PERFORMANCE MEASUREMENT OF CONSTITUENCY DEVELOPMENT FUNDS (CDF) COMMITTEES IN NAIROBI

BY

KENNEDY MWANGI MWANIKI

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SEPTEMBER 2009
DECLARATION

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

Sign: ...........................................  Date: ..............................

Kennedy Mwaniki

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

Sign: ...........................................  Date: ..............................

J. Aduda
Lecturer & Chairman
Department of Finance & Accounting
School of Business
University of Nairobi
DEDICATION

My loving parent Beatrice Wanja Mwaniki and my late Dad Paul Mwaniki for making me what I am, my loving wife Leah Mwaniki, my loving friend, Purity Kioi and my cousin Rachael Mugi without whose unwavering support morally, spiritually and materially I wouldn’t have completed the thesis.
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Many thanks too to my supervisor Mr. J. Aduda for his patience during this entire research period. You gave me the chance to see my best side. In addition, thanks to my fellow colleagues and friends for helping me with typesetting and proofreading of this document. This final document is as a result of your participation and input.

Many thanks to the Almighty God for seeing me through the entire period; I live for you God. Special thanks to my friends for their encouragement and support during this entire period.
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LIST OF ABBREVIATIONS

- BSC- Balanced Scorecard
- CDF- Constituency Development Fund
- COQ- Cost of Quality
- MP- Member of Parliament
- NMC- National Management Committee
- PAF- Prevention-Appraisal-Failure
- PMSs- Performance Measurements
- TQM- Total Quality Management
- UK- United Kingdom
- US- United States
ABSTRACT

At the core of any performance, there will be those traditional, financially-based measures which periodically summarize the organizations or committee’s performance for the benefit of shareholders, lenders, and statutory authorities. (Hayes and Abernathy, 1980). The objective of the study was to investigate the extent of application of performance measurements by Constituency Development Fund committee(s) (CDF) in Nairobi.

A sample size of one representative from each constituency was used to ensure a fair distribution of views obtained on performance of Nairobi CDF committees. In order to establish the performance indicators of CDF in Nairobi province, self-administered drop and pick questionnaires was distributed among sampled CDF committee members from the eight constituencies. Before processing the responses, the completed questionnaires were edited for completeness and consistency. Content analysis was used to analyze the respondents’ views about the performance measurement and evaluation.

The study concludes that the Constituency Development Fund committee(s) (CDF) in Nairobi had applied various performance measurements. This was evident as most of the CDF committees employed long term performance measures and in addition others also made use of short term performance measures. These included economy, efficiency, effectiveness and balance score card. The study also concludes that the Constituency Development Fund committee(s) (CDF) in Nairobi were faced by various challenges in relation to performance management and a balance score card and these included difficulty in definition of what the organization produced and difficulty to set targets or to make decisions based on the measurement results, because some of the stakeholders had conflicting objectives.

The study recommends that performance management should be applied to each Constituency Development Fund committee as it leads to the realization that to be
successful in the long-term then, performance measures are required. The study also recommends that for the CDF committees to overcome performance challenges, they need to adopt and implement performance management systems to evaluate and manage the knowledge and intangible resources.
CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Elements of what we nowadays call performance measurement have been in use in public administrations for quite a while (Gianakis, 2002). The New York Bureau of Municipal Research first developed a budgetary system based on work-load measured shortly before the Second World War. Programme outcome measures formed an integral part of the analysis required by the planning-programming-budgeting system back in the 1960s and were used in zero-based budgeting systems in the 1970s and 1980s. Performance targets were also an element of management-by-objectives implementations in the public sector in the 1970s.

In the 1980s and 1990s performance measurement again became a topic in the public sector in a situation when serious revenue shortfalls and changing attitudes towards the public sector made it necessary to find solutions other than the cut back management practiced in the past. Nowadays performance measurement is a central element of new public management, which is characterized by some authors as a global movement reflecting liberation management and market-driven management (Gianakis, 2002). Liberation management means that public sector managers are relieved from a plethora of cumbersome and unnecessary rules and regulations. Instead of the control of input factors, control should focus on outcome measures. Market-driven management seeks to create internal and external competition for budgetary resources in order to decrease X-inefficiency and budget-maximizing behaviour. Performance measures are necessary to create something like the private sector bottom line. While within the private sector the discussion about the revolutionary and not-so-revolutionary use of performance measurement was closely linked to the debate on increasing the effectiveness of strategic management systems and narrowing the gap between ambitious strategies and the annual
planning, the debate within the public sector has been more complex. Here, from the very beginning, the discussion concentrated on the idea of improving external accountability and increasing internal efficiency at the same time. Performance measurement is seen as a tool for improving public budgeting, promoting a better reporting system and modernizing public management.

Developing a suitable performance indicator depends on deciding on a number of conceptual and political-philosophical issues. These issues, however, cannot easily be solved. When we want to measure the performance, the efficiency or quality of a public sector, we need to agree on a definition of government and the public sector, and we need to find a means to agree on what we consider as good performance. The quality or the performance of the bureaucracy is hard to measure, as we are dealing with quite diverse and not clearly delimited concepts. When it comes to measuring performance and comparing performance of different governments might not be so easy because the government does so many different things, they have no single bottom line, like profit in a capitalist firm. This fact opens the possibility that different governments might be simply good at different things. Measuring the performance and effectiveness of government cannot just be achieved by comparing outputs and outcomes to certain objectives, because governments' objectives are generally vague and necessarily self-contradictory, (Putnam et al, 1993), as a result, we find that the existing indicators do not focus on government or the public sector as a whole, but rather on a specific subsection of government. Many indicators have a quite specific approach to bureaucratic quality, and tend to focus on specific sub domains and processes of public administrations, rather than on public sectors. In this research therefore, the researcher will focus on performance indicators in the public sector by looking at the performance of CDF committees in Nairobi Province.

1.1.2 Constituency Development Fund (CDF)

The Constituency Development Fund (CDF) was established in 2003 through the CDF Act in The Kenya Gazette Supplement No. 107 (Act No. 11) of 9th January 2004. The
fund aims to control imbalances in regional development. It targets all constituency-level development projects, particularly those aiming to combat poverty at the grassroots. The fund comprises an annual budgetary allocation equivalent to 2.5% of the government's ordinary revenue. A motion seeking to increase this allocation to 7.5% of government’s revenue was recently passed in parliament. 75% of the fund is allocated equally amongst all 210 constituencies. The remaining 25% is allocated as per constituency poverty levels. A maximum 10% of each constituency’s annual allocation may be used for an education bursary scheme. CDF is managed through 4 committees 2 of which are at the national level and 2 at the grassroots level.

According to the CDF Act 2003, expenses for running constituency project offices should not exceed 3% of annual constituency allocations. Each constituency is required to keep aside 5% as an emergency reserve. The CDF is not to be used to support political bodies/activities or personal award projects. A sitting MP is not a signatory to the CDF bank account but convenes the CDF Committee in her/his constituency. The penalty for misappropriation of the Funds is a prison term of up to 5 years, a Kshs. 200,000 fine or both. CDF project proposals are submitted to MPs who in turn forward them to the Clerk of the National Assembly. The approved project list is reviewed by the National CDF committee, which presents final recommendation to the Finance Minister (CDF Act 2003)

CDF was started with the vision to be the most effective and efficient institution in the delivery and utilization of public resources aimed at facilitating the provision of water, health services, and education in all parts of the country including remote areas that never benefited from funds allocation in national budgets. Wisconsin Senator Russell Feingold incoming Chairman of the Africa Committee of the U.S. Senate Foreign Relation applauded Kenya’s Constituency Development Fund (CDF) program for taking essential development programs and services to Kenyans at the grassroots level, citing it as a positive move towards ensuring equitable distribution of resources. The litmus test of whether MPs have used these resources right will be reflected in the upcoming general
election. The aim of CDF was for constituencies themselves, under the chairmanship of their elected Members of Parliament to manage the funds for the benefit of their respective electorates. Through this process, the central government had overnight shifted the responsibility of regional development to the locals themselves (CDF Act 2003).

1.2 Statement of the Problem

At the core of any performance, there will be those traditional, financially-based measures which periodically summarize the organizations or committee’s performance for the benefit of shareholders, lenders, and statutory authorities. If managers were encouraged to make decisions based solely on improving such performance indicators they would initiate short-term strategies aimed at improving bottom line results, perhaps to the long-term detriment of the whole process (Hayes and Abernathy, 1980).

To overcome this challenge of performance measurement, several writers have recommended the implementation of a more broadly-based set of performance measures (Fitzgerald et al., 1991; Kaplan and Norton, 1992). Such performance measurement systems should allow managers to assess actions designed to generate sustainable, long-term improvements, but which may well have an adverse financial impact in the short term. Ideally, a well developed, broad-based performance measurement system could be used to improve the organizations strategic focus (Kaplan and Norton, 1996). An essential ingredient of broad-based performance measures is their relationship with the organization’s strategic objectives. Dixon et al. (1990) developed a survey to assess the extent to which performance supported or interfered with the strategic objectives and suggested the information thereby obtained, could be used to realign performance with strategic objectives. Their work is one of the few examples of a process for initiating change to performance measures.

Local studies on performance indicators and performance measurement have been conducted. Kessio (1981) conducted a study of the problems facing small businesses and
the effect of management training on the performance of the proprietors a case study of
the Nandi District. Kamau, (2001) carried out a survey of the performance of Daystar
University business administration and management graduates as perceived by their
employers. Koros,(2001) did an evaluation of the financial performance of non banking
institutions that converted into commercial banks in Kenya. Makori, (2002) did a
research on strategic performance measurement within an operations strategy context. A
survey of Kenyan practices, while Kiprono (2004) investigated the relationship between
cash flow and earnings performance measures for companies listed on the NSE among
other studies.

Despite all these efforts, very little is known about Performance Management of CDF
committees in Kenyan situation. The contemporary workplace in Kenya offers many
challenges yet no studies have been done to find out if indeed any of the individuals
involved are using Financial and Non-Financial measures and whether those measures
are delivering .This study therefore intends to provide an insight into whether CDF
committees in Nairobi Province are actually using Performance Management and
measurement and if so, what impact it has had on the Performance of the said
committees.

1.3 Objectives of the Study

The objective of the study was to investigate the extent of application of performance
measurements by Constituency Development Fund committee(s) (CDF) in Nairobi.

1.4 Importance of the Study

Scholars: The study will provide information on performance measurements to potential
and current scholars. This will expand their knowledge on strategy implementation in
public sector and also identify areas of further Research.
**Policy makers:** The policy makers and especially the constituencies will obtain knowledge of proper management of their respective CDF and taking the responses that are appropriate; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the public sector participation.

**Other Stakeholders:** Identify the external environmental factors that are affecting application of performance indicators in the public sector.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section presents a literature review on performance indicators in general and in the public and private sectors. The specific areas covered are performance measurement, financial and non-financial performance measures, performance measurement and evaluation in private sector, performance measurement and evaluation in public sector, problems arising in performance measurement and evaluation in the public sector and balanced scorecard at CDF office in Nairobi

2.1 Theoretical Literature Review

Performance measurement is defined as the process of quantifying action, where measurement is the process of quantification and action leads to performance (Neely et al., 1995). The performance of organizations is traditionally measured by methods based on accounting reports. However, in a changing business environment these measures are considered inadequate. Therefore, organizations have begun to use new performance measures (non-financial measures) other than traditional measures. Performance measurement systems not only provide the data necessary for managers to control business activity, they also influence the behavior and decisions of managers. This being the case, a restrictive set of financial performance measures may adversely impact on an organization’s long-term viability, so organizations should develop a broad range of performance measures. Berliner and Brimson state that “performance measurement is a key factor in ensuring the successful implementation of a company’s strategy”. Thus when organizations implement new strategies they should ensure that the appropriate set of performance measures are in place.
2.1.1 Indicators of Performance measurement

2.1.1.1 Economy

An economy is the ways in which people use their environment to meet their material needs. It includes the production, exchange, distribution, and consumption of goods and services of that area. A given economy is the end result of a process that involves its technological evolution, history and social organization, as well as its geography, natural resource endowment, and ecology, among other factors (Sink, 1985). These factors give context, content, and set the conditions and parameters in which an economy functions.

Today the range of fields of study exploring, registering and describing the economy or a part of it, include social sciences such as economics, as well as branches of history (economic history) or geography (economic geography). Practical fields directly related to the human activities involving production, distribution, exchange, and consumption of goods and services as a whole, range from engineering to management and business administration to applied science to finance. All kind of professions, occupations, economic agents or economic activities, contribute to the economy. Consumption, saving and investment are core variable components in the economy and determine market equilibrium.

**Inflation**: In economics, inflation is a rise in the general level of prices of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services; consequently, inflation is also erosion in the purchasing power of money – a loss of real value in the internal medium of exchange and unit of account in the economy. A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index (normally the Consumer Price Index) over time. Inflation can have positive and negative effects on an economy. Negative effects of inflation include loss in stability in the real value of money and other monetary items over time; uncertainty about future inflation may discourage investment
and saving, and high inflation may lead to shortages of goods if consumers begin hoarding out of concern that prices will increase in the future. Positive effects include a mitigation of economic recessions, and debt relief by reducing the real level of debt.

**Unemployment:** Unemployment occurs when a person is available to work and seeking work but currently without work. The prevalence of unemployment is usually measured using the unemployment rate, which is defined as the percentage of those in the labor force who are unemployed. Keynesian economics emphasizes unemployment resulting from insufficient effective demand for goods and services in the economy (cyclical unemployment). Others point to structural problems, inefficiencies, inherent in labour markets (structural unemployment). Classical or neoclassical economics tends to reject these explanations, and focuses more on rigidities imposed on the labor market from the outside, such as minimum wage laws, taxes, and other regulations that may discourage the hiring of workers (classical unemployment). Yet others see unemployment as largely due to voluntary choices by the unemployed (frictional unemployment). Alternatively, some blame unemployment on disruptive technologies or Globalisation.

**Growth (GDP):** The gross domestic product (GDP) or gross domestic income (GDI) is a basic measure of a country's economic performance. It is the market value of all final goods and services made within the borders of a country in a year. It is often positively correlated with the standard of living, though its use as a stand-in for measuring the standard of living has come under increasing criticism and many countries are actively exploring alternative measures to GDP for that purpose. GDP can be defined in three ways, all of which are conceptually identical. First, it is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time (usually a 365-day year). Second, it is equal to the sum of the value added at every stage of production (the intermediate stages) by all the industries within a country in the period. Third, it is equal to the sum of the income generated by production in the country in the period—that is, compensation of employees, taxes on production and imports less subsidies, and gross operating surplus (or profits).
**Balance of Payments:** In economics, the balance of payments, (or BOP) measures the payments that flow between any individual country and all other countries. It is used to summarize all international economic transactions for that country during a specific time period, usually a year. The BOP is determined by the country's exports and imports of goods, services, and financial capital, as well as financial transfers. It reflects all payments and liabilities to foreigners (debits) and all payments and obligations received from foreigners (credits). Balance of payments is one of the major indicators of a country's status in international trade, with net capital outflow.

**Exchange Rate:** In finance, the exchange rates (also known as the foreign-exchange rate, forex rate or FX rate) between two currencies specify how much one currency is worth in terms of the other. It is the value of a foreign nation’s currency in terms of the home nation’s currency. The foreign exchange market is one of the largest markets in the world. By some estimates, about 3.2 trillion USD worth of currency changes hands every day. The spot exchange rate refers to the current exchange rate. The forward exchange rate refers to an exchange rate that is quoted and traded today but for delivery and payment on a specific future date.

**2.1.1.2 Efficiency**

This is an input- and transformation process-question, defined as resource expected to be consumed/resources actually consumed. Economic efficiency is commonly expressed as the relationships between a given quantity and quality of output using a bundle of inputs that minimizes the cost of production. Several different combinations of capital, labor, and raw materials (where each of these can have multiple dimensions, e.g., physician labor, nurse labor, etc.), could feasibly be used as inputs to produce a particular quantity and quality of output. Generally, only one of these combinations will have the lowest cost associated with that input bundle.
2.1.1.3 Effectiveness

This involves doing the right thing, at the right time, with the right quality, etc. Defining the criterion as a ratio, effectiveness can be defined as actual output/expected output. It is about the process output, and doing what you said you would do. The effectiveness metrics should reflect whether the desired results are being achieved, the right things being accomplished. Metrics could include quality, e.g., grade of product or level of service, quantity, e.g., tonnes, timeliness, e.g., speed of response, and cost/price, e.g., unit cost.

2.1.1.4 Balanced Scorecard

The balanced scorecard is a performance measurement and strategic management system (Sink and Tuttle, 1989). It translates an organization's mission and strategy into a balanced set of integrated performance measures. It complements the traditional financial perspective with other non-financial perspectives such as customer satisfaction, internal business process as well as learning and growth. It also mixes outcome measures, the lagging indicator, with performance drivers, the leading indicator, because “outcome measures without performance drivers do not communicate how the outcomes are to be achieved” (Kaplan and Norton, 1996). A scorecard has several measurement perspectives, with the original scorecard having financial, customer, internal business and innovation and learning perspectives. Balanced scorecards are normally a key output from the strategy formulation process. The key goals that are identified as being critical to the success of the business, as part of a performance measurement framework, can also be considered in the context of a balanced scorecard.

2.1.2 Financial and Non Financial Performance Measures

Although traditional measurement systems, which focus on financial outcomes, translate and report all activities into dollars and cents, however, in recent years it has become evident that looks at just financial measures masks many of the important performance
activities that are taking place behind the scenes (Shepherd, 2002). Those organizations that are aware of this fact are beginning to utilize non-financial measures along with financial measures from both manufacturing and service industries, such as hotels, banks, and healthcare (Ballou et al., 2003).

Quality-based measures of performance focus succinctly on issues, such as the number of defects produced and the cost of quality (Neely et al., 1995). In this context, some cost accounting textbooks (Horngren et al., 2006) and related articles (Albright and Roth, 1992) cover the subject from the perspectives of financial and non-financial measures, which are suggested to be utilized together in order to evaluate quality performance of a business. The name of this approach is the balanced scorecard approach. The reason for that is the balanced scorecard approach considers both financial and non-financial aspects of the quality performance evaluation. Non-financial measures represent information and analyses that are not expressed in monetary equivalents (Kettering, 2001, p. 16). For example, the number of reworked units, the number of material inspections, and the number of customer complaints represent non-financial measures. Carr et al. (1997) use “physical measures” and “non-financial measures” interchangeably. While measuring quality performance by utilizing financial measures, costs are classifiable using a prevention-appraisal-failure (PAF) approach. Under the PAF approach, conformance (prevention plus appraisal) and nonconformance (internal plus external) costs are two major quality cost categories. This classification allows practitioners; to compute the monetary equivalent of each quality cost item and total quality cost, to make investigations about tradeoffs among quality cost items, and to prepare trend analysis.

Other than previously mentioned studies that deal specifically with BSC, (Abernethy and Lilis, 1995) revealed that time-to-market new products as a measure often leads to higher initial prices, greater market share and customer loyalty, as well as significant cost benefits. Meanwhile, Banker et al. (2000) showed that there is a positive relationship between customer satisfaction measures and future accounting performance while Ittner
and Larcker (1998b) provided evidence that customer satisfaction measures are leading indicators of non-financial performance (customer purchase behaviour and growth in the number of customers) and accounting performance (profit margins and return on sales).

Earlier, Anderson et al. (1994) supported the hypothesis that, on average, customer satisfaction was positively related to contemporaneous accounting return on investment. Furthermore, Abernethy and Lilis (1995) found that greater reliance on non-financial manufacturing measures had a greater positive effect on perceived performance in flexible firms than in non-flexible firms. Meanwhile, Said et al. (2003) revealed that the use of non-financial measures is associated with future accounting and market-based returns. More recently, Bryant et al. (2004) reported that when firms implement a performance measurement system that contain both financial and non-financial measures, they will benefit more than the firms that rely solely on financial measures.

Horngren et al. (2006) use financial measures and cost of quality (COQ) interchangeably. Furthermore, they argue that COQ and non-financial measures supplement each other. Therefore, the integrated utilization of financial and non-financial measures is advisable. The advantages of financial and non-financial measures are explained in the following paragraphs.

Advantages of financial measures (COQ) of quality (Horngren et al., 2006: COQ measures are consistent with the attention-directing role of management accounting, and they focus managers' attention on the costs of poor quality; total COQ provides a measure of quality performance for evaluating trade-offs among prevention cost, appraisal costs, internal failure costs, and external failure costs; and COQ measures assist in problem solving by comparing costs and benefits of different quality-improvement programs and setting priorities for cost reduction.

Advantages of non-financial measures of quality (Horngren et al., 2006, p. 669): non-financial measures of quality are often easy to quantify and understand; non-financial
measures direct attention to the physical processes, and hence help managers identify the precise problem areas that need improvement; non-financial measures, such as the number of defects, provide immediate short-run feedback on whether quality-improvement efforts are succeeding; and non-financial measures, such as measures of customer satisfaction and employee satisfaction are useful indicators of long-run future performance.

Kapuge and Smith (2007) state that although non-financial measures are increasingly important in decision making and performance evaluation, copying non-financial measures that others use may not work. Instead, the companies should link the measures to the factors, such as corporate strategy, value drivers, organizational objectives and the competitive environment (Kapuge and Smith, 2007). Albright and Roth (1992, p. 16) emphasize the importance of financial data although non-financial measures of quality such as the number of customer complaints and the number of defects are important quality measures. They say that quality costs are one type of financial data that cost management systems need to provide.

Kettering (2001) emphasizes that small firms can achieve benefits, similar to those benefits which large firms achieve with their costly quality programs, by using non-financial measures to identify and monitor quality. He says that the principle of this simple approach is not to waste time and effort to report the data in monetary equivalents, but to simply report the non-financial data and look for trends in the measures.

The findings of three previous studies about financial and non-financial measures of quality indicate that: firms report financial measures of quality less frequently than physical measures of quality (Carr et al., 1997); most business managers prefer the use of non-financial quality performance measures, while they comprehend and support for the COQ and other financial measures with relative limitation (Lin and Johnson, 2004); and Companies implementing total quality management (TQM) provide more frequent
physical and financial quality measures than non-TQM companies (Kapuge and Smith (2007).

2.2 Nairobi Province and the Constituency Development Fund

Nairobi Province has eight constituencies, which follow same boundaries with administrative divisions which is not the case on most districts in Kenya. These 8 constituencies will be looked at by this investigative study in order to find out whether the above 8 performance measures are been applied, and if so, the impact it has had on the operations of the respective CDF committees.

2.3 Empirical Literature Review

2.3.1 Performance Measurement and Evaluation in Public Sector

Over the past few years, performance measurement and evaluation in public organizations has gained a lot of interest among researchers. These studies discuss, among others, the design (e.g. Wisniewski and Olafsson, 2004), implementation (e.g. Collier, 2006), use (e.g. Ho and Chan, 2002) and content of measurement systems (e.g. Van Peursem et al., 1995). On the other hand, performance measurement and evaluation studies cover diverse public organizations, such as health care organizations (Van Peursem et al., 1995), universities (Modell, 2003), municipal governments (Ho and Chan, 2002), corporate real estate organizations (Wilson et al., 2003) and the police (Collier, 2006). Many of these studies show that balanced performance measurement is applicable also in public organizations (see, e.g. Ho and Chan, 2002; Wilson et al., 2003; Wisniewski and Olafsson, 2004). However, there appears to be a general view that public and private organizations are different from the performance measurement point of view (see, e.g. Brignall and Modell, 2000). These specific aspects of public sector organizations are discussed next.
Notions of public sector accountability have become widely used in the 1990s, with formal systems of accountability being built into legislation and rules and regulations for government bodies (Fowles, 1993; Hyndman and Anderson, 1995). Performance information is necessary for the discharge of accountability, and financial and accounting information is often emphasized in determining accountability (Hyndman and Anderson, 1995; Cochrane, 1993). Local government authorities are increasingly subject to control by central government, and performance measures are required to be reported to assess “value for money” and notions of financial accountability in a hierarchical model of financial control (Cochrane, 1993).

However, notions of accountability in the “new public management” environment (Pollitt, 1993) are difficult to determine. Where does accountability lie in increasingly privatized and contracted out public agencies – to central government, to the local community or to the shareholders for whom profits are generated? There is a risk that accountability will be seen exclusively in financial terms, with arguments about effectiveness and quality of service avoided because they cannot be quantified (Fowles, 1993). However, it has also been suggested that contracting out, together with moves towards market forms should improve services and thus accountability to “customers” or “users”. Hierarchical financial accountability to central government should give way to more locally based and less financial accountability (Cochrane, 1993).

2.3.2 Performance Measurement and Evaluation in Private Sector

A vast number of performance measurement and evaluation frameworks aimed at evaluating private sector performance have been developed. The balanced scorecard (Kaplan and Norton, 1992) has received the most practitioner attention, with research conducted by the balanced scorecard collaborative finding that 52 per cent of firms surveyed were using a scorecard in 2001 (Neely and Austin, 2002). A similar survey conducted by Cranfield University and Accenture suggests that 60 per cent of Fortune 1000 companies have experimented with the balanced scorecard (Neely and Austin,
2002). In practice, the majority of private sector performance measurement systems are developed internally and rely on self-assessment, the results of which are disseminated through financial reporting mechanisms and company reports (Hudson et al., 2001). Whilst there is a view that the “famous bottom line” (Carter, 1991, p. 88) makes the evaluation of private sector organizations simpler than their public or nonprofit counterparts, operations management scholars have recently stressed the requirement for a clearer understanding of the processes that constitute business performance evaluation (Franco-Santos et al., 2007).

An organization needs some kind of a balanced combination of different measures to analyze the entity as a whole. Numerous PMSs have been developed to solve the problem of acquiring a balanced picture. Today the best-known integrated performance measurement system in most countries is the Balanced Scorecard. There are also many other measurement systems, such as the Performance Pyramid System, Tableau de Bord, the Multi-Criteria Performance/Productivity Measurement Technique (MCP/PMT) and the productivity or performance matrix (Neely, 1998). Very often, these measurement systems, as well as the individual measures, emphasize the significance of strategies (Kaplan and Norton, 1996).

The design and implementation process of the above-mentioned models is rather clear and straightforward because the ultimate goal of any private business is unambiguous — profitability. The point of view of the owners and shareholders in the target setting is especially important in today's business environment. It is also essential to take into account the targets set for the benefit of the customer, and these are usually clearly defined and recognized. The primary task in private companies is to strike a balance between the competing claims of various relevant stakeholders (e.g. owners, employees, customers, suppliers, and the community). The strategies and targets of companies in the private sector are usually clearly defined, compared to non-profit organizations. There is also an abundance of legislation and other “rules” guiding the operation of companies.
2.3.3 Problems arising in Performance Measurement and Evaluation in the Public Sector

In the public sector, there are many stakeholders that have different and conflicting requirements (Brignall and Modell, 2000; Wisniewski and Olafsson, 2004). The potential stakeholders of a public sector organization may include local citizens, clients, consumers, users, customers of the service producers, the media, elected representatives, the central government, regulatory agencies, managers, and employees (Wisniewski and Stewart, 2004). This creates at least two problems for the performance measurement system. First, taking into account all stakeholders may result in producing a multitude of performance measures that satisfy no one (Wisniewski and Stewart, 2004). Second, it may be difficult to set targets or to make decisions based on the measurement results, because some of the stakeholders have conflicting objectives. When implementing a PMS, the conflicting needs of different stakeholders must somehow be reconciled (Lawton et al., 2000).

Due to the problems described above, the setting of targets is not always as clear in public sector organizations as in private companies. In many cases, the ultimate target of operations may also be unclear or blurred. Hence, it is difficult for the management of these organizations to define the most important aspects or measures. This is a particularly difficult task when the organizational structure is multifaceted, and a clear chain of command is absent. For example, an ordinary medical doctor in Finland gets orders from the chief department doctor, from public hospital management, and from a boss that she or he has when working at a private clinic.

Another key challenge from the point of view of measurement is the definition of what the public organization actually produces, i.e. the question of output vs. outcome, or efficiency vs. effectiveness. For example, a hospital's outputs include operations and procedures to heal patients. However, the outcome is a healthy patient or a healthy community. Should a hospital's goal be to carry out a lot of operations with the given
resources (i.e. to be efficient) or should it find out ways to improve the health of its patients in the long run (i.e. to be effective)? Again, these are conflicting requirements, which affect the target setting and performance measurement as well. According to Chan (2004), measuring the outcomes is more difficult than measuring the output. Consequently, the studies by Chan (2004) and Pollanen (2005) reveal that municipal governments use more output (efficiency) than outcome (effectiveness) measures. Moreover, Pollanen (2005) argue that the mechanism for the distribution of goods and services in the public sector does not follow the market model appearing in the private sector.

In addition to the two fundamental problems in public sector performance measurement – the conflicting stakeholder needs and the problem of measuring outcomes – also other specific challenges have been identified. Pollanen's (2005) study includes a collection of some earlier findings of obstacles that can hamper the acceptance and application of performance measures in the public sector. They include, e.g. mistrust of measurement, lack of credibility and usefulness, lack of standards and timeliness, substantial investment of time and resources, and resistance by public officials, department heads and employees. These challenges to the implementation seem quite similar to those in companies, however (Bourne et al., 2003).

Further, in contrast to the private sector, the majority of public sector measurement practices require inspection by an external body (Stephens and Green, 2002). For example, UK and US public education and healthcare systems are subject to external review and the publication of summary performance measures (commonly referred to as league tables) (Propper and Wilson, 2003). Many scholars view the performance evaluation of public sector organizations as problematic. Studies cite difficulties in drawing causal connections between organizational effectiveness and performance indicators (Midwinter, 1994). In addition, studies have found that the large number of
public sector stakeholders often results in the adoption of parallel measurement systems (e.g. business plans, star rating systems and service.

2.4 Balanced Scorecard at CDF Office in Nairobi

The balanced scorecard is a performance measurement and strategic management system. It translates an organization’s mission and strategy into a balanced set of integrated performance measures. It complements the traditional financial perspective with other non-financial perspectives such as customer satisfaction, internal business process as well as learning and growth. It also mixes outcome measures, the lagging indicator, with performance drivers, the leading indicator, because “outcome measures without performance drivers do not communicate how the outcomes are to be achieved” (Kaplan and Norton, 1996, p. 105). By selecting appropriate performance drivers and outcome measures to fit in the theory of business in a chain of cause and effect relationship, the CDF office in Nairobi will have a better idea of how to achieve its potential competitive advantage (Nation CDF committee).

The balanced set of performance measures also tells a concise yet complete story about the achievement and performance of the CDF office in Nairobi toward its mission and goals. It provides a holistic view of what is happening in the CDF office. By tying these performance measures to rewards, the balanced scorecard ensures that employees will do what is best for the organization.

The first step in designing a balanced scorecard is the identification of strategic goals. Agreement on the strategic goals is needed before scorecard measures can be developed. The balanced scorecard is only as complete and competent as its designer. Otherwise, the scorecard measures might not reflect the CDF office’s mission and strategies. As described by Kaplan and Norton (1996), the implementation process can be divided into four stages: translating the vision and gaining consensus; communicating the objectives,
setting goals and linking strategies; setting targets, allocating resources and establishing milestones; and providing feedback and learning.

As in other for-profit and service organizations, adoption of the balanced scorecard can assist municipal administrators in accomplishing the following strategic planning and control functions (Kaplan and Norton, 1996, p. 109): clarify and gain consensus about strategy; communicate strategy throughout the organization; align departmental and personal goals to the strategy; link strategic objectives to long-term targets and annual budgets; identify and align strategic initiatives; perform periodic and systematic strategic reviews; and obtain feedback to learn about and improve strategy.

In addition to anecdotal reports on the positive experience of implementing the balanced scorecard in the for-profit sector, there is growing evidence on its application in the not-for-profit sector, especially the government sector (see for example, Silk, 1998) where performance measurement and management has been an issue of concern among administrators (Foltin, 1999).

Among the pioneers who have employed the balanced scorecard for strategic management, the West Mercia Constabulary (Silk, 1998), which provides policing services to the fourth largest police area of the UK, completed its Performance Indicator Management System in May 1997, based on the development of a balanced scorecard. In the constabulary, the balanced scorecard has been integrated into the management process. It provides management with a structure for performance review, helps management identify problems and improves performance.

The scorecard can be modified to include performance perspectives not incorporated in Kaplan and Norton's original balanced scorecard. With growing interest in improving performance management in the government sector, the balanced scorecard can be a valuable management tool that meets the need for improvement and change.
2.5 Conclusion from the Literature Review

From the literature review, it is evident the process of quantifying action together with that of quantification is as important in the public sector as it is in the private sector. The traditional accounting reports from the Nairobi CDF committees, (Financial) have not been adequate to influence the decision and behaviour of these committees. This is so because, despite compliance reports, it is evident the operations of these committees have remained wanting given the number of complaints found often in the media. Looking at the long term viability of these committees, non financial measures need also be considered.

As had been stated, the classical approach to performance measurement as described by Sink and Tuttle model,1985, 1989, together with Kaplan’s balanced score card need to be applied in these committees just as they are applied in the private sector. Traditional financial reporting alone would not be the most effective method as a performance measurement tool as regards the CDF committees in Nairobi.
CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. This includes the research design, data collection tools to be used and data collection and sampling technique and data analysis method and presentation. This research methodology is aimed at enabling the researcher to obtain and process the data on the performance indicators measurement of CDF in Nairobi.

3.2 Research Design

This was an investigative study aimed at establishing the performance indicators in CDF in Nairobi province. An investigative study is the process of finding out new data based on facts collected in ways that minimize observer prejudice. It comprises a great variety of methods that can be used in order to achieve goals. Sometimes, it is designed and worked on by a group of investigators, management or decision makers.

3.3 Population

The population of interest of this study was all the eight constituencies in Nairobi province. The study being an investigative study implied that data was collected from all the eight constituencies in Nairobi province. This therefore means that census method was used.

3.4 Sample Design

A sample size of one representative from each constituency was used to ensure a fair distribution of views obtained on performance of Nairobi CDF committees. There are eight constituencies in Nairobi where data was collected using questionnaires.
3.5 Data Collection

In order to establish the performance indicators of CDF in Nairobi province, self-administered drop and pick questionnaires were distributed among sampled CDF committee members from the eight constituencies. Questionnaires were designed to establish the performance indicators used in their constituency.

The study being an investigative study meant that one CDF committee member who is the chairman was selected from each of the eight constituencies and administered with the questionnaire. This made it easier to get adequate and accurate information necessary for the research. The researcher used structured questionnaires as the main data collection instrument. The questionnaires had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open-ended questions provided additional information that may not have been captured in the close-ended questions.

Secondary data sources were employed through the use of previous documents or materials to supplement the data received from questionnaires and information from interviews.

3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The content analysis was used to analyze the respondents’ views about the performance measurement and evaluation. The data was then be coded to enable the responses to be grouped into various categories. Descriptive statistics was used to summarize the data. This included percentages and frequencies. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis.
3.7 Reliability and Validity of Data

Validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which is employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. The usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

To establish the validity of the research instrument the researcher sought opinions of experts in the field of study especially the researcher’s supervisor and lecturers. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity. Reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method. Reliability was increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures.

Reliability of the research instrument was enhanced through a pilot study that was done on two constituencies in Nairobi province. The pilot data was not included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument’s validity and reliability. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identifying items that require modification. The result helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measure what is intended.
CHAPTER FOUR

DATA FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses data findings, analysis and interpretation. A questionnaire was designed and administered, and discussions held with key informants who were chairmen of the CDF committees in each of the eight constituencies. The interview guide was comprised of closed and open ended questions. In addition, quantitative data was collected from available in-house publications, and periodic performance reviews. Content analysis and descriptive analysis was utilized in the analysis of the findings and data.

4.2 General background

4.2.1 Position in the CDF Committee

This section aimed at establishing the position of the various respondents in the CDF committee.

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>5</td>
<td>62.5</td>
</tr>
<tr>
<td>Member</td>
<td>3</td>
<td>37.5</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.1 Positions in the CDF Committee

Data presented above shows that a majority of the respondents’ were executive positions 5) while 3 were in member position.

4.2.2 Highest level of education

The study proceeded to establish the highest level of education that the respondents’ had attained. The results are as shown in the figure below.
Figure 4.1 Highest level of education

As shown in the figure above, majority of the respondents had attained a university level of education (50 percent) while A level and diploma graduates consisted of 25 percent each.

4.2.3 Years working in the organization

The aim of the study in this section was to establish the number of years that the respondents had worked at the institution. The table below shows the results.

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>Less than three years</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>Less than five years</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td>Less than seven years</td>
<td>3</td>
<td>37.5</td>
</tr>
<tr>
<td>More than seven years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.2 Years working in the organization

Data portrayed above shows that most of the respondents’ (3) had worked for a period of less than seven years (37.5 percent) while 25 percent (2) of the respondents had worked
for a period of less than one year and less than three years. Only one respondent had worked for a period of less than one year (12.5 percent)

4.3 Application of measures of performance

The study proceeded to establish whether measures of performance were applied at the institution. Surprisingly enough, all respondents cited that in their organizations, measures of performance had been applied. The study then proceeded to establish the level of importance of performance measurement in the CDF committees. The data is as shown in the figure below.

![Figure 4.2 Level of agreement on the importance of performance measurement in the CDF committees](image)

As shown in the table above, most respondents agreed that performance measurement in the CDF committees was very important (50 percent) with 25 percent citing performance measurement in the CDF committees as being moderately important and slightly important each.

4.4 Nature of performance measures employed by the CDF committee

In this section, the aim was to determine the nature of performance measures employed by the CDF committee.
Table 4.3 Nature of performance measures employed by the CDF committee

As shown in the figure above, most of the CDF committees employed long term performance measures (62.5 percent) while 25 percent made use of short term performance measures. Only 12.5 of the committees' percent employed both long and short term performance measures.

4.5 Innovation and sustenance of successful performance measures

In this section, the aim was to indentify the level of agreement from the respondents on innovation and sustenance of successful performance measures. Analysis was done using a likert scale of 1-5 where 1=very much applied, 2=very applied, 3=moderately applied, 4=slightly applied and 5=not applied. The results were also represented in mean scores.

<table>
<thead>
<tr>
<th>Innovation elements for sustaining and improving performance</th>
<th>very much applied</th>
<th>very applied</th>
<th>moderately applied</th>
<th>slightly applied</th>
<th>Not applied.</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity of the performance measures</td>
<td>12.5</td>
<td>12.5</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>2.8333</td>
</tr>
<tr>
<td>Profitability/budget ability of the ultimate goals of the organization</td>
<td>25</td>
<td>12.5</td>
<td>50</td>
<td>12.5</td>
<td>0</td>
<td>2.667</td>
</tr>
<tr>
<td>Efficiency of the performance measures</td>
<td>50</td>
<td>12.5</td>
<td>12.5</td>
<td>12.5</td>
<td>12.5</td>
<td>2</td>
</tr>
<tr>
<td>Effectiveness of the performance measures</td>
<td>62.5</td>
<td>25</td>
<td>12.5</td>
<td>0</td>
<td>0</td>
<td>1.4167</td>
</tr>
<tr>
<td>Quality of work life and the performance measures</td>
<td>62.5</td>
<td>37.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.05</td>
</tr>
</tbody>
</table>
Table 4.4 Innovation and sustenance of successful performance measures

Data portrayed in the table above shows that quality of work life and the performance measures were very much applied in innovation and sustaining of successful performance measures as was cited by 62.5 percent of the respondents' and a mean score of 1.05, and this was closely followed by effectiveness of the performance measures and efficiency of the performance measures comprising of a mean score of 1.41 and 2 respectively. 50 percent cited to a moderate extent that profitability/budgetability of the ultimate goals of the organization moderately applied in innovation and sustaining of successful performance measures and comprised of a mean of 2.66 while innovation elements for sustaining and improving performance was the least cited measure comprising of a mean of 3.75

4.6 Utilization of the various sources of quality-based measures of performance

Quality-based measures of performance focus mainly on issues, such as the number of defects produced and the cost of quality. In this area, the aim was to determine the level of agreement on the extent of how each of the sources applied at the CDF committees. Analysis was done using a likert scale of 1-5 where 1=very great extent to 5 = No extent.

<table>
<thead>
<tr>
<th>Source</th>
<th>Very great extent</th>
<th>great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost accounting textbooks</td>
<td>50</td>
<td>12.5</td>
<td>12.5</td>
<td>0</td>
<td>0</td>
<td>1.789</td>
</tr>
<tr>
<td>Number of defects produced</td>
<td>12.5</td>
<td>50</td>
<td>12.5</td>
<td>0</td>
<td>0</td>
<td>2.314</td>
</tr>
<tr>
<td>Cost of quality (COQ)</td>
<td>25</td>
<td>12.5</td>
<td>25</td>
<td>12.5</td>
<td>0</td>
<td>2.875</td>
</tr>
</tbody>
</table>

Table 4.5 Utilization of the various sources of quality-based measures of performance

Data portrayed in the table above shows that most respondents agreed that cost accounting textbooks were utilized as sources of quality-based measures of performance
as was shown by a mean score of 1.79, followed by number of defects produced as was shown by a mean score of 2.314. Cost of quality was the least applied source as was shown by a mean score of 2.88.

4.6.2 Use of performance measures.

The study went further to establish the various measures that were used to measure performance. The results are as shown in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Percent</th>
<th>No</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
<td></td>
<td>Freq</td>
<td></td>
</tr>
<tr>
<td>Non-financial</td>
<td>7</td>
<td>87.5</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td>measures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial measures</td>
<td>6</td>
<td>75</td>
<td>2</td>
<td>25</td>
</tr>
</tbody>
</table>

Table 4.6 Use of performance measurements.

Data presented in the table above shows that a majority of the CDF committees employed non financial measures (87.5 percent. In addition, 75 percent of the respondents’ also agreed that the CDF committees used financial measures.

4.7 Application of performance measures

The study proceeded to determine the level of agreement on various performance measures and how they granted various advantages The data was analyzed on a Likert scale of 4= most occurring, 3=moderately occurring, 2=slightly occurring and 1=not occurring. The data is presented as shown below in the table below.
| Measures assist in problem solving by comparing costs and benefits of different quality-improvement programs | Mean | Std dev |
| Provides a measure of quality performance for evaluating trade offs among prevention costs | 2.083 | 1.466 |
| Provide immediate short-run feedback on whether quality improvement efforts are succeeding | 2.6854 | 0.8766 |
| Help managers identify the precise problem areas that need improvement | 3.241 | 0.82 |
| Help in setting priorities for cost reduction | 3.871 | 0.402 |
| Non-financial measures, such as measures of customer satisfaction and employee satisfaction are useful indicators of long-run future performance | 3.965 | 1.5773 |

**Table 4.7 Advantages of application of performance measures**

As shown in the table above, most respondents cited non-financial measures, such as measures of customer satisfaction and employee satisfaction being useful indicators of long-run future performance as the advantages of application of performance measures as was shown by a mean of 3.965, and this was followed by helping in setting priorities for cost reduction as an advantage of application of performance measure as was shown by a mean of 3.871. Measures assisting in problem solving by comparing costs and benefits of different quality-improvement programs was the least cited advantage and comprised of a mean of 1.957.

**4.8 Extent of employing various measures covering the financial aspects of committee**

The aim of the study was to establish the extent of how various measures were employed to cover the financial aspects of the committee.
Table 4.8 Extent of employing various measures covering the financial aspects of committee

As shown in the table above, most CDF committees applied operating profit margins as was shown by a mean of 1.78 and this was closely followed by rate of return on assets as was shown by a mean score of 2.314. Operating profit margin was shown by a mean score of 2.87 while net income was the least employed measure as was shown by a mean of 3.003.

4.9 CDF committee balanced scorecard

In this section, the aim was to determine whether the CDF committee balanced a scorecard as a performance measurement and strategic management system. Surprisingly, all respondents agreed. The study proceeded to inquire how the balance card affected the various areas of organization. The figure below shows the results.
Table 4.9 CDF committee balanced scorecard

As shown in the figure above majority of the respondents’ (87.5 percent) agreed that a CDF committee balanced scorecard led to customer satisfaction while 75 percent also agreed that it lead to internal business process. In addition, a majority also disagreed that a CDF committee balanced scorecard lead to learning and growth (62.5 percent).

4.10 Effects/challenges as a result of performance measurement and balanced scorecard

The study also went further to establish the challenges that aroused as a result of performance measurement and balance score card. The table below shows the results.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many stakeholders result in producing a multitude of</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>performance measures that satisfy no one</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficult to set targets or to make decisions based</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>on the measurement results, because some of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>stakeholders have conflicting objectives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficult for the management of the organizations to</td>
<td>12.5</td>
<td>87.5</td>
</tr>
<tr>
<td>define the most important aspects or measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficulty in definition of what the organization</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>produces</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.10 Effects/challenges as a result of performance measurement and balanced scorecard

As shown in the table below, most of the respondents (75 percent) disagreed that difficulty in definition of what the organization produced was a challenge as a result of performance measurement and balanced scorecard while 50 percent of the respondents agreed that the challenge was that it was difficult to set targets or to make decisions based on the measurement results, because some of the stakeholders have conflicting objectives. However 75 percent of the respondents also disagreed that the challenge as a result of performance measurement and balanced scorecard was that any stakeholders resulted in producing a multitude of performance measures that satisfied no one.
4.11 Summary

From the study, majority of the committee members were in executive positions (62.5 percent) while 37.5 percent were just members. On education level, majority of the respondents had attained a university level of education (50 percent) and this was followed by 25 percent of the respondents’ who had attained a diploma and A level of education.

On number of years of work, the study found that most of the respondents’ had worked for a period of less than seven years (37.5 percent) with 25 percent having had worked for a period of less than five years and less than three years each. 12.5 percent had worked for a period of less than five years.

On the issue of performance measurement, the study established that performance measurement in the CDF committees was very important (50 percent) with 25 percent citing performance measurement in the CDF committees as being moderately important. In addition, most of the CDF committees employed long term performance measures (62.5 percent) while 25 percent made use of short term performance measures. In addition, quality of work life as a performance measures was very much applied in innovation and sustaining of successful performance measures as was cited by 62.5 percent of the respondents' and a mean score of 1.05, and this was closely followed by effectiveness of the performance measures and efficiency of the performance measures comprising of a mean score of 1.41 and 2.00 respectively

On sources of quality based measures of performance, the study revealed that cost accounting textbooks were utilized as sources of quality-based measures of performance as was shown by a mean score of 1.79, followed by number of defects produced as was shown by a mean score of 2.314. Cost of quality was the least applied source as was shown by a mean score of 2.88.
On the issue of financial measures, the study found that majority of the CDF committees employed non financial measures as 87.5 percent agreed to the verity. In addition, 75 percent of the respondents’ also agreed that the CDF committees used non financial measures. In addition, most respondents cited non-financial measures, such as measures of customer satisfaction and employee satisfaction being useful indicators of long-run future performance as the advantages of application of performance measures as was shown by a mean of 3.965, and this was followed by helping in setting priorities for cost reduction as an advantage of application of performance measure as was shown by a mean of 3.87.

On the area of a scorecard, the study established that a majority of the respondents’ (87.5 percent) agreed that a CDF committee balanced scorecard led to customer satisfaction while 75 percent also agreed that it lead to learning and growth. However a majority also disagreed that a CDF committee balanced scorecard lead to mixed outcome measures.

On the results of performance management, the study revealed that most of the respondents (79 percent) disagreed that difficulty in definition of what the organization produced was a challenge as a result of performance measurement and balanced scorecard while 58 percent of the respondents agreed that the challenge was that it was difficult to set targets or to make decisions based on the measurement results, because some of the stakeholders have conflicting objectives.
CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of the findings from chapter four, conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings
The study established that performance measurement in the CDF committees was regarded as important amongst the CDF committees as being moderately important. In addition, quality of work life as a performance measures was very much applied in innovation and sustaining of successful performance measures.

On sources of quality based measures of performance, the study revealed that cost accounting textbooks were utilized as sources of quality-based measures of performance followed by number of defects. Cost of quality was the least applied source.

On the issue of financial measures, the study found that majority of the CDF committees employed non financial measures, such as measures of customer satisfaction and employee satisfaction being useful indicators of long-run future performance as the advantages of application of performance and this was followed by helping in setting priorities for cost reduction as an advantage of application of performance.

On the results of performance management, the study revealed that was one of the major challenges of performance management was that it was difficult to set targets or to make decisions based on the measurement results, because some of the stakeholders had conflicting objectives. In addition, the study also found that some of the CDF committees were faced with
5.3 Conclusions

The study concludes that the Constituency Development Fund committee(s) (CDF) in Nairobi had applied various performance measurements. These included customer and employee satisfaction and cost reduction. In addition, quality of work life and the performance measures very much applied in innovation and sustaining of successful performance and effectiveness of the performance measures.

The study also concludes that the Constituency Development Fund committee(s) (CDF) in Nairobi were faced by various challenges as a result of performance management and a balance score card and these included difficulty in definition of what the organization produced and difficulty to set targets or to make decisions based on the measurement results, because some of the stakeholders had conflicting objectives.

5.4 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitations of this study were;

Some respondents refused to fill in the questionnaires. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information. Time- Due to official duties time was a major concern.
5.5 Policy recommendations

The study recommendations that CDF committees need to employ various performance measurement approaches to explicate firm performance and they include greater measurement diversity, improved alignment with firm strategy and value drivers, and the use of performance measurement alignment techniques including the balanced scorecard, economic value measures, and causal business modeling.

The study recommends that performance management should be applied to each Constituency Development Fund committee(s) as it leads to the realization that to be successful in the long-term requires meeting (and therefore measuring performance against) all stakeholders' needs including customers, consumers, employees, suppliers, local community stakeholders, and shareholders. The study also recommends that for the CDF committees to overcome performance challenges, they need to adopt and implement performance management systems to evaluate and manage the knowledge and intangible resources. In today's knowledge economy, not only for the private organisations but also and particularly for the public sector organisations, knowledge represents a strategic resource.

5.6 Areas of Further Research

The study suggests that further research should also be conducted in other types of organizations such as those in the private sector and other finance related institutions to study the impact of performance management and the various challenges faced.

Future studies can also extend the analysis by examining a broader set of performance measurement system attributes, such as the level of aggregation and integration. Finally, further research should be carried out on management accounting and performance measurement system innovations and the role organizational factors play in the perceived success of system implementation.
REFERENCES


Gianakis and Halachmi, 2005, Performance measurement in the public sector: the German experience.

Gianakis, (2002), Performance measurement in the public sector: the German experience.


APPENDIX

QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Name of your constituency.................................................................

2. Your position in the CDF Committee
   Executive
   Member

3. What is your highest level of education?
   PhD [ ] Bachelors’ [ ]
   Masters [ ] Certificate/Diploma [ ]
   Other, (specify)................................................................. [ ]

4. Which other professional qualifications do you have?
   a).................................................................
   b).................................................................

5. How long have you been working in the organization?
   Less than one year
   Less than three years
   Less than five years
   Less than seven years
   More than seven years
SECTION B: PERFORMANCE MEASURES

6. Does your organization apply any measures of performance?
   Yes [ ]  No [ ]

7. How would you rate the importance of performance measurement in the CDF committees?
   Very important [ ]
   Moderately important [ ]
   Slightly importance [ ]
   Not important [ ]

8. What is the nature of performance measures employed by your CDF committee?
   a) Long term [ ]
   b) Short term [ ]
   c) Both short term and long term [ ]

9. Innovation and sustaining of successful performance measures involve implementation of the following aspects. Please rate their applicability in your CDF committee according to your understanding using a scale of 1-5 where 1=very much applied, 2=very applied, 3=moderately applied, 4=slightly applied and 5=not applied.

   1   2   3   4   5
   a) Effectiveness of the performance measures [ ] [ ] [ ] [ ] [ ]
b) Efficiency of the performance measures [ ] [ ] [ ] [ ] [ ]

c) Quality of work life and the performance measures [ ] [ ] [ ] [ ] [ ]

d) Productivity of the performance measures [ ] [ ] [ ] [ ] [ ]

e) Innovation elements for sustaining and improving performance [ ] [ ] [ ] [ ] [ ]

f) Profitability/budgetability of the ultimate goals of the organization [ ] [ ] [ ] [ ] [ ]

10. Quality-based measures of performance focus mainly on issues, such as the number of defects produced and the cost of quality. This involves utilization of the following sources. To what extent do you apply them within your committee?

<table>
<thead>
<tr>
<th>Source</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Little extent</th>
<th>No extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost accounting textbooks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of defects produced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of quality (COQ)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
11. Do you use the following measures to measure your performance?
   a) Non-financial measures   Yes [ ]  No [ ]
   b) Financial measures/   Yes [ ]  No [ ]

12. Application of the above performance measures give rise to the following advantages.
   Tick appropriately according to their occurrence in your committee. Where 1=most occurring, 2=moderately occurring, 3=slightly occurring and 4=not occurring

   1 2 3 4

   a. Provides a measure of quality performance for evaluating [ ] [ ] [ ] [ ]
      trade-offs among prevention cost

   b. Measures assist in problem solving by comparing costs [ ] [ ] [ ] [ ]
      and benefits of different quality-improvement programs

   c. Help in setting priorities for cost reduction [ ] [ ] [ ] [ ]

   d. Help managers identify the precise problem areas that need [ ] [ ] [ ] [ ]
      Improvement

   e. Provide immediate short-run feedback on whether quality-
      improvement efforts are succeeding [ ] [ ] [ ] [ ]

   f. Non-financial measures, such as measures of customer [ ] [ ] [ ] [ ]
      satisfaction and employee satisfaction are useful indicators [ ] [ ] [ ] [ ]
      of long-run future performance.
13. To what extent do you employ the following measures covering the financial aspects of your committee? Use a rating scale of 1-5 where 1=very much employed, 2=very employed, 3=moderately employed, 4=slightly employed and 5=not employed

<table>
<thead>
<tr>
<th>Measure</th>
<th>Rating Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of return on assets (ROA)</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Rate of return on equity (ROE)</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
<tr>
<td>Net income</td>
<td>[ ] [ ] [ ] [ ] [ ]</td>
</tr>
</tbody>
</table>

14. Does your CDF committee balanced scorecard as a performance measurement and strategic management system Yes [ ] No [ ]

15. Balanced scorecard complements the traditional financial perspective with other non-financial perspectives. How does it affect the following areas in your organization?

<table>
<thead>
<tr>
<th>Effect</th>
<th>Increase</th>
<th>No</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Increases</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Decreases</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>Decreases</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>i customer satisfaction</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>ii internal business process</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>iii learning and growth.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>iv mixes outcome measures</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

16. What are some of the achievements you have realized from the performance measures and balanced scorecard?

a) ........................................................................................................................................

b) ........................................................................................................................................

c) ........................................................................................................................................
17. Have you experienced the following effects/challenges as a result of performance measurement and balanced scorecard? Please tick the ones you have experienced in your committee.

Yes  No

I. Many stakeholders result in producing a multitude of [  ] [  ]
   performance measures that satisfy no one

II. Difficult to set targets or to make decisions based on the measurement [  ] [  ]
    results, because some of the stakeholders have conflicting objectives

III. Difficult for the management of the organizations to define the [  ] [  ]
     most important aspects or measures.

IV. Difficulty in definition of what the organization produces [  ] [  ]

V. Any other (specify)……………………………………………………… [  ] [  ]

   Thank you!!