. Some state corporations like the Ken Gen, Kenya Ports Authority, Kenya National Shipping Lines, the Kenya Power and Lighting Company Limited, attempted to implement performance management practice on their own as from 1997. After the NARC Government set out to rule in early 2003, the Ministry of Planning and National Development (MPND) affianced stakeholders from the entire sectors of the economy in a greatly participative and integrative course aimed at formulating a nationwide strategy to place Kenya back on an economic revitalization path. The yield of these workshops was the government's draft for restructuring referred to as the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007 (GOK 2003). This article has ever since become the universal guide to all ministries and state corporations as they embarked on

drawing up their strategic policy. This means that state corporations and ministries are to be run following the strategic policy. The public sector managers are currently supposed to converse with the private sector language. This move toward the management using strategic plans and approved on SMART objectives with supervisors is officially effective July 1, 2005 in Kenya's Public Sector. (Kenya Institute of Management March 2005.)

Public Sector presentation has been an issue of public anxiety in both developed and developing countries (World Bank, 1995). The key concern has been the release level of government agencies, especially state monopolies. Government has incessant to institute measures to trim down their expenditures on state utilities. The main reforms have been introduced to enhance the value of service from state utilities. One such reform has been in developing, introducing and institutionalizing performance based management practices in the public service. In this reform program, governments are undertaking service delivery surveys in all ministries and departments, and developing and instilling service charters with clear service benchmarks and standards in order to achieve efficiency transparency and accountability in service delivery.

As a result of the foregoing, the Government of Kenya in 2003 made a commitment to introduce performance contracts as a management tool to ensure accountability for results and transparency in management of public resources. This report is contained in Economic Recovery for Wealth and Employment Creation 2003-2007(GOK, 2003). In this report,the Government of Kenya reiterated that all Permanent Secretaries/Accounting Officers and Chief Executives of State Corporations would be placed on performance contracts by June 2004. The aim of this approach is to initiate a performance oriented management culture which focuses to a certain extent on outputs, competence and cost-effectiveness than the prior emphasis on inputs, procedure and compliance to laws, rules and procedures.

According to the Commonwealth Secretariat (1994), Performance Contract System had an origin in France in the late 1960s. It was soon after developed with immense deal of amplification in Pakistan and Korea and subsequently establish in India (OECD, 1997). It has been accepted in Africa, as well as Nigeria, Gambia, and now Kenya.

The concept of performance contracting in Kenya can be traced from 1990 after Government, during Cabinet Memorandum No. CAB 990/35 of 3rd May 1990 accepted the introduction of performance contracts in the management of public agencies. This character was reiterated vide the Cabinet Memo No. CAB (03) 115 of 15th January 2004 that aimed at all secretarial/authorized officers to clinch and institutionalize this outcome based approach.

Taking notice of the essential issues arising from past public sector performance that called for address, the Government of Kenya reacted to public service delivery challenges by creating and executing Public Sector Reforms (PSR) way back in 1993. The reform execution was in three stages, namely; cost control, which involved staff rightsizing ideas, validation of government roles and structures to decide appropriate structures and finest size of the civil service for efficient performance of the government's core functions contained in budgetary confines; and eventually reform initiatives aiming performance enhancement and management in the public service was introduced as guided by Economic Recovery Policy Direction (MPND, 2003). This third stage gave increase to the application of performance contracting as a strategic means to achieve performance enhancement.

### **1.1.2 Challenges Facing the Implementation of Performance Contracting**

Even if there has been a substantial research to the achievement and let down of planning systems, Hussey (1998) dispute that less consideration has been given to the execution of

strategy. Consequently, the assumption that a strategy is incorrect leads to the change of a faultlessly appropriate strategy, which is barely the way to efficient strategic management.

The approach for performance enhancement has the potential to convey a major change in the way public services are carried. Hence, Jones & Hill (1997) (as cited in Murgor, 2008) argues that performance of a strategy is a manner in which a company generates the organizational agreement that allows it to follow its strategy most efficiently (p.5). Thus, DPM (2002) view that “the challenge facing the public service and the civil service in particular in the effective introduction and successful implementation of the approved strategy for performance improvement”

Lienert (2003, as cited in Kobia & Mohamed, 2006) observes that public services in many African countries are face with numerous challenges, which limit their delivery ability. They comprise the human resource feature, relating to scarcity of the manpower in terms of statistics and key competencies, lack of proper mindsets, and socio-psychological outlook. There is also the constant problem of the scarcity of financial and substance logistics that are essential to support successful service delivery. Additionally, the slow erosion of the ethics and liability has continued to be mischievous sprite the public sector in carring public services to the people successfully. Public sector reforms intended to address these challenges have attain minimal results.

Whereas performance contracting is usually deemed to have led to an aggressive Public Service as contrast to the old fashioned way and also improved their growth and expansion, Ochien’g (2010) embrace that there are various challenges in its execution. Along with these challenges are lack of enough skilled workforce in Performance Contracting in most of the organizations, lack of concern by some organizations where the heads have not cherished the process, dismissal by some organizations sufficed by

denial to be part of the course though this has been shifting with time, the long technical procedures of public institutions that makes it tough for them to apprehend some targets particularly the institutions in the lower –stream as they might have to wait long to get funds from the headquarters (mother-institutions). This inclination may delay the implementation of activities within the set time.

In the report on evaluation of Performance contracting within the Public Sector (Panel of Experts, 2010) it was noted that if it was not for some challenges, PC provide right in finest service delivery. Consequently, the report tinted the following challenges experienced during execution of PCs: lack of adherence to contract calendar, inadequate resources, initial resistance, need for political possession and support at the peak of political or technical levels, capacity to drop to all levels, transfer or removal of staff in middle of contract, amalgamation or split of ministries, legal barriers, strict competition resulting in low endeavor, fluctuations in dedicated funding, lack of standard sector targets, poor grip of strategic management course, changing composition of objective negotiating teams, poor association between planning, budgeting and target setting, lack of complete incentive or sanctions scheme, and incomplete integration.

Organizational Culture refers to shared behaviors or styles of people, their approach towards various components of business such as co-workers, customers, shareholders and the ordinary values that they allocate among themselves, which in fact operate like a binding strength between them. As a result, culture of an organization is in fact a major issue that determines whether the ventures flourishes on continuing basis or fade and eventually dies (Cook, 1998, 125)

Culture and concert are intricately intertwined and yet the relationship is so complex and not so clear for executives to positively act on this significant aspect of business. This relationship pose mutually counter relationship and therefore successful performance



management have to become a vital part of the organization's culture (Srinivas, 2009). If strong culture assists in building high performance company, the precedent performance and successes outline influence people behaviors which progressively become part of the culture. Several research projects trying to find the secret behind a number of companies' great performance over a period of time when judge against to not-so-successful modern companies operating in the similar industry segments have highlighted the softer aspects of business such as principles, beliefs and management values as the fundamental difference among them. Accordingly, Dutta & Manzoni (1999) "requires a permanent cultural shift so that business can achieve continuous improvement" (p.326).

Culture permit people to see the objective alignment and inspires them to higher levels of presentation, as shared values make people experience good about the organization and entrust their capability and potential genuinely for the company. Superior cultures are characterized by customs and values supportive of brilliance, teamwork, productivity, honesty, a customer service direction, pride in one's work, and obligation to the organization. Most of all, they are compassionate of adaptability and the capacity to succeed over the long run regardless of new competition, new rules, new technological advancement, and the strains of growth. (Baker, 1980)

Organizational arrangement is analyzed as consisting of two main scope; work division which distributes responsibilities and activities, and coordination mechanisms which comprises of consistency and formalization (Meijaard et al, 2002). As a matter of emergency, environment, knowledge, size, strategy, and owner or manager objectives cause a bearing on structure and performance of organizations. Therefore the arrangement of an organization is key to the management of performance contracting as it is cascaded from the highest point.

According to Kahn (1978) (as cited in Steers et al, 1996), leadership arise when one individual persuade others to execute voluntarily over the minimum requirements of their work tasks. Executive leadership embraces accountability for setting course and winning the shared support of all employees communally to work efficiently (Jacues & Clement, 1997). Good leadership stirs up the warm and gratifying outlook of being part of successful team, or business, or nation. The efficiency of the leaders depends on how suitable their leadership style is to the circumstances in which they function (Cole, 1996). Strategic leadership thus becomes crucial for the performance of a strategy.

Various organizations still use a performance management system that does not help staff perform at higher levels because the route is more focused on result and evaluation than on training, supporting and helping people to accomplish. Nevertheless, the government of Kenya has gripped to the processes of objective or target setting, performance evaluation or review, and reward or approve.

### **1.1.3 The Need for Civil Service Reforms**

The primary development goal for any country is to achieve broad-based, sustainable improvement in the standards of the quality of life for its citizens. The Public service and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy. When the delivery of services is constrained or becomes ineffective, it affects the quality of life of the people and nation's development process.

Public services in many African countries are confronted with many challenges, which constrain their delivery capacities (Lienert, 2003). They include the human resource factor, relating to shortages of the manpower in terms of numbers and key competencies,

lack of appropriate mindsets, and socio-psychological dispositions. There is also the perennial problem of the shortage of financial and material logistics that are necessary to support effective service delivery. On the other hand, the gradual erosion of the ethics and accountability has continued to bedevil the public sector in delivering public services to the people effectively. Public sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005).

The Kenyan Government responded to public service delivery challenges by formulating and implementing Public Sector Reforms (PRS) way back in 1993. The program implementation was in three phases. The first phase focused on cost containment, which entailed staff rightsizing initiatives and rationalization of government functions and structures. Under the first phase, a Voluntary Early Retirement Scheme was put in place that targeted civil servants in job group A-G in which 42,132 civil servants retired. The second phase of the reform program focused on rationalization of government ministries/department to determine appropriate structures and optimal size of the civil service for effective performance of the government's core functions within budgetary limits. As a result of rationalization exercise, 23, 448 civil servants who were occupying posts that were no longer required were retrenched by year 2000. Both phases of the reform coupled with the embargo on recruitment reduced the core civil servants size from 272,000 in 1992 to 191,670 in 2003 (GOK, 2004). While there was a reduction in the size of the core civil service of about 30%, it was noted that productivity and performance in the public services was not as expected (Opiyo, 2006). Further reform initiatives targeting performance improvement and management in the public service were required, thus introducing the third phase of the public sector reforms guided by Economic Recovery policy direction (DPM, 2004).

In the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 policy document, the government accords high priority to economic recovery and improving the performance of public service to deliver results to the people. Up to this point, the goal of public sector reform was the restoration so as to equip it well in order to play a pivotal role in national development. This called for fundamental changes in the way the sector operates in institutional organization and relationships, and in the individual and collective behavior of those serving in the sector. The aim is to enhance efficiency and effectiveness together with probity and integrity. In effort to achieve the objectives and targets of ERS 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. The performance Contract is one element of the broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs.

#### **1.1.4 Civil Service in Kenya-Overview of Mombasa County**

The public service and in particular the civil services plays an indispensable role in the effective delivery of public service that a key to functioning of a state economy (Kobia and Mohamed, 2006). The civil service is the policy implementation arm of the Government. It is composed of ministries, local authorities, State Corporation and standing commissions.

The civil service is made up of civil servants; each officer occupies a defined post with salary, well defined duties, rights and privileges. The service operates in accordance with the civil service Rules and Regulations emanating from labor laws and service Act. The public service commission of Kenya is the human resource management agency charged with maintenance of among others the civil service system.

In 1993, the Kenya government formally initiated the civil service Reform Program (CSRP). The main focus of CSRP was to build a public service that is capable of meeting the challenges of improving service delivery to the Kenyans (Obongo, 2009), hence the performance contracting. There are 47 counties in the Republic of Kenya (constitution of Kenya, 2010) and among them is Mombasa County. It is located on eastern part of Kenya bordering Kilifi to the North, Kwale to the South and West and the Indian Ocean to the East. The district lies between latitudes 39° 80' east of Greenwich Meridian (Mombasa District Strategic Plan 2005-2010, 2005)

## **1.2 Statement of Problem**

Performance contracts have been widely used to reform state-owned enterprises all over the World (World Bank, 1995). Research has been carried out on the implementation of performance contracts in many parts of the developed world (Meokerjee, 1997). However, performance contracts were introduced in the public service in Kenya in 2004.

Choke (2006) for example carried out a study on the perceived link between strategic planning and performance contracting in state corporations. The study found that most managers of state corporations were positive about performance contracting. Emitundo (2010) on her study on the impact of performance contract on operational performance found a general improvement, while Maina (2010) found performance contracting has not achieved satisfactory results in hospitals mainly due to many challenges including poor training and government imposed policies. Since performance contracting is an evolving phenomenon in Kenya studies should be carried out as it evolves.

Several surveys have carried out on performance contracting in Kenya (Kilungu 2006, Choke 2006, Balozi 2010, Murgor, 2010). These did not cover the entire Government ministries but focused on certain organizations (Kilungu 2006) or single ministry (Choke, 2006). Evaluation on success of performance contracts in Public Sector in Kenya was



done in the year 2007. However, such evaluation was by the secretariat charged with steering performance contracting in Kenya (PCSC). This evaluation covered the senior officers of every ministry. The evaluation at the lower levels was implied. However, a lot of controversy has since come up when the process was to be cascaded down the system. The teachers, judges and magistrates for example, have openly refused to sign performance contracts.

While these studies have adduced evidence on aspects of performance contracting, the conceptual and contextual focus was different. A review of these studies did not reveal any insight on challenges to performance contracting at a county level.

Most of government services to the public are usually at the county level and if challenges on implementation of PCs are not found the whole issue of contracting performance is so much waste of resources.

### **1.3 Research Objectives**

The objectives of this study were establish the extent of the implementation of performance contracting and challenges of the same at the county level in the civil service in Kenya

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

The findings of the research add to the theory of performance contracting and the attendant ways of solving the challenges in the implementation stages. This significance to several stakeholders, especially the policy formulators at the ministry headquarters where the results of this study assist them to establish their performance against the system and hence develop ways of improvement. This provides an independent evaluation of the success of use of performance contracts in the ministries.

The findings of this study sheds some light on the success of performance contracts in the world of work. Employees can use this as a basis of accepting performance contracts and later for bargaining for salary increments and improved terms of service. On the other hand the findings of this study provide comparative findings necessary for the documentation of the success of performance contracts in state corporations in Kenya.

Lastly, this study provide reference and literature to future researchers seeking to carry out further research in same field or any other related field. There are certain areas where the research may not be able to cover exhaustively which will become the points of reference for future research.

## CHAPTER FOUR

### LITERATURE REVIEW

#### 2.1 Introduction to Performance Contracting

A performance contract is a freely negotiated performance agreement between two parties that clearly specifies their mutual performance obligations, intentions and responsibilities (Trivedi D, 1993). A performance contract organizes and defines tasks so that the management can perform them systematically, purposefully and with reasonable probability of achievement.

The concept of performance contracts was introduced in France in 1967 (Trivedi D, 1993). It was known as “Programme de contracts”. In Denmark, government agencies operate on performance contracts linked to the Chief Executives performance agreements. Finland, New Zealand and United Kingdom have reported evidence that performance contracts increases efficiency and quality of services.

The first country in Africa to adopt Performance Contracts was Senegal in 1980. According to a report by World Bank (1995), other Africa countries which have operated on performance contracts are Ghana and Morocco and Gambia. This report has set out the reasons that caused African Countries to adopt performance of contracts as including the need to improve labor productivity, the need to reduce or eliminate reliance on Exchequer, and the need for greater accountability and transparency in public service performance (1994). These include the strategic drivers (strategy, leadership and culture) and the stakeholders (management, employees, and trade unions). Corporate strategy is



an essential tool for ensuring that an organization stays in step with the future and that it is aligned with the environment. Thus the objectives of the unit, team and individual should be aligned with the mission, strategy and values of the organization.

## **2.2 Purpose of Performance Contracts**

Mc Legan (1993) proposed that Performance Contracts serves three purposes: to serve as a vehicle for implementing organizational goals and strategy; to serve as a driving force for creating participative culture; and to provide useful information for HR decisions. Performance Contracts have a powerful impact on the culture of the organization because of interfaces throughout the process of managing performance e.g. goal setting, coaching, feedback, etc. The ways in which these interactions take place usually determine the culture of the organization. Leadership takes the central position in the Burke-Litwin model. It is through leadership that strategy and culture is brought in line with developments in the environment. It is through leadership that strategy and culture is brought in line with developments in the environment. It is through leadership that the strategic direction of a company is changed to exploit the opportunities in the environment. In a significant article on leadership, Nadler and Tushman (1990) stated that leadership development tends to lag behind in the change process.

For effective implementation of Performance Contracts, proactive upfront leadership is required. This particularly comprises the following: serving as a positive role model for company values; commitment to the programme and accountability. Fowler (1990) stated that both people-and-process based systems will fail if they are incompatible with the organization's culture (its style, beliefs, values) or unless they are an integral part of a planned programme of cultural change. In the increasingly complex third-wave environment, an open participative culture is required for the implementation of a multi-

faceted system such as Performance Contracts. One can only agree with Fowler (1990) that recognition of culture is probably the most important single addition to management thinking in the last decade and, furthermore, that its role in the design and implementation of management systems is not yet firmly established.

### **2.3 Prerequisites for Performance Contracting**

The next set of inputs in the performance Contracts process is the internal stakeholders (management, employees, and trade unions). Managers and supervisors need to be able to understand the practices as well as the principles behind Performance Contracts. Managers should be able to formulate the purpose and objectives of their own positions. More importantly, they should understand the philosophy of Performance Contracting. Management training prior to implementation of Performance Contracts is important to assist managers in moving from activity-related to outcome-oriented appraisal system, and to enable managers to formulate work objectives. The employees on the other hand require some degree of sophistication for effective implementation of Performance Contracts. Since it involves conceptual thinking, a fair degree of cognitive ability is required. A generally positive employee performance orientation is equally important, while a personal growth need is required for continuous personal development. Orientation and training programmes prior to implementation may be needed.

Productive working relationships with trade unions are essential if the Performance Contracts system is to be implemented at all level.

### **2.4 The Performance Contracting Process**

The Performance Contracting Process comprises five phases. A high degree of care is necessary as the phases are implemented in Performance Contracts. Facilitating the development of a sense of mission for the organization whereby the purpose of the

organization is aligned within strategy and values is, and should be, the basis of Performance Contracts. For Performance Contracting to be relevant it should, furthermore, be instructed in identifying critical success factors as well as Performance goals and measures for the organization. Developing key organizational processes into strategies and capabilities that consistently provide superior value to the customer will be challenge of business organization for a long time to come. Implementation therefore will be as important as the strategy itself.

Considerable interest has been created lately in natural work terms by the realization that empowered teams may facilitate accomplishment of organizational goals through increased productivity and quality, and the increased flexibility required to meet changes in the market place and technology. For a team to support a sense of mission, the team itself has to be internally aligned. This means that an agreed team vision and mission provide direction and purpose; and that long and short range team goals reflect strategy; that team value are agreed upon; and that individual employees' behavior supports strategy and values in the pursuit of purpose. The purpose of design or redesign is to facilitate the achievement of goals and objectives by ensuring that the current organization structure is aligned with the current organization structure together with strategy. At the organizational level, relationships may be used to demonstrate the customer-supplier relationship between the lines the staff functions. At the process level, a process map (or flow chart) documents the steps departments go through to execute a specific process. A challenge for management at organizational level is to develop functional relationships that eliminate "disconnections" among departments, and at the process level to develop optimal process flows. At the employee level, work should be redesigned whenever significant change in work processes take place.

Managing performance and improvement covers the major part of the annual performance cycle. Managing Performance is an ongoing twelve-month activity that runs through all five phrases of the annual Performance Contracting cycle. Mullen (1990) urged managers to become continuous learners, committed to qualities of transformational leadership such as, fostering innovation, empowering employees, and maintaining high ethical standards. Van Arsdal (1990) considered superior subordinate relationship as crucial in managing employee performance, and appropriately termed it the supervisory imperative.

#### **2.4.1 Reviewing Performance**

Performance review is a critical step in the Performance Contracts process and often neglected or even avoided, through lack of self-efficacy (work-related confidence). A systems model of the performance review developed by Klein, Snell & Wexley (1987) covers important issues involved in performance review and provides an excellent framework for training or reorientation of managers. Some interesting development has taken place lately in the field of performance review. Ordioro (1990) makes a compelling case for the quarterly review, while Meyer's H. (1991), self-review and Performance reviews by a group of Peer managers represent alternatives to the traditional performance review.

#### **2.4.2 Results of Performance Contracting**

The diversity of possible Performance Contracts outcomes and condensed to performance criteria require for short-term and medium-term individual and organizational effectiveness. The rationale is that meeting short-and-medium-term goals will facilitate survival of the organization, which is the ultimate criterion of organizational effectiveness. The short-term criteria of measurement of Performance include production, efficiency and satisfaction. Production refers to the degree to which the

organization produces the quantity and quality of output (products and services) demanded by the customers. Performance measures may include profit, sales, market share, number of customers, number of patients treated, client served, students graduated, and so forth.

Efficiency is the ratio of outputs to inputs. According to Gibson (1991) this measure involves the entire input-process-output cycle, while emphasizing the input and process elements. Efficiency measures include rate of return on capital or assets, unit cost, waste, downtime, cost per patient, cost per student or cost per client, occupying rates and other industry related ratios. Satisfaction and morale are considered similar terms that refer to the extent to which the organization satisfies the needs of employees. Satisfaction measures include employee attitudes, turnover, absenteeism, tardiness, and grievances.

The medium-term criteria for measuring performance include adaptability and development. Adaptability refers to the extent to which the organization responds to external and internal changes. Inability to meet short-term measures of production, efficiency and satisfaction signifies the need to change policies, practices, or direction. The survival of the organization may be jeopardized by the extent to which the organization cannot or does not adapt. Development as a measure of performance refers to ensuring effectiveness overtime by investing resources in ways that enables the organization to meet future environmental demands. Development efforts may include strengthening both production and people capabilities through, for example, expanding production capacity, and training and development at both managerial and non-managerial levels.

### **2.4.3 Performance Planning**

Performance Planning is the first initial step in the Performance Contracting process. The key input into performance planning is business strategy, which, along with values,

comprises the mission of the organization. The notion of strategic inputs into performance planning is supported widely in the literature and by linkage models of Performance Contracting facilitators. Interestingly, Performance Planning which comprises mission, performance goals and plans, and work-related competencies and supportive behaviors is termed “contracting” (“Kontrakvorming”) by George Coetzee from Nasionale Pers. This term emphasizes the commitment of superior and employee to the goals and plans for the ensuing period, and reflects a psychological contract. In a study by Stock and Cervone (1990) it was found that short-term goals as in a Performance contract serve as highly effective self-regulators. They were found to affect performance in four ways (Latham & Locke 1991). Firstly; the study found that assignments of a short-term goal increased the strength of a person’s self-efficacy for accomplishing the task. Mentally breaking down the long-term goal to tasks more manageable and enhanced the person’s perception that he (she) was capable of performing effectively. Secondly, reaching the short-term goal enhanced self-efficacy. As people reached the sub goal, they become more confident of their capability to complete the entire task. Thirdly, people who achieve the short-term goal were more satisfied with their progress than the people who either did not attain the sub-goal or who had not been assigned one. Fourthly, people with short-term goals persisted in their tasks significantly longer than did people who did not have them. Importantly, Stock and Cervone (1990) concluded in this study that when individuals are uncertain of their ability to perform a complex and challenging assignment setting short-term goals can positively influence self-referent thought, motivation, and performance.

#### **2.4.4 Rewarding Performance**

Performance Contracting aims at improving performance of an organization through people. It is therefore only logical that a system be put in place to link performance

improvement and reward to employees. Instances where an organization's Performance Contracting system is silent about rewarding of good performance and reward improvements for performance improvement tend to fail.

A research study conducted by the University Of Stellenbosch Business School, South Africa (Spangenberg, 1994) indicated that many of the problems related to Performance Contracts in the organizations studied were related to "Rewarding employee worth". Specifically the study identified the following reward problems; difficulty in ensuring equitableness when linking salary or bonus to performance; rewarding group performance equitably and rewarding superior (outstanding) performance. Results from another survey on compensation trends by Horwitz & Frost (1992) involving 150 South African companies indicated several things on rewards to employees. Firstly, the rewards given were not proportionate to the effort involved, i.e. the "value-added", by achievement of objectives. More specifically the study showed that rewards are not linked to value added to such an extent that the manager experiences a perception of fairness. Secondly is sustaining performance. Two findings are important here. First, deferring of a reward, after having achieved an objective, is not demotivating. This positive finding is important in terms of categorizing objectives and rewards into time periods, which may alleviate a short-term orientation. Secondly on the negative side, results showed that rewards are not generally, tailored towards the needs of managers. The conclusion of the above studies was that although performance-related pay is a prerequisite to success in Performance Contracts, it was still away off.

Performance Contracts are normally introduced to bring about change. Bringing about change, however, is not a simple unilateral process and has to be managed carefully. Since managing change falls within the realm of Organization Development (OD), it is

suggested that the implementation process adhere to OD philosophy, principles and procedures.

## **2.5 Empirical Studies on Effects of Performance Contracting**

In the last two decades, economic reforms undertaken by governments world over have aimed at shrinking public deficit, significant proportion of which was attributed to poor financial performance of state owned (public) sector enterprises (Sengeetha, 2000). Reform measures were taken in almost all developed and emerging economies that had government ownership in some form or other. The aim was to reduce public enterprise dependence on government budgets and to provide new sources of revenue to the state in the short run.

The world Bank (1995) found that they were, as of June 1994, 565 performance contracts in 32 developing countries, where they were principally used for large utilities and other monopolies, and another estimated 10,300 in China, where they are also used for Manufacturing state owned enterprises, who promise to achieve specified targets in a given time frame, and government which promises to award achievement with bonus or other incentive (Moorkerjee, 1997). The rationale for such contracts is based on principal/agent theory (Ross 1991; Stiglitz 1974; Sappington 1991). The principal can only observe outcomes and cannot measure accurately the effort expended by the agent or distinguish the effects of effort from other factors affecting performance (Laffout and Tirole 1986). Negotiated performance contracts are viewed as reveal information and motivate managers to exert effort. In the case of state-owned enterprises, performance contracts are also touted as a way to clarify the objectives of the multiple principle who govern the state owned firms (different ministries, the president, the legislature), and hence make it easier to set goals and evaluate achievements (Ramamurt and Vernon 1991). Moreover, targets can be set to take into account circumstances in which state-



owned enterprises managers have less control over their firms than comparable managers in the private sector. By specifying targets and evaluating results ex post, the performance contract is seen by its advocates as a way to encourage governments to reduce ex ante controls, giving managers more freedom and motivation to improve operating efficiency.

Even though performance contracts are widespread, there have been few empirical assessments of their effectiveness. Those that exist (Song 1988; Nellis 1989; Travedi 1990; World Bank 1995; Shirley and Xu 1997) reach different conclusions. Song (1988) and Travedi (1990) suggest positive outcomes based on Country Case Studies in Korea and India respectively. Travedi finds India's memorandum of understanding improves the dialogues between management of state-owned enterprises and the government; but does not rigorously analyze the impact of performance contract on firm performances. Song finds improvement in performance in Korea, but the counterfactual is poorly specified. In a study of the effects of performance contracts in African economies, Nellis (1989) finds the effects of performance contracts in Africa were ambiguous, in part because at the time of the study, the experience was still recent. Shirley and Xu (1997) found that performance contracts did not improve total factor or labour productivity because they failed to reduce information asymmetry, provide sufficiently high-powered incentives and credibly commit both parties to the goals of the contract. Their sample, however, was small (12 company cases in developing countries), limited to natural monopolies, and consisted entirely of flawed contracts. A larger, more diverse sample might find that, properly designed, performance contracts can improve performance, and shed light on how contracts should be designed in order to improve efficiency.

Empirical evidence on the impact of PSE reforms have been well documented for China and several countries of former Soviet Union including Russia, as well as Central and

Eastern European countries. Coexisting with the evidence from several studies that privately owned firms perform better than public sectors firms are evidence from studies that support the environmental reform in SOE. However most studies examine one or other category of SOE reforms in exclusion of others and only few studies contribute evidence to the debate on benefits of ownership change versus environmental reforms. Of these studies specifically pertaining India are Majumdar (1998b), Shirley and Xu's (1998), Boubakiri, Cosset and Guedhami (2004), Sudhir Naid (2004) and Gupta (2001). While Majumdar (1998b), analyzed the influence of soft-budget constraint on efficiency performance of state-owned firms in India, Shirley and Xu's (1998) focus was on the impact of performance contracts signed by managers of state owned enterprises with their respective governments across six developing countries including India. Boubakri, Cosset and Guedhami (2004) analyze the difference in three years means performance for pre and post partial privatization in the three years mean performance for pre and post partial privatization in 50 firms across 10 Asian countries including India.

The study by Gupta (2001), that is closest in the literature to the present analysis, has focused on the impact of partial privatization on Indian centrally owned firms revenues, labor productivity and on share of government loans in the total borrowings of firms. This study however does not take account of the autonomy that was delegated to PSE managers before partially privatizing the equity shares in these PSEs. Hence the partial privatization impact analyzed could have captured the effects of delegation of autonomy to central PSEs that was not controlled for in the estimation.

## **2.6 International Experiences in Implementation of Performance Contracts**

Starting in France in the 1970's, Performance Contracting has been used in about 30 developing countries in the last fifteen years. In Asia, the Performance Contract Concept

has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka. In Africa, performance Contracts have been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire. In Latin America, they have been used at different times in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Others include Malaysia, United Kingdom, U.S.A, Canada, Denmark and Finland among others.

Public Enterprises in Africa are suffering financially and many are seeking financial assistance. Their problems stem from unclear and conflicting objectives, and a lack of autonomy and accountability. The results of performance contracting have been mixed. In some countries there has been a general and sustained improvement in Public Enterprise improvement, while in other countries some Public enterprises have not responded or have been prevented by government policies from responding.

In implementing performance contracts, the common issues that were being addressed include improving performance to deliver quality and timely services to the citizen, improving productivity in order to maximize shareholders wealth, reducing or eliminating reliance on the exchequer, instilling a sense of accountability and transparency in service delivery and the utilization of resources, and giving autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter dealt with the way the research was designed, data collected and analysis. The population, sample and data collection methods were also examined. This was done in relevance to our research objectives of the establishing the extent of the implementation of performance contracting and challenges of the same at the county level in the civil service in Kenya.

#### **3.2 Research Design**

This research was undertaken using descriptive survey design. This facilitated the study of the subject-matter as it exists in the actual organization and brings out its nature as found there. This study design facilitated exhaustive study of the performance contracting process as it was implemented at the county level in the public sector. In this survey, the survey targeted all officers who have a performance contract with the respective heads at the county level, a total of 71 respondents participated in the survey.

#### **3.3 Population**

The population of interest in this study comprised of the employees of government ministries which have branch network in Mombasa County. According to Kenya Gazette 23rd July 2008, there were 40 ministries in Kenya (See Appendix II)

#### **3.4 Data Collection Methods**

Primary data was collected using questionnaires with both open and closed ended questions. A drop-and-pick later method to the respondents was used to collect the data. Follow up by use of telephone was used to enhance the response rate. The questionnaire

consisted of four sections. Section A contained questions on general information about the ministry. Section B contained questions aimed at establishing the extent to which the ministries have adopted performance contracting. Section C contained questions on the performance targets while Section D focused on achieved performance levels in the light of the targets.

### **3.5 Data Analysis Techniques**

Before processing the responses, the completed questionnaire was edited for completeness and consistency, coded to enable the responses to be grouped to reach a conclusion (Mugenda & Mugenda, 1999). This study made use of existing data analysis software such as SPSS and Excel. The quantitative data was analyzed through the use of descriptive analysis techniques which are the use of measures of central tendencies which is the measure of Central tendencies which include the mean, median, mode, range, quantitative deviant standard deviation and variance. The findings was interpreted in the light of the main research objective and hence conclusion and recommendation.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1 Introduction

The survey findings in this section provide the results from the interviews that were conducted to various respondents in the civil service regarding performance contracting. The responses were obtained from respondents in various ministries in the Mombasa County. In the Kenyan context a performance contract is a written agreement between government and a state agency (local authority, state corporation or central government ministry) delivering services to the public, wherein quantifiable targets are explicitly specified for a period of one financial year (July to June) and performance measured against agreed targets. The performance contracting practice hence mirrors very closely the OECD definition 'as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results'.<sup>1</sup>

The idea of performance Contracts is a fundamental concept in the transformation of the civil service towards endeared service delivery standards. Performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers.

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<sup>1</sup> International Public Management Review - electronic Journal at <http://www.ipmr.net>

#### 4.2. Sample profile of the Ministries

Table 1 below presents the sample distribution. In terms of Designations of various respondents who participated in the survey, majority of respondents came from the following Ministries:

- Provincial Administration and internal Security
- Defense
- Home Affairs
- Immigration and Registration of Persons
- National Heritage and Culture
- Planning, National Development and vision
- Public Service
- Local Government
- Finance
- Agriculture
- Co-operatives Development
- Development of Northern Kenya & other Arid Lands
- East African Community
- Education
- Energy
- Environment and Mineral Resources
- Fisheries Development
- Foreign Affairs
- Forestry and Wildlife
- Gender and Children Affairs
- Higher Education, Science Technology
- Housing
- Industrialization
- Information and Communication
- Justice, National Cohesion and Constitutional Affairs
- Labor
- Lands
- Livestock Development
- Medical Services
- Nairobi Metropolitan Development
- Public Health and Sanitation
- Ministry of Public Works
- Regional Development Authorities
- Roads
- Special Programmes
- Tourism
- Trade
- Transport
- Water and Irrigation

## ■ Youth and Sports

At least three questionnaires were used to gather data from every ministry to officers holding various designations. Looking at the position held by the study participants, majority were principal training officers followed by structural engineers and principal agricultural officers.

**Table 1: Sample Profile by Designation**

DESIGNATION	(%)	Frequen
Principal Training Officer	13%	9
Structural Engineer	9%	6
Principal Agricultural Officer	9%	6
Chief Land Registrar	8%	6
Human Resource Admin	5%	4
Youth Officer	5%	4
Provincial Nursing Officer	5%	4
Senior Immigration Officer	5%	4
Regional Head	5%	4
Assistant Director	5%	4
Zonal Forest Manager	4%	3
Land Surveyor II	3%	2
Land Registrar	3%	2
Chief Valuer	3%	2
County Planner	3%	2
Gender and social development county coordin	3%	2
Principal Economist	3%	2
Provincial director of adult and continuing edu	3%	2



PCO	3%	2
Deputy PASCO	3%	2
Data Officer	3%	2
	100%	71

Source: Research data (2012)

### 4.3. Implementation of Performance Contracting

#### 4.3.1 Debut of Performance Contracts in the Provincial/County Level

According to Blomqvist & Ståhle (2000), organizational trust is fostered if members are mutually oriented toward particular ends. In the case of the implementation of the PCs in Kenya, this is dealt with by performance planning. In this process, the Government and its partners negotiate (a) what goals are to be achieved, (b) how these goals are to be achieved, and (c) how resources are to be managed to ensure successful implementation. Organizational trust is enhanced if members have clearly designed organizational roles (Blomqvist & Ståhle, 2000). In the process of performance setting, the Government and its partners delineate the specific work assignments that civil servants need to accomplish if they are to help in fulfilling their institutions' PCs<sup>2</sup>.

The implementation of systematically planned public sector reforms in Kenya can be broadly classified into two generations. The first generation saw the introduction of civil service reforms coming soon after the structural adjustment programmes. Logically, the primary focus of these first generation reforms was to deal with the emerging economic challenges brought about by globalization and also the after shock waves of the structural

<sup>2</sup> Communication for Governance and Accountability Program (CommGAP)

ment programmes. The reforms were about dealing with issues that needed both immediate attention and solution, and reshaping the state for long term goals<sup>3</sup>.

Study sought to find out when the respondents started operating under P.C. The respondents were asked to establish when the government cascaded the concept of Performance Contracting to the Provincial/County level; the results are as provided in table below.

#### Table 1: Distribution of performance contracts

	%	Frequency
	3%	2
	12%	9
	15%	11
	6%	4
	13%	9
	19%	13
	26%	18
	6%	4
	100%	71

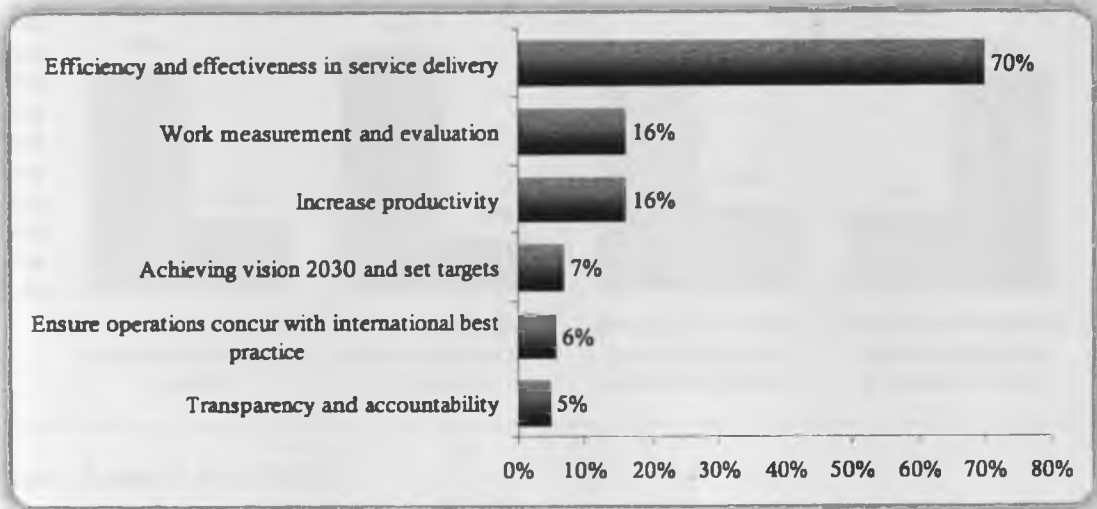
Source: Research data (2012)

The period mentioned ranged between the year 2003 and the year 2010. Majority of respondents identified year 2009 (26%) followed by year 2008 (19%). This however does not provide the exact durations PC was established but rather what the respondents perceived as the period that the operations related with P.C started at the County level.

### 4.3.2 Purpose of the performance Contract

The major reason the government encouraged performance contracting is to ensure that its service delivery through its ministries and agencies is enhanced by setting performance targets at an agreed duration. The respondents were asked in an open ended mode to give their views about the aims of implementing P.C. Figure 1 below presents the findings that were obtained.

**Figure 1: Aims of Performance Contracting**



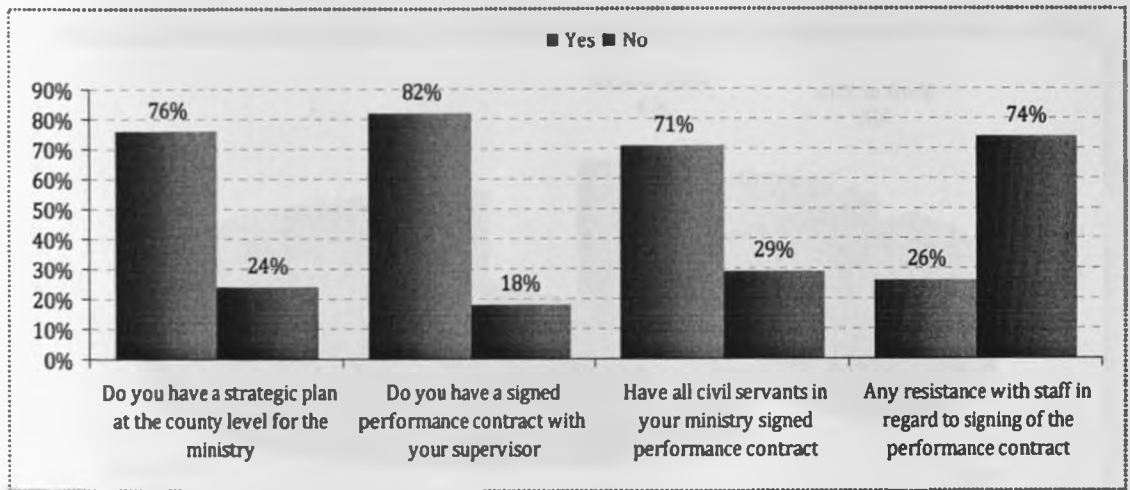
Source (Research Data – 2012)

Majority identified that the principal goal of the P.C is to enhance efficiency and effectiveness in service delivery (70%), other goals that the respondents indicated include; work measurement and evaluation (16%), boosting productivity (16%), achievement of vision 2030 and set targets (7%), ensuring that the operations concur with world's best prescribed standards and transparency and accountability.

### 4.3.3 Situational Analysis

In the implementation a P.C procedure, there are various requirements that are involved, in this light; the respondents in a “Yes/No” format were asked about their experience with the concept of P.C at the county level. Figure 2 below presents the results.

**Figure 2: Situational Analysis on introduction of PC**



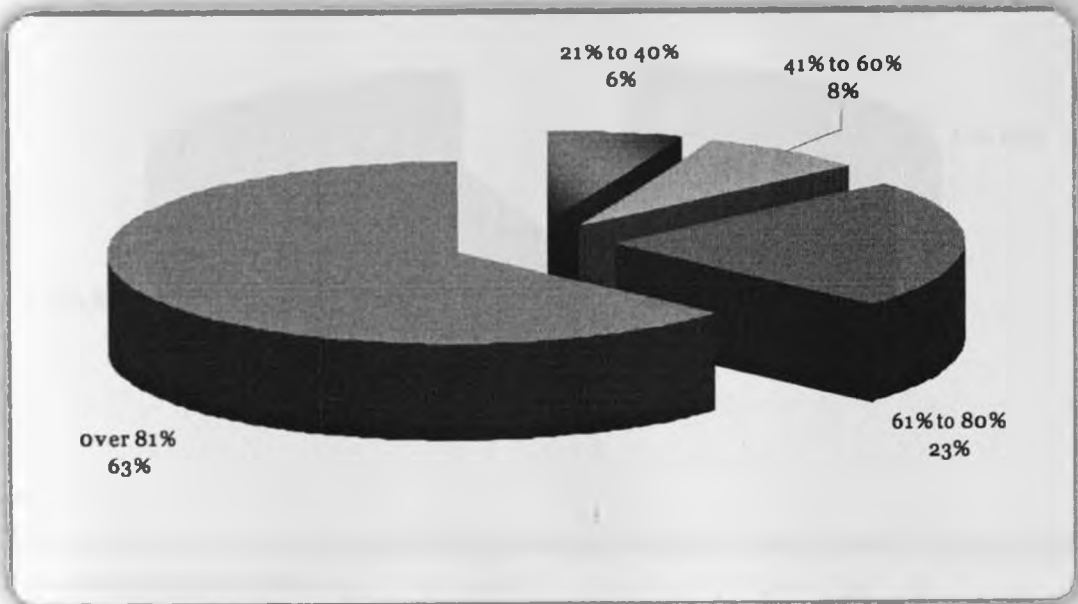
Source: Research data (2012)

Most of the study participants agreed with the view that they have a strategic plan; a proportion of 82% which is approximately four fifths agreed that they have signed performance contracts with their supervisors. In addition, 71% agreed with the view that all the civil servants serving within their jurisdiction have signed performance contracts. They however disagreed that there has been any resistance towards signing of the performance contracts.

#### 4.3.4 Conformance of PC with individual work plans

Conformance to PC requirements is a fundamental concern towards the success of the preferred intentions; non-conformance on the other hand is detrimental to the performance requirements. The respondents were asked to indicate the proportions they viewed to have their work plans in line with their Performance Contract targets.

**Figure 3: Work plan and PC compliance**



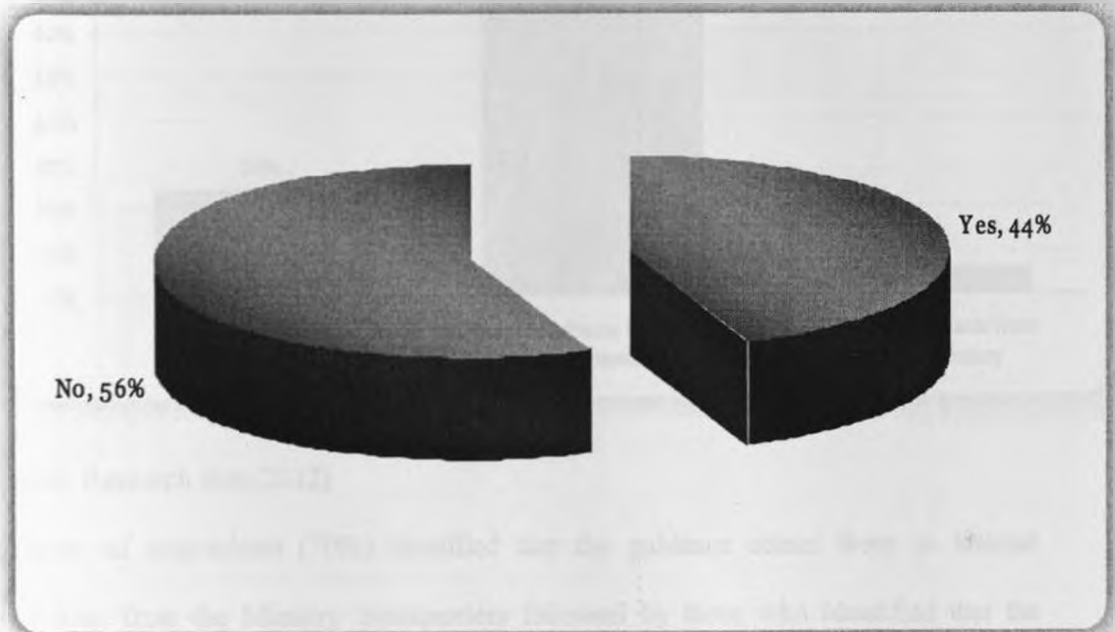
Source: Research data (2012)

As provided in figure 3 above, majority (63%) identified that over 81% of their colleagues have their work plans conforming to their PC requirements, followed by a proportion of 23% who also considered the work plans of between 61% and 80% to be PC compliant. This is a great indication that institutions are following the PC requirements with regard to their work plans.

#### 4.3.5 PC Related Operations Autonomy

The study ought to find out how independent the departments are vis-à-vis the PC. This was done through asking the respondents if their departments 'have autonomy in operations after signing the performance contract'. Figure 4 below portrays the results.

**Figure 4: Autonomy in operations in regard to PC**



Source: Research data (2012)

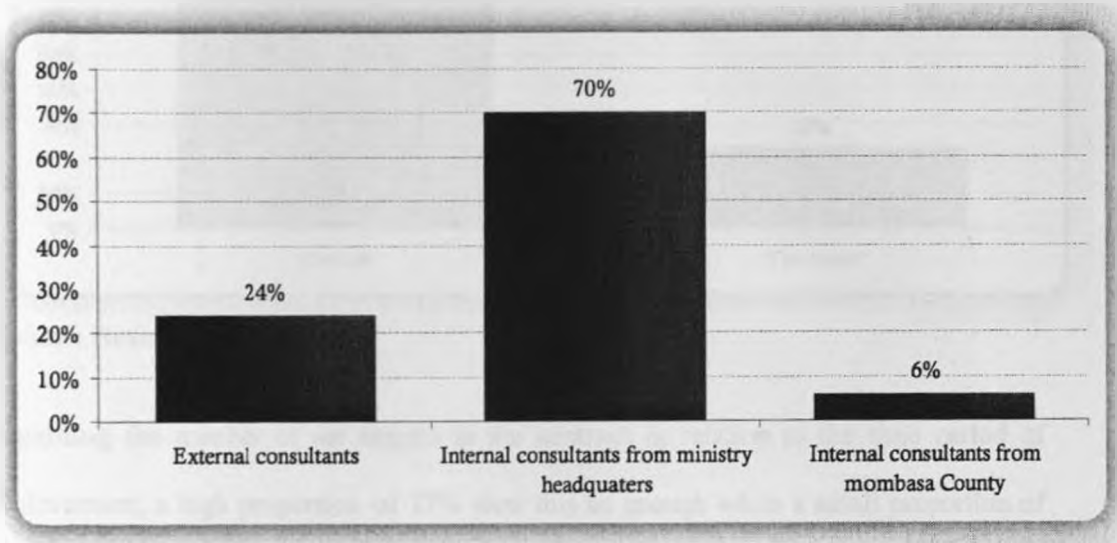
As observed in figure 4 above, majority of respondents 56% disagreed with the view that PC related operations are run in an autonomous manner.

#### 4.3.6 Formulation of Contract Plans and Determination of Monitoring and Evaluation

Contract plans and determination of M/E framework is an important intervention in the efficiency of operations pertaining to PC, the guidance requires informed individuals or professionals who may either be internal or external consultants. Guidance on the

formulation of contract plans and determination of mechanisms for Monitoring and Evaluation procedures was probed. Figure 5 below presents the findings.

**Figure 5: Guidance on the formulation of contract plans and determination of mechanisms for ME**



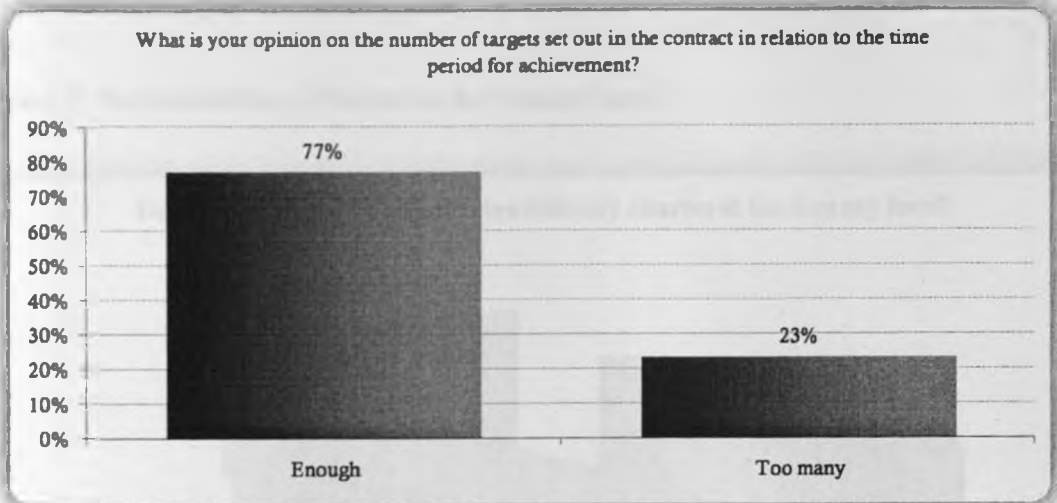
Source: Research data (2012)

Majority of respondents (70%) identified that the guidance comes from an internal consultant from the Ministry headquarters followed by those who identified that the guidance comes from External Consultants at a proportion of 24%. Figure 5 presents above presents the results.

#### 4.3.7 Opinion on the Set Targets

Setting of targets with delineated duties is a core principle in PC, without which the presence of PC would not make a significant impact on service delivery. Respondents were asked their opinion concerning the number of set targets they are required to meet in terms of 'too few', 'Enough' and 'too many.' Figure 6 below presents the findings.

**Figure 6: Opinion on the set targets**



Source: Research data (2012)

Regarding the number of set targets in the contract in relation to the time period of achievement, a high proportion of 77% view this as enough while a small proportion of 23% view them as too many as portrayed in figure 6 above.

#### **4.3.8 Service Delivery Charter at the County level**

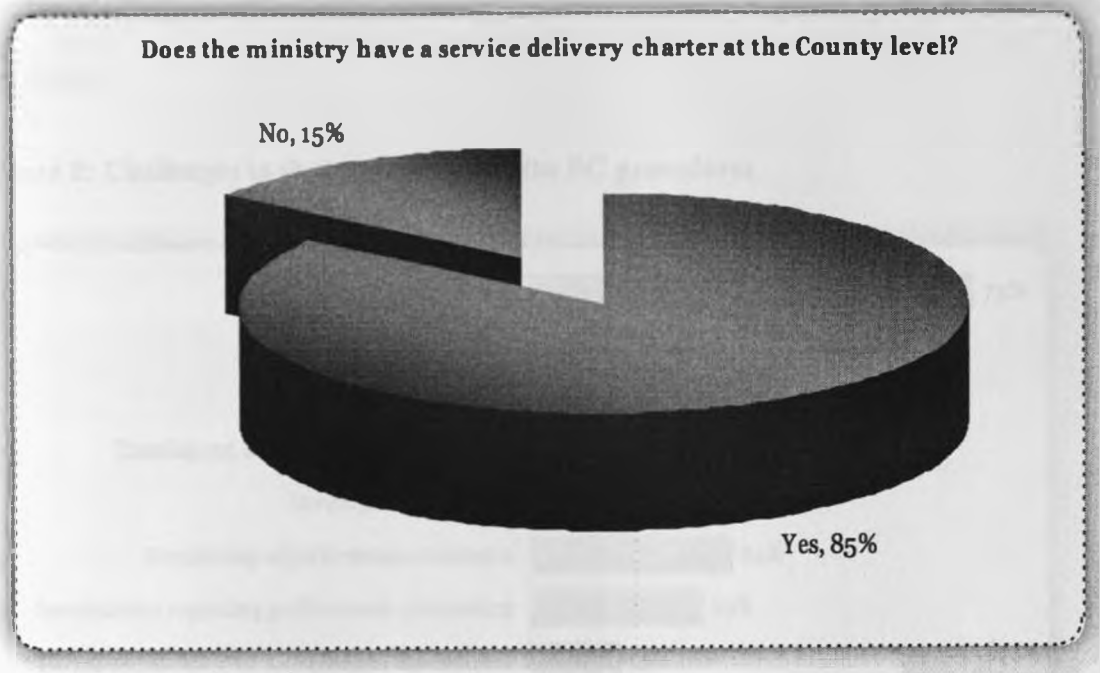
The Citizens' Charter is a brief public document that provides the essential information that citizen and stakeholders need to know about the services or functions of a public agency/department of the government<sup>4</sup>. Citizen Charters (CCs) are public agreements between citizens and service delivery providers that clearly codify expectations and standards in the realm of service delivery. Empowers citizens to hold institutions and individual officers accountable for quality, timely and responsive services- value addition to taxes, Reduces corruption, Changes culture and attitude at work place by focusing efforts to customer satisfaction, Ensures public officers are conscious about quality of services offered and Enables systems to continuously re-engineer service processes. The

<sup>4</sup> *The Rationale for Citizens' Service Delivery Charters: Kenyan Experience, Juster Nkoroi*



study further sought to seek opinion about the availability of a service delivery charter of the ministries at the County level.

**Figure 7: Service delivery Charter at the County Level**



Source: Research data (2012)

Figure 7 above presents the results, 85% off the respondents gave the nod while 15% refuted the claim.

#### **4.4 Challenges Regarding Performance Contracts Implementation**

While performance contracting is generally deemed to have led to a competitive Public Service as compared to the old fashioned style and also enhanced their growth and development, there are numerous challenges in its implementation. Among these challenges is lack of adequate skilled personnel in Performance Contracting in most of the institutions and lack of good-will by some Institutions<sup>5</sup>.

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<sup>5</sup>Ochien'g (2010)

#### 4.4.1 Challenges Regarding Introduction to the Concept

The study sought to identify the kinds of problems faced by individuals in the introduction of the P.C procedure. The statements were ranked from the one with the greatest challenge to the one that presented the least challenge. Figure 8 below presents the results.

**Figure 8: Challenges in the introduction to the PC procedures**



Source: Research data (2012)

The main challenge identified by the survey respondents are with regard to the introduction of PC is the reward mechanism which recorded an overwhelming 75%. Setting performance targets also recorded a vast response rate of 65% followed by the evaluation procedure and training and development opportunities in that order. The other problems identified are as provided in figure 8 above.

## Challenges with Regard to Implementation

Every new system comes with challenges, and PC procedure is meant to experience some hiccups. It is through continuous evaluation and fixing of various hitches that are encountered that facilitate a smooth flow of endeared performance standards. The study further explored the challenges related to the implementation of Performance Contracting by use of ratings; 'Very High', 'High' and 'Low'. Table 3 below presents the results.

**Table 3: Challenges related to PC implementation**

	Very	High	Low
Inadequate funding	64%	36%	0%
Inadequate tools and equipment	42%	48%	11%
In adequate motivation/remuneration/recognition	40%	49%	11%
Linkage between planning, budgeting and target s	40%	46%	13%
Poor grasp of strategic management	45%	40%	14%
Change of performance culture and behavior of er	10%	71%	19%
Lack of training of staff on all aspects of Per Contracting	31%	50%	19%
Transfer/removal of staff midway in performance	37%	43%	20%
Negotiations of realistic yet tall targets	10%	67%	23%
Belated timing of contract signing	29%	45%	26%
Immeasurable output/outcome	20%	46%	33%
Lack of clear objectives/goals/targets	14%	50%	36%
Limited skills and knowledge	24%	40%	36%
Low targeting to beat competition	13%	51%	37%
Dragged-in streets/family- work imbalance	18%	44%	38%

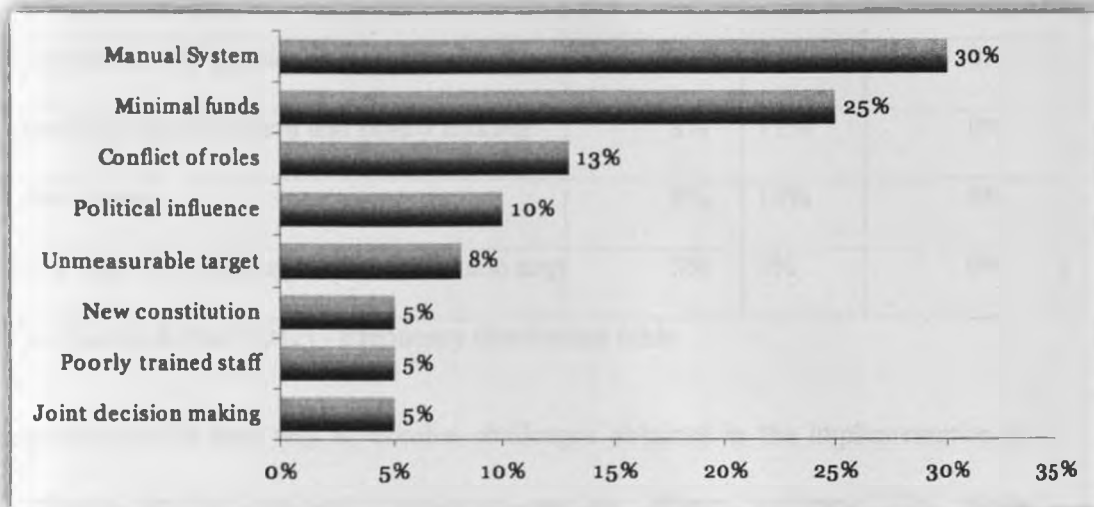
Mergers/split of ministries	25%	36%	39%
Legal obstacles lack of legal framework	33%	20%	46%
Resistance to change by employee	7%	43%	50%
Resistance to change by managers	5%	42%	53%

Source: Research data (2012) - Frequency distribution table

Inadequate funding was rated as the greatest impediment towards implementation of the PC with an aggregate score of 100% (High + Very High), this is followed by inadequacy of tools and equipment (89%) and motivation/remuneration/recognition (89%). Further linkage between planning, budgeting and target setting was rated as yet another major impediment (87%), other ratings are as provided in table 3 above.

Further in an open ended mode, the respondents were asked to state any other impediments that they thought constrained implementation of PC framework. The challenges identified comprised; use of manual system as opposed to technological advanced systems (30%), availability of minimal funds (25%), conflict of roles (13%) and political influence (10%). The other impediments highlighted are as portrayed in figure 4 below

**Figure 9: Other impediments**



Source: Research data (2012)

**4.4.3. Suggestions on the Way Forward to Combat Challenges**

In an open ended mode, the respondents were asked to air their views about ways they would propose to help in combating implementation challenges. Table 4 below portrays the results.

**Table 4: Ways to combat implementation challenges**

	Total	Male	Female
Frequent training	55%	54%	60%
Timely and enough funding	51%	56%	33%
Provide enough resources	36%	41%	13%
Automation	33%	38%	13%
Proper liaison during target setting	29%	25%	47%
Good pay and motivation	21%	13%	53%
Avoid top-down approach and adopt bottom-top approach in setting targets	20%	20%	20%

Review rating scale	13%	3%	53%
Justifiable staff transfer	12%	15%	0%
Avoid nepotism and political interference	11%	13%	0%
Decentralization of decision and policy making	9%	11%	0%
Attitude change	8%	10%	0%
Device a way of measuring the immeasurable targ	3%	3%	0%

Source: Research data (2012) - Frequency distribution table

Suggestions on the best way to combat challenges obtained in the implementation of Performance contracts; the most conspicuous ones are; frequent trainings (55%), timely and enough funding (51%), provision of enough resources (36%) and automation of services and procedures (33%).

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary and Conclusions

Respondents identified that the principal goal of the P.C is to enhance efficiency and effectiveness in service delivery (70%), other goals that the respondents indicated include; work measurement and evaluation (16%), boosting productivity (16%), achievement of vision 2030 and set targets (7%), ensuring that the operations concur with world's best

Most of the study participants gave a nod to the view that they have a strategic plan, a proportion of 82% which approximately four fifths agreed that they have signed performance contracts with their supervisors. In addition, 71% agreed with the view that all the civil servants serving within their jurisdiction have signed performance contracts. The confirmation that the institutions are guided by a strategic plan this is a true indication that PC is in action and implementation of Public Sector reforms up to the county level.

Looking at the challenges of implementing PC procedure at the county level, the following was established; inadequate funding was rated as the greatest impediment towards implementation of the PC with an aggregate score of 100% (High + Very High), this is followed by inadequacy of tools and equipment (89%) and motivation/remuneration/recognition (89%). Further linkage between planning, budgeting and target setting was rated as yet another major impediment (87%). Others established comprised use of manual system as opposed to technological advanced systems (30%), availability of minimal funds (25%), conflict of roles (13%) and political influence (10%).In terms of

autonomy; majority of respondents 56% disagreed with the view that PC related operations are run in an autonomous manner.

Suggestions on the best way to combat challenges obtained in the implementation of Performance contracts; the most conspicuous ones are; frequent trainings (55%), timely and enough funding (51%), provision of enough resources (36%) and automation of services and procedures (33%).

## **5.2 Recommendations**

The research has revealed that proper implementation of PC will significantly contribute to the efficiency and effectiveness level of service delivery. This study explored immensely about the challenges that face implementation of PC. It is therefore suggested that; enough funding should be provided in order to ensure that the implementation is streamlined.

Training should be done appropriately and ensure participation from all cadres, popularising the concept is also highly encouraged; Review of systems and automation of procedures would also ensure a smooth flow of implementation process; Provision of enough resources needed to facilitate implementation; Ensuring autonomy and minimal political interference.

## **5.3 Suggestion for further studies**

An impact assessment on the implementation of PC should be done to find out the extent to which changes have occurred in service delivery. To assess sustainability of funding in the process of implementation



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# APPENDICES

## APPENDIX I: letter from University of Nairobi



**UNIVERSITY OF NAIROBI**

**MOMBASA CAMPUS**

Telephone: 020-3059161  
Telegrams: "Varsity", Nairobi  
Telex: 22093 Varsity

P.O. Box 99560, 80107  
Mombasa, Kenya

DATE: 26<sup>TH</sup> JUNE, 2012

**TO WHOM IT MAY CONCERN**

The bearer of this letter, Maina Rwingo of Registration number D61/P/8004/2004 is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on **The Implementation Challenges of Performance Contracting in Civil Service at Mombasa County**. We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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

Thank you.

  
**JOB MWANYOTA**  
ASSIST. CO-ORDINATOR, SCHOOL OF BUSINESS,  
MOMBASA CAMPUS



**APPENDIX II: QUESTIONNAIRE**

**SECTION A: Respondents Bio-Data**

a) Name (optional) .....

b) Gender: Male [ ] Female [ ]

c) Age: 20-29 [ ] 30-39 [ ] 40-49 [ ] 50-59 [ ]

d) What is your level of education

Primary [ ] Secondary [ ] University

e) How long have you worked in the civil service?

1-5 years [ ] 5-10 years [ ] 10-15 years [ ] 15-20 years over 20 years [ ]

f) Designation/position.....

**SECTION B: Performance Contracting**

1. Please state the goal of performance contracting in the civil-service in Kenya.

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2. When was performance contracting cascaded to the county/provincial level?

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3. Do you have a strategic plan at the county level for the ministry operations?

YES  NO

4. Have you signed the performance contract with your supervisor?

YES  NO

5. Have all civil servants in your ministry in Mombasa county signed their performance contracts?

YES  NO

6. Did you receive any resistance with staff as regards to signing of performance contracts?

YES  NO

7. Which of the following areas did civil servants in your ministry have problem with regard to performance contracting:

- Setting performance target
- Negotiating of performance target
- Training and development opportunities
- Sensitization regarding performance contracting
- Performance evaluation
- Rewarding of performance
- Signing of the contract

Deployment transfers

What percentage of staff in your ministry at the county level have work plans derived from the performance contract?

0-20%       21-40%       41-60%

61-80%       Over

9. Does the ministry/department have autonomy in operations after signing the performance contract?

YES

NO

10. Who of the following guided the formulation, of contract plans, and determined the mechanisms for monitoring and evaluation?

External

Internal consultants from ministry Headquarters

Internal consultant from the Mombasa County

11. What is your opinion on the number of targets set out in the contract in relation to the time period for their achievement?

Too few

Enough

Too Many

12. Does the ministry have a service delivery charter at the county level?

YES

NO

### SECTION C: CHALLENGES FACED IN IMPLEMENTATION OF PC

The following factors pose challenges in implementation of performance contracting.

Comment on the following criteria how they pose a challenge to you and those you supervise in ensuring high performance in your ministry/department.

Very High High Low

1. Resistance to change by employees ( ) ( ) ( )
2. Resistance to change by managers ( ) ( ) ( )
3. Change of performance culture and behavior of employees ( ) ( ) ( )
4. Negotiations of realistic yet tall targets ( ) ( ) ( )
5. Dragged-in stress/family-work imbalance( ) ( ) ( )
6. Lack of clear objectives/goals/targets( ) ( ) ( )
7. Inadequate or fluctuation in funding ( ) ( ) ( )
8. Inadequate tools and equipment ( ) ( ) ( )
9. In adequate motivation/remuneration/recognition ( ) ( ) ( )
10. Limited skills and knowledge - Training ( ) ( ) ( )



- 11. Belated timing of contract signing ( ) ( ) ( )
- 12. Transfer/removal of staff midway in performance period( ) ( ) ( )
- 13. Mergers/split of ministries ( ) ( ) ( )
- 14. Legal obstacles<lack of legal framework> ( ) ( ) ( )
- 15. Low targeting to beat competition ( ) ( ) ( )
- 16. Linkage between planning, budgeting & target setting( ) ( ) ( )
- 17. Poor grasp of strategic management( ) ( ) ( )
- 18. Immeasurable output/outcome( ) ( ) ( )
- 19. Lack of training of staff on all aspects of performance( ) ( ) ( )

contracting

20. Any other performance impediments:

.....

.....

**SECTION D**

Suggest the way(s) forward to combat the above stated challenges

- 1.
- 2.
- 3.

### **APPENDIX III: MINISTRIES WITH OFFICES IN THE COUNTY OF MOMBASA**

1. Provincial Administration and Internal Security
2. Defense
3. Home Affairs
4. Immigration and Registration of Persons
5. National Heritage and Culture
6. Planning, National Development and vision
7. Public Service
8. Local Government
9. Finance
10. Agriculture
11. Co-operatives Development
12. Development of Northern Kenya & other Arid Lands
13. East African Community
14. Education
15. Energy
16. Environment and Mineral Resources
17. Fisheries Development
18. Foreign Affairs

19. Forestry and Wildlife
20. Gender and Children Affairs
21. Higher Education, Science Technology
22. Housing
23. Industrialization
24. Information and Communication
25. Justice, National Cohesion and Constitutional Affairs
26. Labor
27. Lands
28. Livestock Development
29. Medical Services
30. Nairobi Metropolitan Development
31. Public Health and Sanitation
32. Ministry of Public Works
33. Regional Development Authorities
34. Roads
35. Special Programmes
36. Tourism
37. Trade

38. Transport

39. Water and Irrigation

40. Youth and Sports

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