

**AN ANALYSIS OF THE RELATIONSHIP BETWEEN PERFORMANCE
CONTRACTING AND ORGANIZATIONAL PERFORMANCE AMONG
STATE CORPORATIONS IN KENYA: A CASE STUDY OF THE KENYA
NATIONAL EXAMINATIONS COUNCIL (KNEC)**

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**A DISSERTATION SUBMITTED IN FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF HUMAN
RESOURCE MANAGEMENT OF THE OPEN UNIVERSITY OF TANZANIA**

2015

CERTIFICATION

The undersigned certifies that has read and hereby recommends for acceptance by The Open University of Tanzania a dissertation entitled. **An Analysis of the Relationship between Performance Contracting and Organizational Performance among State Corporations in Kenya: A Case of the Kenya National Examinations Council (KNEC)** in fulfillment of the requirements for the degree of Master of Human Resource Management of the Open University of Tanzania.

.....

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Date

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DECLARATION

This project is my original work and has not been presented for a degree in any other university.

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Signature

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Date

DEDICATION

I dedicate this work to my family, for their loving care, support and help during my study, may God continue to bless you all abundantly.

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I would like to thank the entire course participants for their encouragement, team work and spirit of sharing. Gratitude also goes to course lecturers and research supervisors for their patience and good will. Specifically, I would like to acknowledge Dr. Tumaini Katunzi for his enormous support and advise while writing this project. Last but not least, I thank my wife and loving children for cheering me on even when down and for understanding my absence at the dinner table as I struggled to complete this research

ABSTRACT

Performance contracting systems have become more important in recent years because managers' are under constant pressure to improve the performance of their organization. Organizations have signed Performance contracts with their respective Governments in order to improve their net value and if possible earn revenue to the exchequer. The Kenya National Examinations Council, like any other government state corporation, has signed performance contract with its parent ministry, Ministry of Education, Science and Technology. This research work seeks to find out whether there is a positive relationship between signing the Performance Contract and organizational performance. Data was collected from employees of the Council in the three major levels of employment that is Senior, Middle and Lower management. These are the categories of employment that at the time being participate in the signing of performance contracts with their respective supervisors. This category of employees were asked to evaluate the relationship between performances contracting to organization performance at the Council. This was done through short structured questionnaires. The results of the data analyzed were that there is a positive relationship between signing performance contacts and organizational performance. These findings are significant in the sense that they justify the government's huge expenditure to thses state corporations. In other words the government is getting value for its money spent as government grants to these parastatals.

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LIST OF ABBREVIATIONS

AAPAM	African Association for Public Administration and Management
BSC	Balance Score Card
CS	Council Secretary
CSF	Critical Success Factors
CSO	Community Service Organization
DPM	Directorate of Personnel Management
EA	Examinations Administration
ERS	Economic Recovery Strategy
G.O.K	Government of Kenya
GA & HRM	General Administration and Human Resource Management
HR	Human Resources
ICT	Information Communication Technology
JTPA	Job Training and Partnership Act
KASNEB	Kenya Accountants and Secretaries National Examinations Board
KICD	Kenya Institute of Curriculum Development
KNEC	Kenya National Examinations Council
KPI	Key Performance Indicators
MDG	Millennium Development Goals
MOEST	Ministry of Education, Science and Technology
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organization
OECD	Organization of Economic Corporation and Development

PBC	Performance Based Contracts
PC	Performance Contracting
PMS	Performance Management Systems
PS	Permanent Secretary
PSRP	Public Service Reform Programme
R&M	Reprographics and Manuscript
RBM	Resource Based Management
RBV	Resource Based View
ROM	Results Oriented Management
SOE	State Owned Enterprises
SPSS	Statistical Package for Social Sciences
TD	Test Development
USA	United States of America

CHAPTER ONE

1.0 INTRODUCTION AND BACKGROUND OF THE PROBLEM

1.1 Introduction

The increase in government contracting has created new management challenges that require innovative strategies for holding service providers accountable for their performance. Through performance management systems, government entities seek to monitor the performance of recipients of government funding and encourage them to operate efficiently and effectively. The Job Training Partnership Act (JTPA) of 1982 provides one of the earliest examples of a performance management system in a federal human service programs. Performance standards were intended to offer a way for federal and state governments to monitor the performance of local service delivery systems, while allowing local governments' flexibility in designing programs that were responsive to local needs (SPRA 1999).

Some local JTPA administrators turned to Performance-Based Contracts (PBCs) as a means of encouraging high performance among the contractors that were providing job training and employment services. The literature on JTPA's performance management system has focused primarily on how performance standards affect the clients served, the services provided, and the program costs .Scholars have analyzed the impacts of performance management systems on the strategic behavior of local programs public enterprises (state corporations) included. Researchers have also examined the relationship between performance outcomes and other measures of program success, such as program impact or the value-added (Smith, 1999).

Performance-based contracting continues to draw supporters both from within the job training community and more generally among those concerned with government efficiency and performance. Performance management systems have become more important in recent years because managers, be they in the public or private sector, are under constant pressure to improve the performance of their organizations. A performance contract addresses economic, social or other tasks that an agency has to discharge for economic performance or for other desired results. It organizes and defines tasks so that management can perform them systematically, purposefully, and with reasonable probability of accomplishment.

It also assists in developing points of view, concepts and approaches for determining what should be done and how to go about it. Performance contracts comprise determination of mutually agreed performance targets and review and evaluation of periodic and terminal performance. Performance contracts should focus on two levels. For state corporations, the first level is between the government and the Board of Directors. Generally, Boards of Directors and management of public enterprises bind themselves to the achievement of mutually agreed targets, in return for operating autonomy and specified rewards. The second level is between the Board of Directors and the Chief Executive, since the Board is not in charge of routine management of the corporation.

1.2 Background of the Problem

Performance management has been a necessary part of organizational life for as long as there have been organizations. The ancient Egyptians had to 'encourage' their

workers to build the great pyramids and, without knowing, they utilized performance management systems to do so. Their system revolved around whipping those workers who did not perform as required, to achieve their goals. This worked effectively for them as evidenced by the splendid pyramids that they built. However, over time, as our understanding of human nature and the environment in which we exist has changed, the importance of managing performance to align individual goals to a common vision has been recognized as being vital to an organization's success.

By the mid to late 1980's traditional organizational performance measurement systems had many critics (Neely, 1999). For example, it seems that a focus on purely accounting performance measure might have promoted a culture of short-termism (Neely, Gregory & Platts, 1995) resulting in managers trying to achieve financial targets to meet their performance measurement objectives, at the expense of long-term sustainability. Kaplan and Norton (1992) developed and proposed a balanced scorecard to include the measurement of indicators other than financial ones. They proposed four areas of importance including financial but in addition, customer, internal business processes and learning and growth. They felt that these provided a more holistic picture of an organizations' performance.

Performance management as a more holistic complex measurement and management system arose out of a combination of performance appraisals (which have been noted by Furnham (2004, p. 83) as early as being "in both Britain and America in the eighteenth and nineteenth centuries" and of performance measurement systems. Since the mid-1990's there has been a marked increase in research of both an

academic and a practical nature (Thorpe & Beasley, 2004; Neely, 1999) into the areas of organizational performance measurement and performance management both in organization as well as the individual. Noticeably however, much of the information available regarding the usefulness of the performance management system relates to large corporations. For example, the contract system originated in France in the late 1960s. It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced to India (OECD, 1997).

According to the Organization for Economic Cooperation and Development (OECD) (2005), performance contracting (PC) 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. PC has been adopted in developing countries in Africa, including Nigeria, Gambia, Ghana and Kenya.

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

lack of appropriate mindsets, and sociologies that are necessary to support effective service delivery. On one hand Africa is constrained by resources; on the other hand the gradual erosion of the ethics and accountability has continued to bedevil the public sector in the delivering of public services to the people effectively.

However, in Africa, Public Service reforms have been introduced at different periods (World Bank, 1993) In Uganda, the Idi Amin military regime which captured power in 1971 brought a total collapse of the Civil Service (Mitala, 2006). The political instability that followed later (Okello Lutwa's Military takeover) aggravated the chaos (Public Service Reform Commission Report, 1990). The Public Service was ruined, leading to many cases of low quality output, disregard of procedures, lack of guidance and direction. The expansion of the Public Service for purposes of patronage, and job creation, was accompanied by the duplication of services, poor co-ordination and a general decline in performance standards (Apuki, 2007).

According to Kobia and Mohammed (2006), in Kenya the government started implementing public sector reforms way back in 1993 with the aim of improving service delivery. The implementation of different types of reform interventions has been carried out in three phases. However, newer interventions have been introduced in the last six years (Kobia & Mohammed 2006). One such intervention relates to performance contracting in the state corporations and government ministries (Kobia & Mohammed 2006). Performance contracting is part of the broader public sector reforms aimed at improving efficiency and effectiveness in the management of public affairs (Kobia & Mohammed 2006).

One of the key priorities of the Kenya Government has been to implement and institutionalize public sector reforms that would lead to an efficient, effective and ethical delivery of services to the public (Kobia,2006). The Government of Kenya started implementing public sector reforms in 1993 with the aim of improving service delivery. There have been three phases in the implementation of different types of reform interventions. While there have been successes and challenges in the implementation of reforms in the public sector, different concepts and newer interventions have been introduced in the last six years. One such intervention relates to performance contracting in the state corporations and government ministries (AAPAM, 2006).

Performance contracting is part of the broader public sector reforms aimed at improving efficiency and effectiveness in the management of public affairs. Performance Contracting has its origins in the performance management which, according to Armstrong (2006), is defined as a systematic process of improving organizational performance by developing and maintaining the performance of individuals and teams. It is a means of getting better results from the organization teams understanding and managing of performance within agreed framework of planned goals, standards and competence requirements.

Consequently, public sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005). These minimal results have affected not only the respective governments, but also the targeted Public Institutions and their respective employees. Since the Public Sector forms a large part of all the employees in the

respective countries, entire populations are affected when performance contracting processes do not achieve the expected results. Since 2005, the Government of the Republic of Kenya has invested heavily on performance contracting process in public institutions, it is worth a while to assess and evaluate the impact of performance contracting in the public sector.

Additionally the shortcomings of the Public Sector were seen as organizational problems capable of solutions by appropriate application of political will, powerful ideas and managerial will. The overriding concern with economic growth has led to a re-focusing. Over the years, poor performance of the public sector, especially in the management of public resources has hindered the realization of sustainable economic growth.

Some of the factors adversely affecting performance include: excessive regulations and controls, frequent political interference, poor management, outright mismanagement and bloated staff establishment. To improve performance, the government has been undertaking a number of reform measures. The public service reform programme in Kenya and in many developing countries have identified several themes which are key and in tandem with the international trends in the quest for a new role and style of government (AAPAM, 2006).

Reformists also acknowledge that there is no single solution which will lead to success. It is nevertheless becoming very clear that there is a new managerial approach without which success is unlikely. Similar reasoning influenced the

introduction of performance based accountability system in the United States of America almost two decades ago in the education system.

Performance-based accountability system in the United States education sector just as in the rest of the public sector, share the common assumption that information about performance improves quality and reliability of service. Creating public information about the public sector's performance, the theory goes, improves the quality of service (Elmore, 2007).

1.3 Overview of Kenya National Examinations Council

The Kenya National Examinations Council (KNEC) was established by the Government of Kenya in 1980 through an Act of Parliament (CAP. 225A) as a non-profit making institution to conduct school and post-school examinations except university examinations and award certificates to successful candidates (KNEC Manual, 2013). The Vision of KNEC is to be the leading organization in Testing and Assessment for Quality Education. The Mission of KNEC is to objectively evaluate learning achievements so as to enhance and safeguard nationally and internationally acceptable certification standards. The Kenya National Examinations Council, as can be seen in its mandate, is one of the key state parastatals in the education sector under the Ministry of Education, Science and Technology (MOEST).

The Kenya National Examinations Council is governed by the Governing Council whose membership is drawn from various stakeholders in the education sector. The Council is headed by a chairman, who is appointed by the President of the Republic

of Kenya. The Permanent Secretary (PS), Education Secretary and Director of Quality Assurance and Standards all from the Ministry of Education, Science and Technology; the Director of the Kenya Institute of Curriculum Development (KICD); the Director of Technical Training and the Director of the Kenya Accountants and Secretaries National Examinations Board (KASNEB) are all members of the Governing Council by virtue of their offices. The Minister of Education, Science and Technology appoints ten other members to the Governing Council while not more than four members are co-opted by resolution. The Council Secretary/Chief Executive is the Secretary to the Council. (KNEC-Strategic Plan, 2010-2015). For ease of administration and fulfillment of its vision and mission, the Council is organized into the following departments: Office of the Council Secretary (CS), Examinations Administration (EA), Test Development (TD), Reprographics and Manuscripts (R&M), Information Communications Technology (ICT) and General Administration and Human Resource Management (GA&HRM). These departments are further divided into divisions, sections and units.

In line with the new institutionalism perspective in public sector management reforms, as reflected in agency and public choice theories, and in the policy prescriptions based on them, performance contracting between governments and state run enterprises is increasingly being applied as an instrument for restructuring state enterprises and for managing the government- state owned enterprises (SOE) interface. Underlying performance contracting, and in line with New Public Management (NPM), is the belief that while granting SOE management operational autonomy, there is need to hold it accountable for performance.

This illustrates the shift of emphasis from input and procedure-oriented controls of the past to the new paradigm of output or result-oriented controls. The underlying assumption is that KNEC can be made more efficient by changing the 'rules of the game' that is, the conditions and incentives under which they operate. Though contractual relationships have been implicit between government and parastatals, the current trend is to make such contracts more explicit by formally spelling out the obligations of management and government in written performance contracts. The review of performance contracting suggests that its successful implementation requires certain preconditions. There are capacity issues ranging from autonomy of managers, through an effective management information system, to a well-staffed and equipped monitoring agency. Therefore, performance contract management has been viewed as an important instrument for the implementation of performance management and it is used to improve target setting and follow-up on results. It is quite clear that the performance of KNEC employees determines whether the council will achieve its objectives of providing services to the public.

1.4 Statement of the Research Problem

Organizations and employees spend a great deal of time in performance management. Managers consistently work to effectively and efficiently manage the performance of their workforce; organizations too are trying to capture the effects of performance management systems on employees' motivation and future work performance. There are numerous reasons for the current trend to focus on performance management as a whole. As our society changes and these changes become apparent, it is clear that to be a successful organization requires some form

of measurement system. To ensure that the results of these measures are managed and improved upon, performance management needs to be in everyday organizational life (Armstrong, 2006). In many ways it is a natural progression of our understanding from the importance of performance measurement to the philosophy of performance management.

It also arises because of the environment in which we are operating, with its focus on living your best life and being all that you can be and the trend towards self-improvement and development. Perhaps because of these changes, individuals and organizations have learned the importance of the role of people in an organization, and how the success of the organization depends on its people. The shift in mindset from “organization man to individualized corporation” (Bartlett & Ghoshal, 1995, p.133) has resulted in a situation where an organization’s people are its greatest assets. PC in today’s knowledge economy is a vastly an important tool in performance management system that contributes to the success of an organization in finding and retaining the right people, training and developing these individuals to realize their potential as well as the organization’s full potential and as a system of evaluating and rewarding individuals within the organization.

Within such thinking, recent marketing researchers have proposed that firms do not really provide value, but merely value propositions (Vargo & Lusch, 2004; 2008) and it is the customer that determines value and co-creates it with the firm, upon use. There are three stages to contract management. The first stage is assessing whether a situation is suitable for contracting. Public managers must assess whether market

conditions are likely to support a competitive environment for contract service provision and identify which service production and/or management components can be unbundled for contracting. In the second stage, after the decision has been made to contract, public managers structure and execute a competitive bidding process. Finally, after a vendor has been selected and the contract awarded, public managers must manage service delivery under contract (Moy, 2005).

In introducing Performance Contracting in 2003, The Government indicated that Performance Contracts had their origin in the general perception that the performance of the public sector in general and government agencies in particular had consistently fallen below expectations (Office of the President, 2005). Despite this acknowledgment little research has been done to evaluate the impact of Performance Contracting in State Corporations. Studies in Performance Contracting have concentrated on implementation (Ogoye, 2002, Choke, 2006 & Langat, 2006) while few studies have tackled the general impact of Performance Contracting in State Corporations (Kiboi, 2006).

However, only one study has been done in the Kenya National Examinations Council. Kiilu (2008) documented the effects of performance contracting on organizational productivity at the Council. Kiilu concentrated on productivity at the Council and not on the entire spectrum of Performance Contracting at the Council. This study therefore seeks to evaluate the relationship between performance contracting and organizational performance at the Kenya National Examinations Council since 2005.

1.5 Research Objective

The general objective of this research is to analyze the relationship between performance contracting and organizational performance at the Kenya National Examinations Council.

1.5.1 Specific Objectives

- i) To determine how performance contracting has impacted on improved service delivery at the Council.
- ii) To assess if performance contracting has other benefits to KNEC besides improved performance
- iii) To establish if there is consistency in the way the Council does its activities since the signing of performance contracts.

1.6 Research Questions

- i) To what extent has performance contracting improved service delivery?
- ii) What are the other benefits of performance contracting has to KNEC besides improved performance?
- iii) How has KNEC been consistent in the way it performs its activities since signing performance contracts with the Government of Kenya.

1.7 Significance of the Study

Performance Contracts originated from the perception that the performance of the Public Sector has been consistently falling below the expectations of the public. While several approaches have been used to address these challenges, it is hoped that

performance contract will be an effective tool for managing productivity. This study seeks to find out the relationship between the signing of performance contract and organizational performance at the Kenya National Examinations Council. The study findings of this research will greatly benefit the following groups of people:

Government: The Inspector General of Corporations would be able to monitor and evaluate implementation of performance contracts and advise the relevant government bodies on the effective ways of administering the contracts with a view of making them add value to public service delivery activities.

Management of the Council: The Chief Executive and the Senior Managers of the Council will benefit immensely from the study and it will help them reinforce their knowledge of performance contracts. They will note the areas of weakness of the scheme for further improvement.

Employees of the Council: The Council employees will be able to understand better their critical role in the implementation of performance contracts at the Council. This understanding will eventually translate into commitment, better performance and increase in productivity at the Kenya National Examinations Council.

Management and staff of other State Corporations: Other State corporations' staff and their subsequent management teams will be provided with the insights on some of the challenges that may be faced in the implementation of performance contracts and how they could be avoided. It would also help the management of other state

corporations on how they can get better performance from employees and improve on organization productivity.

Future Scholars and Researchers: Scholars and researchers will find this study important as it will increase to the body of knowledge in this area, which within the Kenyan context is still fairly new and requiring further research for exhaustive understanding of the effective and significance of performance contracting.

The scope of this study is the entire organization of the Kenya National Examinations council and its employees. The employees who have been targeted are the lower, middle and senior management staff of the Council.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The objective of this chapter is to review relevant literature on PC and performance management system. The literature reviews aims at providing information related to the research problem under study. According to Chandran (2004) literature review aims at providing the research with a body of knowledge and understanding of the conceptual and analytical framework in the area under study.

2.2 Performance Management

Performance measurement is often taken to be fundamental to delivery of improved services as part of NPM. Emphasis on performance management for delivery of results is undoubtedly influenced by the basic assumption of performance management which lies in its professed ability to unite the attention of institution members on a common objective and galvanize them towards the attainment of this objective (Chandran, 2004). The use of performance data to inform management is not a new concept. The belief that concrete data on organizational performance, or performance metrics, should guide managers' decision making has framed most discussions of management in public and non-profit agencies in the developed and developing countries since the early 1990s. With the increased emphasis on quantitative measurement of outcomes, the term "performance measurement" has become a higher priority (Obong'o, 2009, p.67). Measuring and reporting on organizational performance focuses the attention of public managers and oversight

agents, as well as the general public, on what, where and how much value programs provide to the public. The strategic use of performance management is thus intended to help drive change efforts from process to results orientation in the public service.

Defining performance is therefore enlightening in many public sector organizations. They begin to ask the right questions and realize that they need to do whatever they have defined well and deliver that efficiently. Emphasis in reforming the public sector has therefore been slowly shifting in many developing countries more towards operational effectiveness, which entails being better at what one is doing (Obong'o, 2009).

2.3 Conceptual Definitions

The concept of PC has its origin in France. It has been experimented elsewhere and the literature available in both primary and secondary sources indicate that there are countries that have had positive impact in the implementation of performance contracts while others have had a myriad of challenges in the course of implementing PC. The first country in Africa to experiment on PC was Senegal, where the idea of performance contracting was widely supported by the public enterprise managers who regarded it as a tool to compensate the civil servants for the restriction and non-involvement in commercial activities as imposed on them by the government.

In Morocco, PC was adopted at a time when the public enterprises committed over 12% of the country's gross domestic product (GDP) in form of subsidies and other support programmes. The contract scheme was initiated and signed in 2003 and from then on, the public enterprises have reported improvements in service delivery, cost

reduction and greater autonomy for the management (SCSTM, 2005). Performance Contract System originated in France in the late 1960s. It was later developed with a great deal of elaboration in Pakistan and Korea and thereafter introduced to India (OECD, 1997).

OECD (1999) defines PC as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. According to CAPAM, (2005) defines PC as “a binding agreement between two or more parties for performing, or refrains from performing some specified act(s) over a specified period of time. It is a branch of management control systems which provide information that is intended for managers in performing their jobs and to assist organizations in developing and maintaining viable patterns of behaviour”.

The relationship between PC and performance management is that the former focuses on outcome and results while performance management is the integrating force that is concerned with what people do how they do it and what they achieve. It is therefore concerned with both inputs and the outputs. According to Williams (2004), performance is multi-faceted. It is measured in terms of output and outcome, profit, internal processes and procedures, organizational structures, employee attitudes and organizational responsiveness to environment among others. PC has been viewed as a management process that is supposed to improve staff performance so that what is measured gets done.

In this study PC is used as a management tool to help public sector executives and policy makers to define responsibilities and expectations between the contracting

parties to achieve common mutually agreed goals. A PC is a freely negotiated performance agreement between Government, organization and individuals on one hand and the agency itself on the other hand (Kenya, Sensitization Training Manual, 2004). The definition of performance contracts has been a subject of considerable debate among scholars and human resource practitioners. Performance contracting is a management tool for measuring performance that establishes operational and management autonomy between government and public agencies focusing on results and not on the processes (Republic of Kenya, 2005).

It is an agreement between two parties that clearly specify their mutual performance obligations, and the agency itself. The performance contract specifies the mutual performance obligations, intentions, and responsibilities of the two parties. It also addresses economic, social and other tasks to be undertaken for economic or other desired gain. It is therefore a management tool for ensuring accountability for results by public officials, because it measures the extent to which they achieve targeted results and as the maxim says, if you cannot measure, you cannot control, if you cannot control, you cannot manage, if you cannot manage, you cannot deliver. This study therefore looks at the Performance Contract signed between the Republic of Kenya, through the Ministry of Education, Science and Technology (the Government) and the Kenya National Examinations Council (the agency).

2.4 Theoretical Review

In theory, during the performance management process efficient and effective steering and control of the organisation is achieved by: (1) formulating the mission,

strategy and objectives of the organisation, (2) translating the objectives to the various management levels of the company, (3) measuring the objectives with critical success factors (CSFs), key performance indicators (KPIs) and the balanced scorecard (BSC), and (4) taking quick corrective action based on regular reporting of the indicator results. In practice, for efficient and effective steering and control it is also needed that organisational members (managers and employees) display performance-driven behaviour, which is defined as goal-oriented behaviour; Martiz,1955).

Research shows that the combination of performance-driven behaviour and regular use of the performance management process leads to improved results. To explain the phenomenon underlying employee performance in public organizations a number of scholars have advanced various performance management theories which are briefly articulated.

2.4.1 Goal Setting Theory

The goal setting theory which assumes that a direct relationship exists between the definition of specific and measurable goals and performance. If managers know what they are aiming at, they are motivated to exert more effort, which increases performance (Locke & Latham, 2002). The theory was advanced by Latham and Locke, (2002) who emphasized goal setting and encouragement of decision rights as a basis for employee performance. They observe that taking responsibility for results requires that organizational members are given the opportunity to influence their results favorably and have the freedom to take action.

This implies that people have to be authorized by their managers to independently and swiftly take action on problems without having to ask for permission first. Decision rights allow greater involvement of employees in deciding on issues that affect their work (Locke & Latham, 2002). This means that workers have a say in defining the right KPIs and the mandate to establish CSFs in relation to their job responsibilities. According to Armstrong, (2006) employees are most likely to meet or exceed performance goals when they are empowered with the authority to make decisions and solve problems related to the results for which they are accountable.

2.4.2 The Agency Theory

Baiman (1990) stresses that the agency theory assumes that a relationship exists when one or more individuals (called principals) hire others (called agents) in order to delegate responsibilities to them. The rights and responsibilities of the principals and agents are specified in their mutually agreed-upon employment relationship. Agency theory attempts to describe that relationship using the metaphor of a contract. Agency theory assumes that individuals are fully rational and have well-defined preferences and beliefs that conform to the axioms of expected utility theory (Bonner & Sprinkle, 2002). Furthermore, each individual is presumed to be motivated solely by self-interest (Baiman, 1990). This self-interest can be described in a utility function that contains two arguments: wealth (monetary and non-monetary incentives) and leisure. Incentives are extrinsic motivators where pay, bonuses or career perspectives are linked to performance (Bonner & Sprinkle, 2002). Incentives that are not contingent on performance generally do not satisfy this criterion; thus, the agency theory suggests that incentives play a fundamental role in

motivation and the control of performance because individuals have utility for increases in wealth (Bonner, & Sprinkle, 2002). The agency theory was used to explain the importance of incentives and performance contracts in the study.

2.4.3 The Resource Based View

An alternative to the agency theory is the Resource Based View (RBV) as a model of understanding strategic organization resources that can enhance employee performance. According to Barney, (1991) key resources have been identified as intangible assets (such as client trust and relationships) and capabilities or tangible resources (such as skills and knowledge, technology and information). Resource based view was used to support organization resources in the form of knowledge, skills and information technology in the study.

2.4.4 The Performance Measurement Theory

de Waal, (2007) observe that in order to assess the success of a performance management system, there is need to measure the structural side which deals with the structure implemented for performance measurement. This usually includes critical success factors, key performance indicators and often a balanced scorecard and the behavioural side which deals with organizational members and their use of the performance management system (de Waal, 2007). The performance measurement theory was used to explain the importance of employee evaluation in the study.

2.5 General Discussion

Quality Management, national and international quality awards, industry regulators and accreditation have been introduced to evaluate and reward performance, which

look at the whole organisation rather than output. Furthermore, organisational roles have changed since the 1980s with accounting departments being encouraged to provide information relevant to the business rather than purely financial figures, and Human Resource (HR) departments have also become more prominent, reflecting the necessity for a holistic approach to performance measurement. Finally improvement in Information Technology (IT) has made data collection and analysis for the purposes of performance measurement much easier, more sophisticated and useful.

2.5.1 Causes of PMS Failure and Success Factors

According to Tangen many organisations still rely on traditional accounting methods to measure their performance. A review of the literature reveals a number of causes of PMS failure and authors have also devised frameworks for success. Failure can occur at the design, implementation, use or reviewing stages with people or organisational behaviours as contributing factors. Indeed, according to de Waal (2007, p.5) 56 percent of PMS implementations fail, largely due to the fact that behavioural factors are ignored. The following sub-sections look at the various stages of a PMS that is; design, implementation, use and review -in relation to failure and success factors.

2.5.2.1 Design Stage

Failure can occur at this stage for various reasons: Bourne *et al.*, (2000, p.762) observed open resistance at the design phase from a senior manager at one of the organisations they researched and suggest this may have masked more latent resistance from others. Olsen, Zhou, Lee, Chong and Padunchwit (2007, p.561) claim

that the linkages between performance measurement and strategy appear to be weak in practice, possibly as a result of the classification of measures into financial, customer, internal processes, and learning and growth. According to Schneiderman (2006), who believes that a company's strategy should be obvious when looking at its measures. Measures themselves are a problem. Meyer (2007, p.115-119) reports that organisations have too many measures (he quotes a figure of 117 measures in the worst case he came across) and are unable to distinguish between those that will drive performance and those that will not.

2.5.2.2 Implementation Stage

Much has been written about PM theory and frameworks but other researchers have attempted to address what they view as a lack of guidance and practical advice at the design and implementation phases. Neely *et al.*, (2000) developed a PMS design process, grounded in performance management theory, and from their study they produced a workbook available to companies to help them design their own PMS. Bourne *et al.*, (2000) developed a framework for analyzing the implementation of a PMS and proposed a process to continually align measurement and strategy to ensure its success.

2.5.2.3 The Use Stage

As mentioned earlier, resistance to measures was cited by Bourne *et al.* (2000, p.762) as a reason for slow progress in the use of a PMS at one of their case study companies. Bourne and Bourne (2007, p.30-31) also found that waning commitment at the use stage contributes to failure when measures are not reviewed properly or

used consistently. As well as people, technology is also a factor cited by Bourne *et al.*, (2000, p.763) when computer systems are either too sophisticated and people not trained to use them to their full potential, or companies are too small to have IT experts who can make full use of them. Linked to computer technology is the issue of data, cited by several authors as a contributing failure factor. Franco and Bourne (2003, p.698), Neely *et al.*, (2000, p.1142), Elzinga, Albronda and Kluijtmans (2009, p.510) have found that managers and organisations are swamped with data which they are then unable to analyze.

2.5.2.4 Review Stage

In research conducted by Franco *et al.*, (2003, p.707) 63% of the PMS practitioners they interviewed mentioned reviewing measures as a factor of great impact when managing through measures. According to Meyer (2007, p.114) and Neely *et al.*, (2000, p.1142) performance measures change continually and lose variance, which makes it difficult to discriminate the good from the bad. Other measures are simply added rather than existing ones reviewed and discarded if obsolete. The problem of having too many measures, mentioned earlier in relation to the design stage, is therefore compounded by an inadequate review of those measures. Franco *et al.*, (2003, p.707) conclude that PMSs require continuous improvement and that measures must maintain their relevance to the organisation.

2.5.2.5 Behavioural Factors

It is worth stressing that causes of failure, which can apply to any PMS framework, are not easy to fit into the four phases above. Some factors involve people and

behaviours. Within this context of the performance measurement process, organisational and people issues have been identified as causes of failure. Following de Waal's (2007) research into successful performance management, twenty behavioural factors were identified as playing a key role in this. Elzinga *et al.*, (2009) conducted additional research to validate de Waal's findings and establish a ranking of the behavioural factors according to their relative importance. The most influential behaviours relate to managers' understanding of the importance of KPIs, CSFs and BSCs, their acceptance of a PMS, their involvement, and past experience.

Chau (2008, p.115) reports that senior management is often so far removed from daily activities that there is a "disconnect" between this level and the rest of the organisation. He believes that leadership is critical in promoting effective performance management. According to Franco *et al.*, (2003) and de Waal (2007, p.8) for example, organisations need to establish a performance culture and improve their communication of performance measurement. Bourne *et al.*, (2000, p.762) also lists individual, team and organisational resistance to measurement in the design and use phases as one obstacle to its successful implementation. Finally one common problem in organisations appears to be business pressures which side-track the implementation of PMSs. Neely *et al.*, (2000, p.1141) found that lack of time due to day-to-day issues was cited by a majority of managers as a cause of poor performance measurement design.

2.5.2 Framework for Success (Strategic PMS)

Following research into causes of PMS failure, de Waal (2007, p.5) suggests a three

stage “performance management development cycle” (see Figure 2.1) which consists of designing a management model, a reporting model and a performance-driven behavioural model so that the whole organisation knows who is responsible for what, progress is monitored systematically and adjusted, and a culture of performance and excellence is established (de Waal, 2007, p.5-6). Thus the whole organisation is involved and works towards the same goal. This performance management development cycle is supported by a project plan for applying the cycle (de Waal, 2007, p.7).

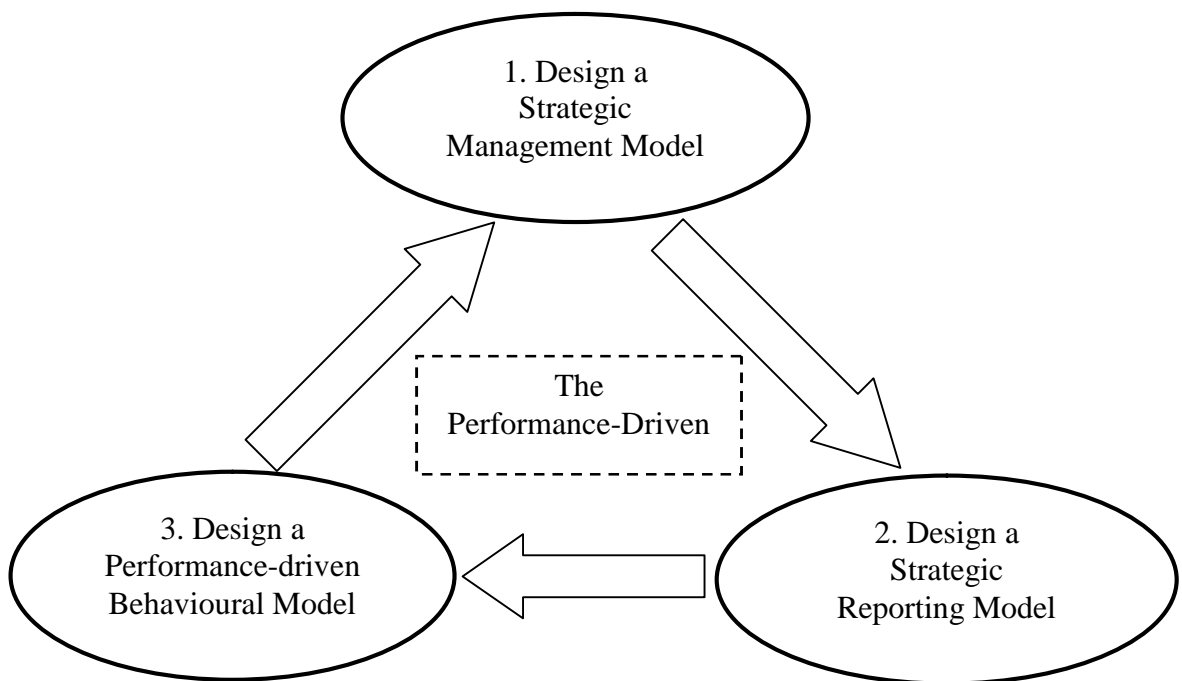


Figure 2.1: Performance Management Development Cycle

Source: de Waal (2007, p.5)

From academic and practitioner literature they reviewed, Franco *et al.* (2003, p.699-702) identified a number of factors that facilitate the use of SPM systems out of which nine have a greater impact on success (p.703): 1) Organisational culture, 2)

Management leadership and commitment, 3) Compensation, 4) Education and understanding, 5) Communication and reporting, 6) Review and update of the SPM system, 7) Data process and IT support, 8) A structured SPM framework, 9) The environment (industry and business related issues). Neely (1999, p.212) and Bourne *et al.*, (2007, p.21) stress that measures must be aligned with strategy, whilst Chau (2008) examines the role of team involvement and the relationship of strategic performance management to team strategy, company performance and organisational effectiveness concluding that teams are crucial to the overall company performance, strategy and effectiveness.

2.5.3 What does Performance Contract mean in Kenya?

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 service 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 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.’

The government of Kenya guidebook on performance contracting defines PC, as a management tool for measuring performance against negotiated performance targets. It further states that a PC is a freely negotiated performance agreement between the government, acting as the owner of the agency and, the management of the agency.

The Performance Contract specifies the mutual performance obligations, intentions and responsibilities between the two parties. The relationship in the negotiation of the contract is therefore what Elmore (2007) terms as exchange involving reciprocity: capacity for performance, and vice versa. Reciprocity therefore operates as a political governor or control system on the relationship between the government and the agencies they seek to influence. The success of this principle requires acknowledgement of reciprocal relationship between principal and agent.

2.6 Critical Review of Supporting Theories

There are two theories that have been used in this research to give it theoretical legitimacy. These are the Happiness and Success, and Diffusion Innovations Theory. Happiness and Success Theory is a proponent of Ruut Veenhoven from the Erasmus University Rotterdam in the Netherlands in 2004. According to this theory, which attempted to relate success of work and happiness, people feel happy when they achieve their set goals, and especially when it is a hard-won goal. Positive anticipation and attendant happiness happens when we predict that we will achieve our goals and feel confident about those predictions, perhaps because they have been right recently. According to this view, happiness is not a permanent state, and no matter what we get, we will always swing between happiness and sadness (Industry Commission of Australia, 1996).

Secondly, people feel a sense of their own significance where they have made positive impact on other people they care about. The sense of significance grows with the size of the impact and the number of people affected. Thus, if they save the

world they feel pretty significant. Thirdly, people's sense of legitimacy has to do with what they leave behind themselves. Most of all, if they can establish values that help others find future success, and then they will feel a strong sense of success. The Happiness and Success theory suggests why it is important to involve employees in setting the performance contract goals so that they can derive happiness from their successes and hope to leave a legacy of key accomplishments (Brown, 1996).

Another important theoretical view of analyzing the new performance contract policy in the public sector in Kenya is by employment of the adoption of Diffusion Innovations Theory. This theory is a proponent of E. M. Rogers in 1962. According to Ahorani (1986), an innovation is an idea, practice, or object that is perceived as new by an individual or other unit of adoption. The novelty in an innovation need not just involve new knowledge because some may have known about an innovation for some time but not yet developed a favorable attitude towards it. On the other hand, diffusion is described as the process by which an innovation is communicated through certain channels over time among the members of a social system. It is the novelty of the idea in the message content of communication that gives diffusion its special character. According to the author, the general convention is to use the word 'diffusion' to include both planned and spontaneous spread of new ideas.

2.6.1 Empirical Analysis of Relevant Studies

Before the Performance Contracts were put in place most governments were trying to run their state corporations without any form of performance evaluation. As one architect of Performance Contracting noted, this was like playing football without

rules, scoreboards, or referees (World Bank, 1995). Currently, achieving excellence seems to be a really difficult goal for public agencies. As can be seen from the results declared in December, 2006, none of the government agencies qualified to be in the excellent grade. This partly is the result of the fact that to be excellent agencies had to achieve targets that were 30% higher compared to the previous year. This approach of mechanically setting limits is similar to the approach used by Koreans in implementing a similar system. However, even Koreans allowed for some flexibility depending on the nature of past trends and standard deviation of the variables (Obong'o, 2000).

Performance Contracting seemed a logical solution to this problem, since similar contracts had been successful in the private sector. No one, including the proponents of Performance Contracting, minimized the problems governments would face in designing such contracts. Much has been written about the problems that principals (in this case the governments) face because they cannot accurately measure the effort expended by their agents (managers) or sort it out from other factors affecting performance. These agency problems are compounded in the public sector, where politicians have many points of view and bureaucrats have many different agendas. Under such circumstances it is hard to judge performance and to motivate managers and hold them accountable for results (Domberger, 1998).

2.6.2 General International Experiences and Studies

Starting in France in the 1970's, Performance Contracting has been used in about 30 developing countries in the last 15 years. In Asia, the Performance Contract concept

has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka. 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. The results of performance contracting in these countries have been mixed. In some countries there has been a general and sustained improvement in Public Enterprises, while in other countries some Public Enterprises have not responded or have been prevented by government bureaucracies and red-tape from responding (Kobia, 2006).

In implementing Performance contracts, the common issues that were being addressed were: improve performance to deliver quality and timely service, improve productivity in order to maximize shareholders wealth, reduce or eliminate reliance on the exchequer, instill a sense of accountability and transparency in service delivery and the utilization of resources and, give autonomy to government agencies without being subjected to bureaucracies and unnecessary long and windy procedures.

2.6.3 Studies and Experiences in African Countries

In Africa, performance contracts have been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Cote de'Voire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire. 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. A little more than a decade, Ghana has

transformed the structure and strategy of its rural water supply sector. By 2000, district assemblies and communities played a significant role in planning supplies. The new policy and structure had attracted extra funds and work was accelerating. This reform process started with an extended dialogue with the major stakeholders in the sector, out of which a new rural water and sanitation policy was developed (Lienert, 2003).

The policy was then implemented in several large pilot projects, supported by a number of external agencies and finally the lessons from those projects were incorporated into the national performance contract programme. The success of this approach was due to the fact that national and international NGOs were contracted to build the capacity of local-level NGOs and CSOs. The Community Water Supply Agency (CWSA) was created as a facilitating agency rather than an implementer. CSWA, as a semi-autonomous public-sector agency, signs an annual performance contract with the State Enterprise Commission. It is committed to staying efficient and lean, below a 200 size staff and highly decentralized to its ten regional offices (World Bank, 2002).

The evolution of contract plans in Swaziland can be traced back to the early 1990s a period that witnessed the promulgation of the Public Enterprise (Control and Monitoring) Act of 1989 (Musa, 2001). The later sought to establish viable control mechanisms for Swaziland's parastatals sector amid a national outcry that public enterprises were continuing, unabated, to be a financial as well as an administrative burden on the government (Musa, 2001). However, the performance agreement of

the early 1990s failed to achieve its stated objective i.e. to improve the performance of the Public Enterprises. This was because of widespread use of consultants in the formulation of contract plans, including the determination mechanisms for the monitoring and evaluation. Public Enterprise management did not develop the necessary sense of ownership and commitment to the success of the enterprise contracts.

The performance contract system for public enterprises was introduced in Gambia in 1987. As a prelude to identifying those Public Enterprises to come under the performance contract system, the Public Enterprise sector was divided into three schedules: Enterprises in which the government is a minority shareholder, Enterprises in which the government is a majority shareholder or has 100% shareholding and Strategic Corporations/Departments. Only Public Enterprises under schedule three were identified as suitable candidates for performance contracts. Under the first phase in 1987, the performance contracts were developed for three Public Enterprises only.

The lessons learnt from performance contracting in Africa can be summarized as: to institutionalize and create ownership of the performance contract, Public Enterprise managers and citizens should be involved and let them manage the process rather than external parties, allocate adequate resources to achieve the set targets, Select few realistic targets rather than too many objectives attempted at once, and governments should honor their financial commitments to the Public Enterprises (Musa, 2001).

2.6.4 Empirical Studies in Kenya

In Kenya, in order to move the implementation of the Public Service Reform Programme (PSRP) forward, the Government developed and launched the Strategy for Performance Improvement in the Public Service in 2001. The strategy sought to increase productivity and improve service delivery. It outlined the actions that were necessary to ingrain long lasting and sustainable change in the way public services were offered. Underpinning this strategy was the Results Oriented Management (ROM) approach, which makes it necessary to adjust operations to respond to predetermined objectives, outputs and results. The adoption of this approach therefore demanded a paradigm shift in Government. This called for a transformation from a passive, inward looking bureaucracy to one which is pro-active, outward looking and results oriented: one that seeks customer satisfaction and value for money.

Consequently the ministries/departments were required to develop strategic plans which reflected their objectives derived from the 9th National Development Plan, the Poverty Reduction Strategy Paper and based on the Medium Term Expenditure Framework (MTEF), Sectoral Priorities and Millennium Development Goals (MDGs) (RBM Guide, 2005). These Framework papers mapped out the route to implementing the Performance Contracting in the Public Sector. The concept of Performance Contracting was first introduced in the management of state corporations in 1989. A Parastatal Reform Strategy Paper, which was approved by Cabinet in 1991, was the first official recognition of Performance Contracting as it was part of the following policies (a) Divesture or Liquidation of non-strategic

Parastatals, 2) Contracting out Commercial activities to the private sector, 3) Permitting private sector competition for existing state monopolies and 4) Improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives) that were recommended to streamline and improve the performance of State Corporations:

Performance Contracts, where applicable will be used to make transparent the cost of social services and to compensate the parastatals for their net costs (GOK, 2003). The first two Parastatals to be on Performance Contracting were Kenya Railways Corporation and the National Cereals and Produce Board. Kenya Railways signed PCs in April, 1989 and National Cereals and Produce Board signed in November, 1990 (GOK, 2003). The experiences of the two parastatals were not very encouraging. However, the Government of Kenya was committed to the performance reforms and took other measures. The Government of Kenya decided to re-introduce Performance Contracting in 2003. By December, 2004, sixteen (16) State Corporations had signed the Performance Contracts. In April, 2005, the Government decided to place the management of 175 Local Authorities on Performance Contracting. All the remaining State Corporations signed Performance Contracts on 30th June, 2006 (Opiyo, 2006).

In Kenya a number of researchers have carried studies on the impact of performance contracting in their organizations and the results have generally been impressive. In 2012, Elizaberth Gathai carried out a study on Analysis of the Factors that influence Implementation of Performance Contracting at the Kenya Civil Aviation.

The study was carried out at the Kenya Civil Aviation Authority and targeted 150 employees of that organization. The study findings were that setting targets, reward systems, performance measurements, and organization culture were strong factors in performance contracting (Gathai, 2012). William Birech, in 2011 carried out a research on Effect of Performance Contracting Strategy on the Performance of State Corporations in the Energy Sector in Kenya.

The research was conducted through a survey research design and looked at the entire energy sector in Kenya. The research findings of this study was that adoption of performance contracting at the energy corporations in Kenya improved the level of performance in the organizations to a very large extent (Birech,2011).

In 2009, Mohamed Ali Mohammed carried out a study on the Impact of Performance Contracting on Organizational Performance at the Kenya Revenue Authority. The study targeted 40 top-level managers of the organization drawn through random sampling technique. The findings of the study were that the performance contract scheme had improved employee performance at the Kenya Revenue Authority (Mohamed, 2009). In another study Hilda Wangui Nderi in 2013 conducted a research on Performance Contracting and Strategy Implementation in Commercial State Corporations in Kenya. The methodology used in this study was descriptive cross-sectional survey. This study targeted all the 31 Commercial State Corporations in Kenya. The research findings of this study was that performance contracting had enhanced the level of accountability in most commercial state corporations in Kenya and had led to the improvement of service delivery (Nderi, 2013).

2.7 Research Gap

Performance contracts are based on the assumption that what gets agreed on, gets done; if you cannot set and measure performance, you cannot reward it. If you cannot recognize failure, you cannot correct it and if you can set targets and show results, you can win public support. Kobia and Mohammed, (2006) observe that performance contracts originated from the perception that the performance in the public sector has been consistently falling below the expectations of the public. Thus performance contracting is part of broader public sector reforms aimed at improving efficiency and effectiveness in the management of Public Services.

Supporting the view held by Kobia and Mohammed (2006), Kyewalabye, (2008), recommended that clearly specified performance contracts are some of the factors that help to enhance employee performance in public organizations because of their motivational drive. Proper design of performance contracts is very essential and should be a major concern to public organizations. In the design of performance contracts, public organizations should concentrate on the selection of appropriate performance indicators (parameters) if performance contracts are to be effective. According to Poppo and Zenger (2002), if performance contract parameters are not properly chosen or if they contain some ambiguities, they may act as a basis for misusing public resources by the civil servants.

This state of affairs may prevail under the disguise of responding to public needs through using “wrong” strategies which benefit the employees and using improper ways to react to uncertainties. Thus performance contracts must be designed after

carefully examining and adapting to particular public needs. Grinblatt and Titman, (2002), suggest that through performance contracts, it is easy for employee performance to be screened in order to establish a match or any deviations between the contractual performance and the actual performance. If deviations are present, an account can easily be given, so as to find out whether the performance mismatch has its roots in the way performance contracts were designed or from the ineffectiveness of the employee. Whichever way, the problem can be identified and rectified thus performance contracts can be a useful managerial instrument in influencing employee performance in public organizations.

Performance Contracting is a critical instrument used by the Government of Kenya to realize its targets and cascaded downwards from the top to the bottom of state corporations. It promotes transparency and accountability in the management of public resources and utilization of the same for the mutual benefit of the people of Kenya. The use of performance contract is also useful in promoting good governance and effectiveness in the management of public affairs. It also showcases areas of weaknesses which require attention in subsequent performance contract reviews. A performance contract provides an expected performance bound and an institutional framework in which an employee's rights, duties, and responsibilities are codified and the goals, policies, and strategies underlying the anticipated contingencies are specified. In the public sector, employee's performance has to be governed by a complete contract specifying what an employee is expected to do in order to achieve expected performance.

This research study is therefore an attempt to bridge the knowledge gap that has existed on the relationship between performance contracting and organizational performance at the Kenya National Examinations Council. In conclusion, public organizations should realize the importance of performance contracts and their ability to stimulate employee performance especially when they are matched with the desired incentives. Establishing a relationship between performance contracts and employee performance was among the objectives of this study. This study focused on the relationship between PC and organizational performance at the Kenya National Examinations Council, a state corporation charged with the management and administration of examinations in the country, other than those offered by the universities.

2.8 Conceptual Framework

de Waal (2007) and Kaplan (2001) assume that a relationship exists between performance measurement and employee performance. Schmitz and Platts, (2004) observe that every organization needs a clear and cohesive performance measurement framework that is understood at all levels of the organization and that, which supports organizational objectives and the collection of results. All high-performing organizations whether public or private must be interested in developing and deploying effective performance management systems since it is only through such systems that organizations can remain high-performing.

To improve performance, managers need to know what their current performance is. Measurement provides the basis for providing and generating feedback, and thus a

platform for identifying where things are not going well so that corrective action can be taken. In measuring performance, there are both general and specific indicators of employee performance which can be measured by public organizations. Among the general indicators, quality lies at the “heart” of every organization. Quality addresses how well the employee or work unit performed the work and/or the accuracy or effectiveness of the final product/service (Lambert & Salterio, 2000).

Neely (1999, p.218 and p. 223) states that, in organisations, performance measures are usually an integral part of performance management systems. It is necessary for management teams to design an appropriate measurement system for their organisation and measures must be limited to a few critical success factors. However, measures in themselves are not sufficient and need to be managed, a skill which demands application, planning, monitoring in order to achieve results. This systematic approach is demonstrated in Franco and Bourne (2003), de Waal (2007); Meyer (2007); Tangen (2004); Olsen, Zhou, Lee, Ng, Chong, and Padunchwit, (2007) who have set out stages in performance management to ensure success. From a review of the literature it would appear that PMS frameworks have some common points in that they address internal and external factors, consider internal and external stakeholders, involve the whole organisation, have a customer focus, view finance records as a result, not a driver. Performance measurement needs a holistic approach and a strategic purpose as the end goal is growth.

The figure below demonstrates the relationship between PC and performance. Empirical findings show that there is a strong positive relationship between PC

strategy and improved performance of public institutions. This implies that public institutions apply PC strategy to be more productive, effective and competitive.

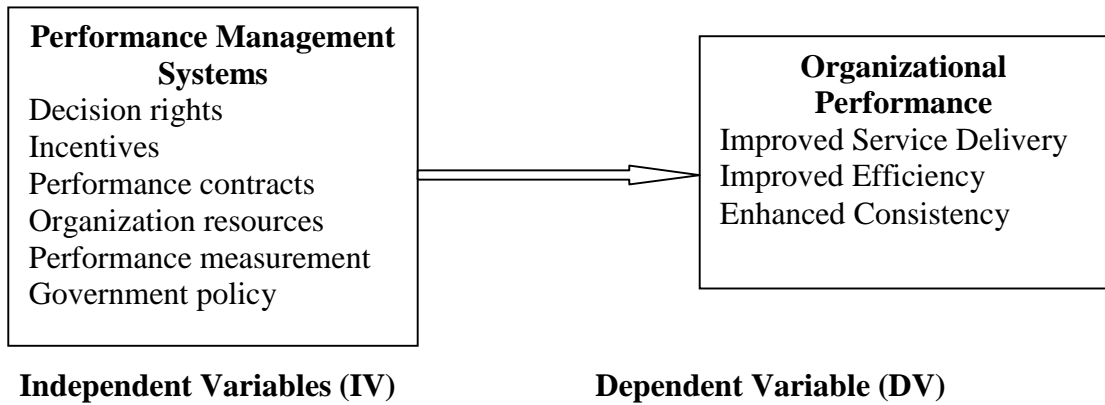


Figure 2.2: Conceptual Framework

Source: (Author, 2014)

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter indicates how the research was carried out, which methods were used to collect data. It also shows how the samples were selected and the methods which were used in analyzing the data collected. Primary data tool used was questionnaires while secondary data included text books, newspapers and journals.

3.2 Research Paradigm

3.2.1 Research Design

Research design refers to the method used to carry out a research. It is important to highlight two methods when investigating and collecting data; qualitative and quantitative. Descriptive research on the other hand, is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. According to Cooper and Schindler (2003), a descriptive research is concerned with finding out the what, where and how of a phenomenon.

The main focus of this study is quantitative research and it adopted a descriptive design which is meant to evaluate the impact of performance contracting at the Kenya National Examinations Council. The subjects were observed in a completely natural and unchanged environment. The descriptive approach also allows for the results to be presented through simple statistics, tables, mean scores, percentages and frequency distributions (Mugenda & Mugenda, 2003).

3.3 Population and Area of Research

This study used the population of the Kenya National Examinations Council that consists of 410 employees on permanent employment status, 16 are in the Senior Management, 85 in the Middle Management, 117 in the Lower Management and 192 support staff. However, the support staff do not sign performance contracts (KNEC HR Manual, 2013), consequently did not form part of the population under study.

The area of research will be the Kenya National Examinations Council, situated in Nairobi, Kenya. The Kenya National Examinations Council is housed in six different locations and all locations were represented in the population. The criteria of using this population is that this is the group of employees who deal in a more direct way in the areas of performance contracting, hence their views and opinions were valid in assessing the impact of performance contracting at the Council.

3.4 Sampling Techniques and Sample Size

A sample is a collection of units from a population used to determine truths about the population (Field Andy, 2005). Nachmias and Nachmias (2008) have observed that a sample must be derived from the population that is active in the phenomena being studied. Sampling is done to some elements of a population so that conclusions about the whole population can be drawn (Kamaara, 2012). Mugenda and Mugenda (1999) recommend that in descriptive studies, 10% of the survey population is representative to generalize characteristics being investigated. Below is a table showing the population of employees at the Kenya National Examinations Council at managerial levels and the sample size.

Table 3.1: Sample Size

Category	Population	Sample	Percent
Senior Management	16	14	87.0 %
Middle Management	85	23	27.0 %
Lower Management	117	25	21.0 %
Total	218	62	28.0 %

Source: (Author, 2014)

The sample size was 218 employees. Each cadre of employees, that is the Senior Management, Middle Management and Lower Management were sampled to represent the characteristics of the population as indicated above. The cluster of 192 support staff was not sampled since this cadre does not sign Performance Contracts with their supervisors.

3.5 Data Collection Techniques

Data was collected through semi-structured questionnaires consisting of three sections. Section A was designed to obtain demographic and respondents profile information. Section B consisted of questions on awareness of the performance contacting process or scheme. Section C consists of questions on the impact of performance contacting process or scheme. Questionnaires are commonly used to obtain important information about the population. Each item in the questionnaire is developed to address a specific objective, research questions or hypothesis of the study (Mugenda and Mugenda, 1999). The questionnaires were delivered to the respondents by hand at their respective work stations during working hours. Stratified and simple random sampling was used to select the respondents.

3.6 Data Analysis

According to Mugenda and Mugenda (2003), data analysis is the process of bringing order, structure and meaning to the mass of information collected. The study adopted a descriptive analysis by use of descriptive statistics. According to Cooper and Schindler (2003), a descriptive paper is concerned with finding out the what, where and how of a phenomenon. Completed questionnaires were edited for completeness and consistency. The data was then coded and checked for any errors and omissions. Qualitative data was transcribed and organized into similar topics and presented by use, tables of frequency distribution, correlation analysis and percentages.

3.7 Validity and Reliability

Validity and reliability are important components of the research process and have to be ensured through the adoption of the correct procedures in administering the instruments. According to Mugenda and Mugenda (1999), in a research study, the reliability co-efficient can be computed to indicate how reliable data are. A co-efficient of 0.80 or more implies that there is a high degree of data reliability. Sometimes, a researcher may get away with using less reliable data if the sample is very big or the variables under study differ or vary greatly among the subjects. But where the sample size and variations among the subjects are small, a highly reliable data set is required to reveal the magnitude of these variations.

In this study, during the questionnaire's construction, quality control and validity were ensured through face validity and construct validity. In face validity, the instrument is subjected to a critical review to check whether it has measured what it

was intended to measure. Construct validity was maintained through restricting the questions to the conceptualization of the variables and ensuring that the indicators of a particular variable falls within the same construct.

The data to be presented in this study was analyzed using three sets of techniques. The first technique was descriptive statistics, where the percentages and frequencies together with the means and standard deviations were computed and analyzed for each item that measures the impact of performance contracting at the Kenya National Examinations Council. The second was correlation analysis, which established the relationship between the impact of performance contracting and performance at the Council. The third was simple linear regression analysis to examine the extent to which performance contracting (independent variable) explains the variation in improved service delivery, improved efficiency and enhanced consistency (dependent variables).

3.8 Limitations of the Study

One of the limitations of the study was the fact that some of the relevant information related to management was sensitive hence respondents were not willing to divulge it. The study scope requires massive efforts in time for the respondents and this will present a challenge given the limited amount of time and the characteristically busy schedule of KNEC officers. The location of the population of study, environmental conditions and characteristics of the sample such as the unwillingness of respondents to engage and provide the information needed to adequately carry out the research and the sheer vastness of the area of research poses a great challenge to the

researcher since KNEC is vastly located. The Kenya National Examinations Council is located in six different locations in the city of Nairobi. Given the fact that the questionnaires were administered during normal working hours, this meant that the researcher had to traverse all the six locations in order to get meaningful responses. Honesty or dishonesty of the respondents was not something the researcher can vouch for and one only hopes that the questionnaires were answered to the best of the respondents' knowledge and understanding.

CHAPTER FOUR

4.0 DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter deals with analyzing, presentation and interpretation of the findings of the study carried out to assess and evaluate the impact of performance contracting on organizational performance at the Kenya National Examinations Council. The findings have been presented using frequency tables, charts, and percentages.

4.2 Response Rate

The targeted population was 218 respondents, who were identified through stratified sampling of the levels of management (Senior, middle and lower) where respondents from each level were randomly selected. The questionnaires returned were 62 and this gave a response rate of 28 %. According to Mugenda and Mugenda (2003) a response rate of 10% or more is sufficient for research analysis purposes and is recommended for descriptive studies. Therefore, the response received in this study was considered to be sufficient for analysis and reporting as well as to draw conclusions. Overall responses were then analyzed using descriptive statistics and correlations using the Statistical Package for Social Science (SPSS).

4.3 Characteristics of the Sample

This section presents the characteristics of the sample in terms of demographics, gender, age, marital status and level of education. Other characteristics include the position held and the duration the respondents have been with the organization.

4.3.1 Demographics

The demographic characteristics of respondents are discussed in terms of gender, age, level of education, rank in the organization, length of service and terms of employment. This was to aid the population statistics for the study.

4.3.2 Gender

This study sought to establish the gender of the respondents. From the findings shown in Table 4.1, 58.1% of the respondents were male while 41.9% were female. Though there was no discrimination in issuing out the questionnaire, and whereas every person had an equal chance of being selected as a respondent, majority of the respondents were males. However, this implies that there was gender equality/parity among the respondents and even within the organization.

Table 4.1: Gender of the Respondents

Gender	Frequency	Percent (%)
Male	36	58.1
Female	26	41.9
Total	62	100.0

4.3.3 Age of the Respondents

This study sought to find out the age of the respondents. The findings are illustrated in Figure 4.2 below. From the findings in Figure 4.2, 23% of the respondents were aged between 31-40 years, 48% were aged between 41-50 years and 23% were aged between 51-55 years of age. Considering the most productive years of an adult are between the ages of 20-50 years (Central Bureau of Statistics, 2010), this study

showed that majority of the respondents were relatively young and therefore one may deduce that employees within KNEC are in their most productive years in life.

Table 4.2 Age of the Respondents

Years Of Age	Percentage
31- 40	23
41 - 50	48
51 -55	23
Above 60	6

Source: Field Data, 2014

4.3.4 Current Position in KNEC

This study sought to find out the current position of the respondents. It established that 23% were in senior management, 37% were in middle management and 40% were in the lower management. The data is presented in Figure 4.3 below. . Based on these findings, this study confirms that feedback was received from all cadres within the organization in regard to the set objectives.

Table 4.3: Current Positions in KNEC

Current Position	Percentage
Senior Management	23
Middle Management	37
Lower Management	40

Source: Field Data, 2014

4.3.5 Level of Education

In regard to education, this study sought to find out the level of education that the respondents had by the time of data collection. The findings are shown in Figure 4.4 below. The findings show that 60% of the respondents had master's level

education, 34% had a first degree and 5% had diploma level education. Professionalism is seen as a basic factor in organizational management and KNEC has ensured that its employees possess the correct qualifications in their respective managerial levels.

Table 4.4: Highest level of Education

Highest Level of Education	Percentage
Diploma	5
First Degree	34
Masters	60
PHD	1

Source: Field Data, 2014

4.3.6 Department in the Organization

This study sought to find the various departments that the respondents were working in. The findings are shown in Table 4.5 below.

Table 4.5: Department the Respondent is Working

Department the respondent is working	Frequency	Percent
CS/CEO	15	24.2
GA/HRM	9	14.5
Test Development	15	24.2
Examinations Administration	10	16.1
ICT	3	4.8
Reprographics and Manuscript	10	16.1
Total	62	100.0

Source: Field Data, 2014

The findings indicate that 24.2% of the respondents work in the CS/CEO's office, 14.5% was based in the GA/HRM department, 24.2% were in Test development department and 16.1% were based in Examinations Administration and

Reprographics and Manuscript departments. These findings correspond with the objective of the study whereby managers across various departments would be targeted.

4.3.7 Duration with the Current Department

This study sought to establish how long the respondents had worked within their department in the organization. The findings in Table 4.6 indicate that 37.1% of the respondents had worked for less than 5 years with their current department, 32.3% had worked for 6-10 years with their department, 21% had worked for over 16 years while 9.7% had worked for 11-15 years. This shows that the firms' are experiencing a high rate of employee retention in various departments.

Table 4.6: Duration Worked in the Current Department

Duration worked in the current department	Frequency	Percent (%)
Less than 5 years	23	37.1
6-10 years	20	32.3
11-15 years	6	9.7
Over 16 years	13	21.0
Total	62	100.0

Source: Field Data, 2014

4.4 Empirical Findings and Discussion

This section presents the findings and discussion of the same as per the objectives stated.

4.4.1 Cross tabulation of Awareness of Performance Contracting, Signing and Duration of its Existence

From the findings in Table 4.7 below, all the respondents (100.0%) indicated that they were aware of PC within KNEC. From the findings, 44 (71.0%) of the

respondents indicated that they had signed PC with their immediate supervisors. From these number, 6 respondents indicated they had done so for less than two years, 10 respondents had done so for between 2-3 years, 14 respondents for between 4-5 years and 6 years and above respectively.

Table 4.7: Cross Tabulation of Awareness of PC, Signing and Duration of Its Existence

Have you signed performance contract with your immediate supervisor * If yes how long has performance contracting being in place at KNEC						
		If yes how long has performance contracting being in place at KNEC				Total
		Less than 2 years	2-3 years	4-5 years	6 years and above	
Have you signed performance contract with your immediate supervisor	Yes	6	10	14	14	44
Total		6	10	14	14	44

Source: Field Data, 2014

4.4.2 Cross Tabulation of Implementation of PC and ways Operations of the Council have changed

From the findings on Table 4.8 below, 47 (75.8%) of the respondents agreed affirmatively that PC exercise within KNEC had brought about significant changes in its way of operations where 18 (29%) stated that processes are well documented for evidence purposes or ease of retrieval, 4 (7%) indicated the Council had satisfied customers and better rating by the public while 25 (40%) stated that there was clarity of roles and responsibilities especially in timeliness and service delivery. This is further supported by literature that the problems that have inhibited the performance of government agencies are largely common and have been

identified as excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (RBM Guide, 2005). However, contracts are based on the premise that what gets measured gets done; if you cannot see and measure success, you cannot reward it; if you cannot recognize failure, you cannot correct it and if you can demonstrate results, you can win public support (Musa, 2001).

Table 4.8: Cross Tabulation of Implementation of PC and Ways Operations of the Council Have Changed

Significant changes in KNEC operations due to implementation of PC			
		Implementation of PC has brought about significant changes in KNEC operations	Total
		Yes	
Ways that operations of the Council have changed	Processes undertaken, evidence is filed for ease of retrieval	18	18
	Satisfied customers and better KNEC public rating	4	4
	Clarity of roles and responsibilities (Timeliness in service delivery)	25	25
Total		47	47

Source: Field Data, 2014

4.5 Relationship between Performance Contracting and Performance

This study also sought to find out the relationship of PC in regard to service delivery, improved efficiency and enhanced consistency. The findings are tabulated in Table 4.9. From these findings, in terms of service delivery, customers' complaints have greatly reduced with 62.9% either agreeing to a very great extent or a great extent 72.9% indicated that more employees have been trained, in terms of enhanced consistency, 77.4% stated and agreed that actions plans of departments have been

incorporated in the PC while another 77.5% agreed that performance contract places emphasis on the results delivered. However, one crucial finding in terms of enhanced consistency was that 35.5% indicated agreed either to a small extent or very small extent that appropriate inducements are provided for increased efficiency while almost half of the respondents (41.9%) agreed moderately too the statement.

From the reviewed literature as noted by Maritz (1995) it is the underlying cultural supports within an organization that provide a basis for excellent performance by an individual. A high performance culture facilitates and rewards potential through factors such as a strong system of values and a credible leadership. Today's performance management systems are more refined and are based on the understanding that the dynamic, creative employees that an organization desires and requires today cannot be fitted in to a one-size-fits-all model.

The implementation of performance management system starts with the process of defining the vision and mission and translating these into actionable goals and objectives for the organization. Once an organization's vision and mission statement have been clearly identified and communicated to the employees, the various teams (departments/programmes) within the organization can begin to work on the goals that they need to reach in order to attain the organizational objectives laid out in the mission statement.

This is further supported by Brown and Armstrong (1999) who indicates that PC should be considered as being anything that an organization does to improve its total performance. They postulate that it has four primary purposes of assisting

organizations in providing a basis for managing both organizational and employee expectations. This is achieved by enabling individuals and organizations to clarify the nature of the psychological contract between them. It also aims to provide a framework which facilitates the integration of corporate and individual objectives, beginning with the communication and integration of the organizations core values. Performance management systems that integrate mission and objectives aim to motivate towards established and clearly communicated expectations, and also, to provide a developmental process for the organization by setting guidelines that assist in establishing future needs and outcomes.

Table 4.9: Impact of Performance Contracting

Statement	Very Great Extent	Great Extent	Moderate Extent	Small Extent	Very Small Extent
Service Delivery					
Customer complaints have reduced	3.2%	33.9%	43.5%	14.5%	4.8%
There has been reduced delays in services	4.8%	38.7%	37.1%	16.1%	1.6%
Customer care has improved	11.3%	51.6%	27.4%	6.5%	3.2%
KNEC has been rated highly through customer satisfaction surveys	3.2%	37.1%	46.8%	9.7%	3.2%
Improved Efficiency					
There has been more delegation of duties	6.5%	50.0%	33.9%	6.5%	3.2%
Employees have been more empowered	4.8%	41.9%	40.3%	9.7%	3.2%
More employees have been trained	14.5%	48.4%	27.4%	8.1%	1.6%
Better ways of communication have been introduced	12.9%	45.2%	33.9%	6.5%	1.6%
Enhanced Consistency					
Actions plans of departments have been incorporated in the PC	25.8%	51.6%	16.1%	4.8%	1.6%
Employees work willingly towards organizational objectives	12.9%	50.0%	30.6%	3.2%	3.2%
Signing PC with the GoK has improved Performance at KNEC	21.0%	56.5%	17.7%	3.2%	1.6%
Appropriate inducements are provided for increased efficiency	3.2%	19.4%	41.9%	27.4%	8.1%

Source: Field Data, 2014

4.6 Summary of Data Analysis

The data analysis of this research has shown that there is a strong and significant relationship between performance contracting and improved organizational performance. It has shown also that there has been tremendous improvement in service delivery. Efficiency has been shown through the ways the Kenya National Examinations Council has handled its core and mandated duties. There has also been consistency in the operations of the Council

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on the impact of performance contracting at the Kenya National Examinations Council, the conclusions and recommendations drawn there to. This chapter is therefore structured into the following sub-headings: summary of findings, conclusions, recommendations and areas for further research.

5.2 Summary of Findings

The study found out that at KNEC there is gender equality/parity as 58.1% of the respondents were male and 41.9% were female. This shows that KNEC as an employer is gender sensitive and seeks to maintain gender parity at all levels.

The study further showed that KNEC has majority of its employees at the most productive ages of 31 to 50 years. 71% of KNEC employees are in this age bracket. Only 29% of KNEC staff are above 51 years.

The study revealed that 23 % were in Senior Management, 37% in Middle Management and 40% in Lower Management. This shows that the levels that sign performance contracts at KNEC are people with managerial skills and are therefore able to enhance accountability and productivity. The study showed that the level of education of KNEC employees was very high. 60% of the respondents had Masters Degrees, while 34% were first degree holders and 5% were diploma holders. There

was only 1% of the respondents who were PH.D holders. According to Jepsen and Sheu (2003), education levels impact on employee motivation and performance. All the six departments of the Council were equally represented, thus giving validity to the responses on performance contracting at the Kenya National Examinations Council. The Test Development Department had 24.2 % equal to that of the Chief Executive Officer's Department, while the ICT Department which gives support services to the other departments had 4.8 % of the respondents. The study further revealed that a majority of 63% of KNEC employees had served the organization for a period of six years and above. Only 37.1 % had served for five years and below. This trend is good for KNEC since it shows continuity of the workforce thus enhancing productivity and efficiency.

On awareness of performance contracting at KNEC, 100% of the respondents indicated that they were aware that performance contracting existed at the Council. 71% of the respondents indicated that they had signed performance contracts with their immediate supervisors.

The study also indicates that from a statistical perspective there is a positive relationship between the variables.

5.3 Conclusion

The overall findings of this study indicate that Performance Contracting can and have enhanced performance at the Kenya National Examinations Council. The first specific objective of this study was to find the responses on whether performance

contracting had improved delivery of services at KNEC. From the findings in Table 4.9 above, 80.6% indicated that service delivery had improved from moderate extent to very high extent. This is a significant extent in measuring service delivery. This was evidenced by the fact that respondents indicated that customer complaints had reduced, there were reduced delays in services, and customer care had improved and that KNEC had been rated highly in customer satisfaction surveys carried out in KNEC.

The second specific objective was to find out on how performance contracting has improved efficiency at the Kenya National Examinations Council. According to the respondents in Table 4.9, 90.4% had agreed from moderate extent to very great extent that efficiency had increased at the Council. This was evident by the fact that respondents agreed that there has been more delegation of duties, employees have been empowered and trained and better ways of communications have been established at the Council.

The third specific objective of this study was to establish the impact of performance contracting at the Council on enhanced consistency. As shown in Table 4.9 above, 93.5 % of the respondents agreed from moderate extent to very high extent that consistency at the Council had been enhanced. This was evident by the fact that the respondents concurred with the facts that departmental action plans had been incorporated in the KNEC Performance Contract, employees work willingly towards organizational objectives and that performance contracting place emphasis on the results delivered.

The quality of training and knowledge on performance contracting is important to ensure harmony of purpose. Effective training and sensitization on performance contracting to all Council staff is a critical aspect that needs to be urgently addressed so that there is synergy in the implementation of performance contracts. If the Kenya National Examinations Council has to continually improve on performance of its core functions, then the training component must seriously be linked to the overall targets in performance contracting.

5.4 Recommendations

The implementation of performance contracting must be to enhance performance. summarizes it as follows: institutions establish mechanisms of actively promoting positive work environment. Modern positive change will involve maximizing growth with emphasis on technology and production. This adopts an open door policy and it is participatory. It is open to creative thinking, ideas, and challenges from life experiences, as well as emerging needs.

It is critical that Performance Contracting therefore involves regular feedback and constant monitoring and evaluation is undertaken so as to improve the ability of the staff to discharge their duties. In addition, it is recommended that the Kenya National Examinations Council link performance to rewards and sanctions. This recommendation is supported by the fact that 35.5% of the respondents intimated that there were no appropriate inducements given to those who performed well in their duties. To further improve service delivery, it is suggested that the signing of performance contracts be cascaded downwards so that all staff are involved in the

process and will more readily accept and implement the targets of the overall organization. In summary the recommendations are as follows:

- i) All staff of the Council should sign performance contracts
- ii) All staff should be trained in strategic planning and performance contracting
- iii) All staff must familiarize themselves with performance contract by reading and internalizing it.
- iv) There should be consultation in the negotiation process and setting up of performance targets before the signing of the contracts
- v) Negotiations of the targets should be cascaded down to the lowest levels of employees.
- vi) Regular monitoring and feedback be undertaken to ensure that targets are met on time.

Performance contract should be linked to rewards which are defined on the policy guidelines on rewards. Currently, the findings indicate that the contract document does not have links on rewarding exemplary performance. There is therefore an urgent need at the Kenya National Examinations Council and other state corporations who have adopted performance contracting to put in place policy guidelines on rewards. Once the policy is in place, employees who meet and exceed their performance targets should be rewarded.

5.5 Areas for Further Research

The study recommends that further research be carried out in the following areas at the Kenya National Examinations Council: comparisons with other parastatals of the

same category as KNEC to find out how they have fared on with Performance Contracting. There is need to determine the impact of Performance Contracting on the Organization Structure of the Council. It will also be of interest to know how the Strategic Plan of KNEC has been influenced by Performance Contracting. At a later date when performance contracts will have been cascaded to all KNEC employees, it will be necessary to look at the overall performance of KNEC then since improved performance is an on-going process.

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APPENDICES

APPENDIX I: Research Questionnaire

The Researcher is a student pursuing a Master's Degree in Human Resource Management at the Open University of Tanzania (OUT) in collaboration with the College of Human Resource Management, Kenya. The Researcher intends to establish the Impact of Performance contracting in the Government of Kenya: A Case Study of the Kenya National Examinations Council. Please provide the following information honestly and frankly. All information received will be treated confidentially and used for academic purposes only.

PART A: Demographic and Respondents Profile Information

Please tick () where appropriate.

1. Please indicate your gender Male () Female ()

2. What is your age bracket?
 - i. Below 20 years ()
 - ii. 21 - 30 years ()
 - iii. 31 - 40 years ()
 - iv. 41 - 50 years ()
 - v. 51 - 55 years ()
 - vi. Above 56 years ()

3. Which of the following best describe your current position in the organization?
 - i. Lower Management ()
 - ii. Middle Management ()

iii. Senior Management ()

4. Indicate your highest level of education.

i. Diploma ()

ii. First Degree ()

iii. Masters ()

iv. PHD ()

5. Which Department are you in?

i. CS/CEO ()

ii. GA&HRM ()

iii. Test Development ()

iv. Examinations Administration ()

v. I.C.T ()

vi. Reprographics & Manuscript ()

6. How many years have you worked in your current department?

i. Less than 5 years ()

ii. 6- 10 years ()

iii. 11- 15 years ()

iv. Over 16 years ()

PART B: Awareness of Performance Contracting Process

1. Are you aware of the performance contacting process?

Yes ()

No ()

2. Have you signed performance contract with your immediate supervisor

Yes ()

No ()

If Yes how long has performance contracting been in place at KNEC?

- i. Less than 2 years ()
- ii. 2- 3 years ()
- iii. 4- 5 years ()
- iv. 6 years and above ()

3. Since implementation of performance contracting at KNEC have you noticed significant changes in the way of its operations

Yes ()

No ()

If Yes, in what ways has the operations of the Council changed?

PART C: Impact of Performance Contracting

Please tick () in the table on the next page by scoring in the 1–5 point scale, the extent to which you agree with each of the following statements with respect to performance contracting process at the Kenya National Examinations Council. Use the following key:

- 5** Very Great Extent
- 4** Great Extent
- 3** Moderate Extent
- 2** Small Extent
- 1** Very Small Extent

Statement	<i>Very Great Extent</i>	<i>Great Extent</i>	<i>Moderate Extent</i>	<i>Small Extent</i>	<i>Very Small Extent</i>
	5	4	3	2	1
Service Delivery					
Customer complaints have reduced					
There has been reduced delays in services					
Customer care has improved					
KNEC has been rated highly through customer satisfaction surveys					
Improved Efficiency					
There has been more delegation of duties					
Employees have been more empowered					
More employees have been trained					
Better ways of communication have been introduced					
Enhanced Consistency					
Actions plans of departments have been incorporated in the PC					
Employees work willingly towards organizational objectives					
Signing PC with the GoK has improved Performance at KNEC					
Appropriate inducements are provided for increased efficiency					

Thank you very much for your responses and co-operation, I really appreciate!

APPENDIX III: BUDGET

Below is a list of items that will be required to carry out the research and their approximate cost.

S/N	ITEM	ESTIMATED COST(KSHS)
1.	Secretarial Services	
	Typing and printing the proposal	7,000.00
	Typing and printing the research project	10,000.00
2.	Stationery	
	Foolscaps – 2 reams @500	1,000.00
	Pens & Pencils	300.00
	Flash Disc	2,000.00
	DVD	1,000.00
3.	Binding Costs	
	Binding Proposal	500.00
	Binding the Research document	1,000.00
4.	Travelling Expenses	
	To pre-test Questionnaire	500.00
	To administer Questionnaire	1,000.00
	To defend the Research at Dar-es-salaam	50,000.00
	(return)	70,000.00
	To Graduate at OUT – Dar-es-salaam (return)	
5.	Subsistence allowance while at OUT	30,000.00
6.	Incidentals	20,000.00
	TOTAL	194,300.00